Impact of Globalisation on Thai Small and Medium Enterprises: A Study of the Clothing and Textile Industry

Pakinee Kunkongkaphan
Bachelor of Business and Commerce, Monash University
Master of International Business, Monash University

Submitted in partial fulfilment of the requirements of the degree of
Doctor of Business Administration

College of Business
Victoria University
Melbourne

April 2014

Abstract

Globalisation has had significant impact on businesses and countries around the world, especially in the case of small and medium enterprises, and is increasingly contributing to national economies by way of increased output and increased employment. The purpose of the research is to study the impact of globalization on the performance of SMEs in Thailand, in order to formulate policies that would enable these firms to survive and prosper in an increasingly competitive global environment.

The study adopted a mixed method approach where the first phase involved a sample survey followed by a second phase of in-depth interviews. The survey data was subject to contingency analysis to establish relationship between pairs of variables. The hypotheses were tested using χ^2 tests. This was followed by a case study approach on ten firms. The case studies provided in depth information that cannot be achieve via a sample survey. This triangulation approach facilitated better understanding of the study problem.

The results show that the SMEs are affected by globalisation through internal and external factors and these effects have been positive for some and negative for the others. The business structure and the culture of the SMEs seem to have a strong influence on this differential effect.

Many of the SMEs included in this study were not able to benefit from the changes brought about by globalisation. This is mainly due to a lack of awareness of the opportunities offered by globalisation. The results from the survey indicate that about half of the competencies do not have direct effect on the performance of the SMEs. These are due to the fact that the characteristics of the SMEs are different to those of the big firms. However, the result of the case studies shows that most of the internal factors, external factors and

globalisation have direct effect on SMEs performances. Regulatory factors and fiscal and monetary policies do not have an effect on SMEs performance.

In recent years, the Thai government has established many programmes and policies that provide information, technical support, financial support and connection for SMEs. The SMEs that have participated in these programmes or taken advantage of these policies are benefiting from them. However, the number of participating SMEs is still very low compared to the overall number of SMEs in the market.

The outcomes of this study can contribute to helping the SMEs in the clothing and textile industry of Thailand to confront some of the challenges and sustain their competiveness in the era of globalisation. The study was conducted to fill the gaps in knowledge on the effects of the free trade environment on the SMEs of a developing country, in particular, the local manufacturing industry, and how the local businesses can adjust or adopt strategies to implement changes to their business models or practices to survive and prosper under free trade conditions.

Student Declaration

I, Pakinee Kunkongkaphan, declare that the DBA thesis entitled ‘The Impact of Globalisation on Thai Small and Medium Enterprises: A Study of the Clothing and Textile Industry’ is no more than 65,000 words in length including quotations and exclusive of tables, figures, appendices, bibliography, references and footnotes. This thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work.

Signed: ____________________ On: 03 April 2014

Acknowledgements

Completing this thesis has been a long and tough journey but with help and support from many people, the journey was a good and memorable one. I would like to express my gratitude to many people without whom this thesis may not have been possible. First, I would like to express my deep gratitude to my principal supervisor, Dr SeguZuhair from the College of Business, Victoria University, for his guidance, support and invaluable advice throughout my research. I also extend my gratitude to my co-supervisor, Prof. John Breen from the College of Business, Victoria University, for his guidance and suggestions.

During the journey, I have made many new friends who have shared a similar journey and been a great moral support throughout my study. I would like to thank all the friends from the research office who have put up with my nonsense and complaints, and made the research seem more fun at times. I would also like to thank Tina Jeggo, who helped with all the administrative work and made all the paperwork less of a headache.

I would like to thank my family and close friends, who have always been there for me. Many thanks go to my siblings, Sofia, Nasa, Farouk, Farida and Keing, who kept their complaints to a minimum during my absence from home and provided moral support. My thanks also go to Aung Soe for his support and for lending his ear and listening to me whining.

Lastly, I dedicate this thesis to my parents. My deepest gratitude to my mum (Mrs Ketkanok) and dad (Mr Rawin), who have always loved and supported me with whatever, I do in life. Without their support, this thesis would not have been possible.

Table of Contents

List of Figures

List of Tables

List of Abbreviations

ASEAN	Association of South-East Asian Nations
FDI	Foreign Direct Investment
FTA	Free trade agreement
GDP	Gross domestic product
GNP	Gross national product
ICT	Information and communication technologies
MFA	MultifibreArrangement
MNE	Multinational enterprise
NAFTA	North American Free Trade Agreement
R&D	Research and development
ROA	Return on assets
ROAA	Return on average assets
ROE	Return on equity
ROI	Return on investment
SME	Small and medium enterprise/Small and medium-sized enterprise
SPSS	Statistical Package for the Social Sciences

Chapter 1

Introduction

1.1 Introduction

In the past decade, issues of globalisation have been discussed in the media and the literature, and one issue that is of most concern to the small business sector of developing countries is how this phenomenon might affect their business operations and the wellbeing of the population. Studies on the effects of globalisation or a free trade environment on business operations and performance have been undertaken principally with ‘big’ multinational corporations and there is a perceived lack of equivalent studies of the small and medium-sized enterprise (Glasmeier, Thompson & Kays), especially for some particular industries in developing countries.

1.2 Research Background

Globalisation brings various new challenges and opportunities to different countries. The effects of globalisation have been reported as varying from country to country and depending on the size of the business (Hartungi 2006). Thailand, a developing country, might be affected quite differently than other developed countries as well as other developing countries. This research aims to examine and identify the possible effects of a free trade environment on the SMEs of Thailand’s clothing and textile industries and the strategies they might adopt to overcome the adverse effects under a projected free trade environment.

The focus of this research is to identify and examine the factors or elements that might have contributed or could contribute to the competitiveness of SMEs in the clothing and textile industry of Thailand. The research will also identify the changes, challenges or threats, and opportunities that could emerge from a projected free trade environment and the inevitable increase in competition. It is anticipated, based on this research undertaking, analysis and discussion with Thai SMEs on these issues, that significant strategic recommendation will emerge for sustaining the competitiveness of these SMEs in Thailand in a new era of free trade.

The internationalisation of businesses and the effects of globalisation on the SMEs have not been given much attention in the past. Most studies have focused on the internationalisation of multinational enterprises (MNEs), but in the past ten years, the focus has shifted to SMEs. With the changes brought about by globalisation and the changes in social-economic circumstances, SMEs are facing problems that were once only faced by MNEs. SMEs are now being challenged by international competition and globalisation effects. They can no longer afford to ignore the international environment and need to develop new strategies to compete locally and globally (Ruzzier, Hisrich & Antoncic 2006).

Due to the changes in the market and trading environment, SMEs are playing a bigger role in local economies and international markets. They have attracted much interest from local government as a driver of local economic improvement, increase of economic growth and boosting of the employment rate. With a high percentage of total businesses being SMEs, governments are trying to help them with direct incentives and regulations. With these concerns, many studies now are paying more attention to the internationalisation of SMEs and their business strategy (Ruzzier, Hisrich & Antoncic 2006).

This study also looks at the driving forces underlying the globalisation phenomenon that has affected SMEs. Many factors that result from globalisation affect businesses but their effects are different for SMEs than they are for MNEs. Three main factors or forces of globalisation have directly affected SMEs. One factor is the growth of low-cost communication and transportation (Vito 2004). With the improvement of information technologies and transportation, new opportunities have opened doors to many businesses, especially SMEs. They are able to obtain information readily and recognise opportunities that are open and available to them without having to bear costs that had been significant in the past. The lower cost of transportation also opens doors to international markets (Vito 2004), thus making local SMEs more price competitive.

Another factor or force that affects SMEs with respect to internationalising their business is the degree of economic and financial integration and trade barriers (Vito 2004). The introduction of new regulations by the World Trade Organization (WTO) and other trade and economic integration rules such as free trade agreements (FTAs) have opened up many opportunities for small firms. The regulation and deregulation in trade barriers allow small firms to internationalise their businesses with lower costs and extra advantages such as the removal of tariffs and other taxes (Ruzzier, Hisrich & Antoncic 2006).

The third factor is the change in economic and political structures in many countries that has contributed to the emergence of globalisation (Singh, Garg & Deshmukh 2010). For instance, the liberalisation of countries such as Russia, China and numerous others in Central and Eastern Europe has opened up new markets (Ruzzier, Hisrich & Antoncic 2006). Countries such as Russia and China are obviously significant markets and have not been adequately served, so there are many opportunities for foreign investment. SMEs are able to serve niche markets in these countries, especially firms with high innovation and diversification capabilities. These three factors have been contributing to the growth of the internationalisation of SMEs.

There have been numerous studies on the effects on MNEs and, now, more studies are needed for SMEs. SMEs are affected by globalisation in very different ways than MNEs are, so they need to be studied in their own context. They are often viewed as victims in the context of globalisation because they have been perceived to have enough resources to take advantage of all the changes. However, there are many success stories of SMEs taking advantage of globalisation that can be studied and applied to other SMEs. This study will also examine this aspect of the opportunities afforded by globalisation.

1.3 Definitions of Globalisation, Small and Medium-Sized Enterprise and Free Trade Agreement

The following section provides the definitions of some of the terms concepts used in the thesis.

Globalisation:'Globalisation is the trend toward greater economic, cultural, political, and technological interdependence among national institutions and economies. Globalisation is a trend characterized by denationalisation (national boundaries becoming less relevant) and is different from internationalisation (entities cooperating across national boundaries). The greater interdependence that globalisation is causing means an increasing freer flow of goods, services, money, people, and ideas across national borders.' (Wild & Wild 2012, p. 6)

Small and Medium Enterprises: The criteria for the size of SMEs in Thailand will be defined in Chapter 2.

Free Trade Agreement: 'Free trade agreement is a formal arrangement between two or more countries to reduce or eliminate tariffs, quotas and barriers to trade in products and services.' (Cavusgil et al. 2011, p. 247)

Trade Policy: Trade Policy is a set of laws and regulations that are applicable to trasactions among countries which are formulated to control the flow of goods and services. Trade policies take different forms such as taxes,subsidies, and quotaswhich some cases increase trade whereas in other cases these policies dampen trade (Gounder and Prasad, 2011)

*Internal Factors:*Refer to the internal environment of the firm and as such refer to factors that are within the organisation's control (Jain et al 2010).*Firm Competencies:*Competencies refer to a set of knowledge, information, and skills that are required to perform actions that contribute to achieving a firm's goals and objectives. These competencies can belong to the firm as a whole or to individuals hired to perform tasks determined by the firm (King, Fowler & Zeithaml 2001, p.96).

1.4Motivation for the Study

The outcomes of this study will contribute to helping SMEs in the clothing and textile industry of Thailand to confront some of the challenges and sustain their competiveness in the era of globalisation. The SME in Thai's clothing and textile industry is a particularly important industry internally or domestically because it employs over 1,067,735 people (2007) who make up about three per cent of the total Thai workforce. Their income totals more than US$15 billion per year, contributing 5.1 percent (2007) to the total gross domestic product (GDP) of Thailand.

In specific terms, this study is envisaged to provide Thai SMEs with some guidelines to manage their business by strategising appropriately for the oncoming challenges resulting from a free trade environment. It will help them sustain competitiveness and take advantage of the opportunities brought about by FTAs.

Since the livelihood of more than a million Thai people and over 230,019 businesses depend on income from Thailand's clothing and textile SMEs, this research will also contribute to the articulation of government policies that would enhance their survival in a fiercely competitive environment brought about by the free trade environment. It is imperative that avenues are found that sustain the competitiveness of this vital Thai industry.

1.5Research Questions

The research questions for this study are as follows:

1. What are the effects of globalisation on SMEs in the clothing and textile industry in Thailand?

2. How do the internal and external factors of SMEs in the clothing and textile industry in Thailand affect their performance?
3. What are the firm competencies that affect SMEs in the clothing and textile industry in Thailand?

   These three research questions are expanded into the following four research objective:

1.6Research Objectives

The objectives of this research are to study the effect of globalisation on small and medium-sized businesses' performance. However, to evaluate the firms' performance, their internal and external factors will also be studied and taken into account in this study. The specific objectives of this study following the research questions are as follows:

1. To identify the impact of globalisation on Thai businesses
2. To identify the pragmatic ways and means that are relevant to Thai conditions to improve and sustain the competitiveness of Thai SMEs
3. To identify what Thai SMEs can learn and adopt from the experience of SMEs in other countries and in other industries to sustain competitiveness
4. To develop strategies for formulating national industrial policies to improve the competitiveness of Thai SMEs in general and the clothing and textile industry, in particular.

1.7Methods

In this study, the mixed methods approach is used to achieve the objectives. The first is the quantitative method, which comprises questionnaire surveys. The questionnaire surveys were carried out among SMEs in the clothing and textile industry in Thailand. The result of the questionnaire surveys is analysed with a contingency table and appropriate statistical testes are carried out to test the hypotheses on the relationship between the variables.

The second method used is the qualitative method, which comprises in-depth interviews in the form of case studies. The case studies are employed to strengthen the survey analysis and answer the rest of the research questions.

1.8 Outline of the Thesis

This thesis is divided into seven chapters as follows:

Chapter 1: This chapter introduces the study. It includes an outline of the thesis, an explanation of the aims and objectives of the research and the research methods used in the study.

Chapter 2: This chapter reviews the current literature on the topic of globalisation and the impact of FTAs on the performance of SMEs, and the internal and external factors of firms that affect firm performance.

Chapter 3: This chapter explains the conceptual framework and methodology of the research. The conceptual framework of this study demonstrates the effects that the external factors of small and medium businesses have on their performance. The main factor that this study focuses on is the free trade environment. By doing so, the internal factors of the firms, other external factors and the firms' competencies are also studied. The analysis of this study focuses on small and medium-sized businesses in the clothing and textile industry in Thailand.

This chapter also draws upon the information presented in chapters 2 and provides a conceptual framework to establish the empirical approach to the study. The research methods were determined based on the conceptual framework, research questions and hypotheses in the previous chapters.

Chapter 4: This chapter concerns the results of the survey questionnaire, which was carried out among 157 SMEs in the clothing and textile industry in Thailand.

Chapter 5: This chapter discusses the results of the in-depth interviews. The case studies are divided into three groups. The firms are grouped according to their state of success. The case study is based on the interviews that were carried out among 10 SMEs in the clothing and textile industry in Thailand.

Chapter 6: This chapter discusses the results and implications of the study. The discussion includes the effects of globalisation, the internal factors of the firm and the external factors of the firm in relation to SMEs in the clothing and textile industry in Thailand. The research objectives and research questions are answered and discussed. The research hypotheses are tested.

Chapter 7: This chapter concludes the research. The summary of the research is presented with the conclusions of the research results. The contribution of the study, its limitations and recommendations for future research are discussed.

Chapter Two

Literature Review

2.1 Introduction

Chapter 1 presented an overview of the research and thesis. The current chapter presents a comprehensive review of the literature on the topic of the research. It mainly focuses on the topic of globalisation and the impact of FTAs on SMEs, including the impact of internal and external factors on their performances.

In the current business environment, with globalisation playing a big role in all business activities, most businesses are involved in internationalisation in one form or another (Thoumrungroje & Tansuhaj 2004). The literature suggests that MNEs or large-scale businesses have taken full advantage of the opportunities of globalisation. In contrast, small and medium-sized businesses have been negatively affected by the globalisation phenomenon (Luostarinen et al. 1994). However, in the past decade, SMEs have become more aware of the advantages of going global and becoming more active in internationalising their businesses to keep up with their competition and to become more competitive (Wilson 2006). SMEs have been moving fast to internationalise their businesses so that they can take advantage of the opportunities for growth, increase their competitiveness, and obtain tangible and intangible resources from overseas trading partners (Wilson 2006).

However, it has not always been easy for SMEs to take advantage of globalisation because of their size and limited resources (Chew & Chew 2008). They cannot apply the existing strategies that the multinational firms use when it comes to internationalisation. SMEs are very different from MNEs, so they have been affected by globalisation differently. The present literature review will discuss this in detail.

2.2 Definition of Globalisation and the Free Trade Phenomenon

The first part of this section will briefly examine the definition of globalisation and its repercussions, including free trade.

2.2.1 Globalisation

Globalisation is not a recent socioeconomic trend influencing the daily life of everyone. It has impacted human growth and development for many millennia. Even though globalization has been a phenomenon in operation for millennia, itdid not receive formal attention from the academic community and recognition from the political system until the late 1900, with the global social and economic integration (Das, 2009). Economies of all sizes, inclinations and convictions are racing to benefit from enhanced international transactions, part of which is providing optimal environments to maximise the benefits. Attempts are also being taken to lower the barriers to international transactions in general and trades in goods and services, in particular. By the late 1990s, the global economic integration had acceleratedin most nations in order toenhance international trade and investment flows (Das, 2009), which was further enhanced by the establishment of WTO. The main contribution of WTO has been the removal of ill-conceived protectionist trade barriers which introduced market distortions and the associated inefficiencies. The regulatory and policy changes initiated by the establishment of WTO have resulted in the removal of market distortions, and as importantly, the removal of protection for inefficient and uncompetitive industries. The resulting reallocation of resources and factors of production has enabled many countries to reduce costs by achieving economy-wide gains in efficiency and become more competitive globally(Cirera et al, 2013, p.1)."

Globalisation has not only affected segments of societies but it also pervades all social activities and, even more so, all businesses. There are different concepts of globalisation, but essentially, it encompasses the idea of the integration of national economic, financial and market activities (Goyal 2006; Lee & Vivarelli 2006). It also envelops the interconnection of social and cultural aspects of integral societies, and their subsequent political interdependence, which ultimately will result in their mutual liberalisation of trade, technological development and later changes in trade policies at the governmental level (Thoumrungroje & Tansuhaj 2004). However, the effects of globalisation might not be felt to the same degree by each of the integrated countries, or by every business in a single country, but will depend on economic background; size and other attributes (Hartungi 2006).The effects of globalisation on a country's economy and trade have placed emphasis on the factors of foreign direct investment (FDI). With greater liberalisation of trade, there have been significant increases in FDI and this has had numerous effects on local businesses, especially in developing countries (Lee & Vivarelli 2006). The differences in the intention of FDIs have differential effects on local businesses, the community and the economies of the recipient countries.

There are two different types of FDI, namely, efficiency-seeking investment and market-seeking investment (Farrell 2004; Zhouying 2005). Efficiency-seeking investment seeks to lower its cost of production by seeking to optimise its production in developing countries with lower wages and low-cost materials. In contrast, market-seeking investment seeks out new markets. These two types of investment have different effects on the FDI recipient or host countries. Efficiency-seeking investment has many positive effects on the host countries and apparently very few negative effects (Farrell 2004; Zhouying 2005). It helps raise manufacturing standards and living standards but does not threaten local producers. However, market-seeking investments do have more negative effects on local producers, although they help to improve the economy of host countries. This kind of investment results in direct competition with the local producers and firms (Farrell 2004;

Zhouying 2005). With more advantages in technology and with the same labour costs, the developed countries' firms create a great threat to local firms, especially the SMEs.

Governments, in general, but those of developing countries, in particular, provide incentives to attract FDIs because of their positive effects on the economy, the standard of the industry and the standard of living. However, many studies report that these incentives play a far lesser role than the macroeconomic stability of the country (Lipsey & Sjöholm 2011; Zhouying 2005).

2.2.2 Free Trade

In the past few years, the ideas and concepts surrounding globalisation have been discussed largely in the literature (Snowdon 2007). The one thing that is of most concern and interest, among many other issues in these studies, is how globalisation affects particular countries and their economies. These studies have demonstrated that the effect of globalisation varies from country to country (Hartungi 2006). This differential effect is thought to be linked to another phenomenon, referred to as free trade or the free trade environment (Cavanagh et al. 1992). A free trade environment is subsumed under the globalisation phenomenon, which constitutes the bigger picture when one examines the effect of freedom of trade across national boundaries (Cavanagh et al. 1992).

Before examining the effect of globalisation on developing countries, it is important to examine the general effect that globalisation has on businesses. In general terms, there are two major effects of globalisation, namely, global market opportunities and global market threats (Sinha 2005; Thoumrungroje & Tansuhaj 2004). Global market opportunities include the inherent increase in the market, trade and investment, and potentials for related businesses due to the openness of the market and consumers. The opportunities also include the enlargement of available resources (Sinha 2005; Thoumrungroje & Tansuhaj 2004). Thus, firms might be able to gain access to cheaper resources and greater sources of materials that they need. However, the threats affect businesses seriously. Global market threats include the increase in the number of competitors in the home marketplace as well as on the international stage (Thoumrungroje and Tansuhaj 2004; Chacar & Vissa 2005). Other threats include the uncertainty and volatility in the marketplace, which might be brought about by an increase in the intensity of competition and greater market access.

These global market threats, such as the struggle for an increase in the market shares in both domestic and international trade, force businesses to strive to gain and sustain competitiveness (Chacar & Vissa 2005). Competitive advantage means that a firm has superior status over its rival in terms of cost, knowledge of and experience with the market and customers, products, research and development (R&D), and other factors that contribute to success in the market (Jones & Tilley 2003). The ever-present threats now in the domestic market also force firms to market their goods and services abroad. It might be relatively easy for large firms to go into foreign marketplaces but it is a totally different and difficult situation for the small and medium-sized business in many countries, both developed and developing.

In this environment, the literature informs us that SMEs suffer the greatest impact (Audretsch 2003; Rice 2000). However, with the opportunities provided by this environment, SMEs have many advantages and factors that can contribute to their internationalisation push, such as economies of production scale, differentiation or specialisation advantages, R&D facilitation, and accessibility of resources and advantages of integration with foreign firms (Luostarinen et al. 1994). With the factors and advantages provided, SMEs are seeking to internationalise more as a strategy for survival, but before they are able to do that, they have to survive the competition in their domestic markets.

2.3 Thai Small and Medium-Sized Enterprises in the Clothing and Textile Industry

SMEs play a major role in a country's economy. In the past decade, due to globalisation, the number of SMEs has multiplied in developing countries, including Thailand (Thassanabanjong, Miller & Marchant 2009). The number of SMEs in Thailand is over two million, which constitutes about 98.61 per cent of total enterprises in the country (Chewcharat 2008; Kongtip, Yoosook & Chantanakul 2008). In Thailand, the majority of SMEs are family owned and managed. This makes the business culture and strategies of the Thai SMEs more complicated than other types of ownership. The family-owned businesses run their businesses based on emotion, which emphasises loyalty, care and nurturing of members (Thassanabanjong, Miller & Marchant 2009). Other businesses normally emphasise performance and profits.

Table 2.1 shows that in 2007, there were 2,274,525 SMEs in Thailand and they constituted 98 per cent of all enterprises. They employed around nine million employees. The SMEs accounted for 39.4 per cent of the total GDP and 29.1 per cent of total exports.

Table 2.1: Size of Small and Medium Enterprises in Thailand (Report on the Situation of Small and Medium Enterprises: 2006 and 2007 Forecast 2007)

	Thailand Small and Medium Enterprises
Number of Enterprises	2,274,525
Number Of Employees	8,863,334
Per cent in GDP	39.4%
Per cent in Export	29.1%

Table 2.2 shows the criteria for the size of the SMEs in Thailand. In each sector, the criteria are different. In the production sector, small enterprises must have fewer than or equal to 50 employees and less than or equal to AUD$1,650,000 in capital investment. Medium enterprises must have 51 to 201 employees and AUD$1.6 to 6.7 million in capital investment.

Table 2.2: The Criteria for the Size of the Small and Medium Enterprises in Thailand (*Report on the Situation of Small and Medium Enterprises: 2006 and 2007 Forecast* 2007)

Sector	Number of Employees		Capital Investment	
	Small Enterprises	Medium Enterprises	Small Enterprises	Medium Enterprises
Production Sector	≤50	51–201	≤ AUD$ 1,650,000	AUD$ 1.6–6.7 million
Trading Sector (Wholesale)	≤25	26–51	≤ AUD$ 1,650,000	AUD$ 1.6–3.3 million
Trading Sector (Retail)	≤15	16–31	≤ AUD$ 1,000,001	AUD$ 1–2 million

Regarding the wholesale trading sector, small enterprises must have fewer than or equal to 25 employees and less than or equal to AUD$1,650,000 in capital investment. Medium enterprises must have 26 to 61 employees and AUD$1.6 to 3.3 million in capital investment.

Regarding the retail trading sector, small enterprises must have fewer than or equal to 15 employees and less than or equal to AUD$1,000,000 in capital investment. Medium enterprises must have 16 to 31 employees and AUD$1 to 2 million capital investment.

Table 2.3 shows the percentage of establishments by industry in Thailand in 2009. The largest industry in Thailand is the textile and clothing industry, which constitutes 36 per cent. The other two large industries in Thailand are the food and beverage industry, and the wood and wood product industry, which constitute 25 per cent and 14 per cent, respectively. Other industries are fabricated metal products, furniture, non-metallic mineral products and other products, which constitute eight per cent, seven per cent, three per cent and seven per cent, respectively.

Table 2.3: Percentage of Establishments by Industry in Thailand (ASEAN Statistic 2009)

Sector	**Number of Establishments (Percentage)**
Food and Beverage	25.3
Textile and Clothing	36
Wood and Wood Products	14.1
Non-Metallic Mineral Product	2.8
Fabricated Metal Product	7.5
Furniture	7
Others products	7.3

The current structure of the Thai business sector is based mainly on the Western liberal free market system. However, the Thai business sector is dominated by Chinese-descent business owners, as is the case in many Asian countries (Thassanabanjong, Miller & Marchant 2009). The existing theories and business literature are normally based on Western business practice, which may not apply to Thai enterprises. The business networks and connection are similar to those in China.

Personal connections and social relationships are required in most of the transactions, including the exchange of information and business trade (Lau & Moon 2008). Entering into a business transaction with strangers requires time to build up a personal relationship as well as business relationship to gain trust. Thai firms are like Chinese firms, which are more relationship based and long-term oriented, unlike Western firms, which are more short-term oriented and contractually based (Lau & Moon 2008). Most of the SMEs in Thailand are also family-run businesses and they have more complicated relationships and management than those of normal firms (Thassanabanjong, Miller & Marchant 2009). The family-run business is normally emotionally based with a focus on the members' loyalty, care and nurturing (Thassanabanjong, Miller & Marchant 2009).

In Thailand, the clothing and textile industry makes a major contribution to Thailand's GDP and it is the top revenue-generating industry in Thailand (Watchravesringkan et al. 2010). The industry is responsible for 4.5 per cent of the country's GDP and employs about 20 per cent of the labour in the industrial labour workforce. There are more than 3,500 manufacturing firms in this industry in Thailand. However, among these manufacturing firms, most of them are SMEs (Watchravesringkan et al. 2010).

The Thai clothing and textile industry is famous for its production of fabric, sportswear, children's wear, women'swear and casual wear. Thai silk is also one of the top export products, and it is dominated by SMEs (Neupert, Baughn & Dao 2006). It earns more than 1000 million baht (AUD$30 million) a year in exports and the number seems to increase every year. The industry has performed well in the past five decades and was one of the top exporters in the world. The textile and apparel products from Thailand were ranked among the top 15 world exports in the early 2000s (Watchravesringkan et al. 2010).

Thailand became a favourite to many world buyers in the late 1990s due to the Asian economic crisis and the low cost of production (Watchravesringkan et al. 2010). Thai manufacturing enjoys a competitive advantage, mainly due to low wages and rent. The effect of the exchange rate from the economic crisis also made the industry more competitive in the late 1990s. However, this has changed in the past few years because of the many changes in the world market and trade environment, mainly resulting from globalisation and trade liberalisation. This has posed many new challenges for the Thai clothing and textile industry. Globalisation has also affected the clothing and textile industry, in general, making many businesses in this industry adjust their business strategy to face the many new challenges brought about by the changes in the trade environment (Scarso 1997).

Thai SMEs in the clothing and textile industry have been affected by globalisation and the free trade environment for some time. Further, it has been hit badly since the

Multifibre Arrangement (MFA) expired in January 2005 (Asia Monitor 2004; EIU 2007). The MFA is an agreement regarding textiles and clothing that limited quotas on imports and exports (Nordas 2004). Under the MFA, 31 countries entered into voluntary export restraint agreements with the United States and other industrial country importers of textiles and clothing (Dean 1990). The countries that entered this agreement were mostly developing countries and were looking to benefit from it. The agreement stated that the textile and clothing trade between countries was free from quantitative restrictions, which was highly beneficial to all of the developing countries (Dean 1990).

When the agreement ended in 2005, the export of clothing and textiles from the big producers, such as China, became unregulated, and this has threatened Thai manufacturers, especially small and medium-sized firms (Asia Monitor 2004). Firms in the industry now have to face strong competition from China, India and other Asian countries. With much trade liberalisation, the industry has lost its competitiveness so it has had to conform to the new era and reform its business strategies to survive and to take advantage of the changes in the trade environment. With the challenges from the free trade environment, Thai SMEs in the clothing and textile industry need to find ways and means to sustain their competitiveness.

The other challenge that SMEs are facing concerning the changes in the trade environment is complying with the new quality system standards (Tannock & Krasachol 2000). In most developing countries, firms in the manufacturing sector are complying with the ISO 9000 standard, even the small and medium-sized ones. As for Thailand, the ISO 9000 systems were adopted as a national standard in 1990 (Tannock & Krasachol 2000).

In Thailand, being a developing country, only large firms are complying with the ISO 9000 standard because of resource requirements (Das, Paul & Swierczek 2008; Tannock & Krasachol 2000). However, for SMEs, the adoption of the ISO9000 standard is still at an early stage. For these firms, it has become compulsory to comply and many are struggling to meet the standard.

With fierce competition in the world market, customers are looking for firms with high standards and competitive prices. The ISO 9000 standards help firms earn the trust of the world market and enable them to export to the countries that require such compliance standards. It is also widely accepted that the ISO 9000 standard is an effective strategy for competitive advantages in the global market (Das, Paul & Swierczek 2008; Tannock & Krasachol 2000). However, to comply with this standard, it is costly for the firm and requires specialised personnel. The culture of these companies also has to change to meet the requirements of the standards. Many also find it difficult to deal with all of the requirements, the multiple activities of supervision and the certifications needed for each ISO 9000 standard (Tannock & Krasachol 2000; Wahid & Corner 2009).

For the small and medium-sized firms to comply with all of the standards, it is necessary for them to hire additional staff for this purpose (Tannock & Krasachol 2000). This makes it harder on the smaller-sized firms because their resources are limited. The implementation of the ISO 9000 standard requires major organisational changes and the involvement of senior management in the initial stages of the process (Wahid & Corner 2009). This may be difficult for Thai small and medium-sized companies because the majority of them are family managed and owned. Many firms lack knowledge about quality standards and will be negligent about complying with such standards.

Even though Thai SMEs face many challenges emerging from the free trade environment, it is also opportunities. With the increase in FTAs between countries, SMEs have begun to internationalise their business at an earlier stage of their operation (Neupert, Baughn & Dao 2006). Due to the benefits of the new trade environment and widely available information, firms are more comfortable expanding their market overseas (Suarez-Ortega

&Alamo-Vera 2005). However, small businesses still face many barriers when it comes to internationalising.

The barriers that SMEs are facing are both internal and external (Neupert, Baughn & Dao 2006; Suarez-Ortega & Alamo-Vera 2005). The internal barriers for these enterprises are a lack of organisational resources, capabilities and approaches to exporting, which includes lack of finances, management skills, languages skills and cultural knowledge. The external barriers are barriers from the home and the host environment, which include foreign rules, regulations, tariff barriers, lack of foreign contacts, distribution channels and differences in customer habits (Neupert, Baughn & Dao 2006; Suarez-Ortega & Alamo-Vera 2005).

Studies have found that SMEs in developing countries have a greater struggle with internal barriers than do firms in developed countries (Neupert, Baughn & Dao 2006). The main area of difficulty is the inability to meet the product standards specified by their customers. However, research has also shown that they do not have problems with exporting documents, with general business risks or country differences like the firms do in developed countries (Neupert, Baughn & Dao 2006). This is because SMEs normally use agents or intermediaries to assist with this.

With all the new challenges faced by Thai businesses, and especially the SME, it was suggested by Thailand's Deputy Prime Minister and Ministry of Industry, KositPunpiemras, in 2007, that the enterprises in the clothing and textile industry needed to adjust their business strategies, develop new products and become more innovative to be able to compete in the world market (Watchravesringkan et al. 2010). The Thai government has also developed many projects to help support SMEs, especially with the exporting and internalisation of their businesses. The department of export promotion has established a consortium for 80,000 Thai SMEs to help develop their internationalisation potential (Neupert, Baughn & Dao 2006).

2.4 Small and Medium-Sized Enterprises

SMEs play an important role in both developing and developed economies. The research shows that growing SMEs have positive effects on economies and industries as a whole. They also have an effect on the wealth creation of nations, improve innovation, create job opportunities and contribute to employment (Poutziouris 2003; Ruzzier, Hisrich & Antoncic 2006).

SMEs account for a large percentage of a country's GDP and are responsible for a large percentage of taxes (Poutziouris 2003; Ruzzier, Hisrich & Antoncic 2006). They contribute about 40 per cent of the total GDP and taxes. They also help to improve the innovation of countries. Due to their size and resources, to compete in the market, they have to develop innovative products that will serve the niche market. Without this innovation, they will not be able to compete in a market that is monopolised by large firms or MNEs. Due to the large number of SMEs, they also help with the creation of jobs, which contributes to the employment rate of nations. Small and medium-sized businesses create jobs and account for a high percentage of employment.

Research also shows that, in a time of recession, SMEs help to relieve the impact of a recession and help with the recovery process (Julien, Joyal & Deshaies 1994; Poutziouris 2003). With many MNEs suffering from the recession, SMEs are less likely to be affected by it and help to lessen its effect on economies as a whole. They also help with the recovery process by providing jobs and helping to maintain the GDP.

SMEs not only help the economies of nations but they also help with the restructuring of industry (Wincent 2005). In many industries, the market is monopolised by a few MNEs. With the small players entering the market, it helps to de-monopolise the industry's structure and provides consumers with more power to determine fair prices and variety in choices.

However, evidence suggests that SMEs tend to stay small or go out of business in a short period of time (Jones & Tilley 2003). Few SMEs grow and survive in the highly competitive market. With this fact, many studies have attempted to determine the factors that cause SMEs to fail and the factors that influence the growth of SMEs (Jones & Tilley 2003).

Most of this research has identified a few main factors that affect the growth of SMEs, for example, the level of education or experience of the owner or manager of the enterprise, firm size in terms of capital and resources, the age of the SME, ownership type and stage of organisational development (Wincent 2005).

2.5 Small and Medium-Sized Enterprises and Globalisation

SMEs across the world are affected by globalisation in a similar way even though they are operating in different countries. Every firm is dealing with the same effects that have been brought about by globalisation and doing so in many different ways.

In other developing and developed countries, SMEs have dealt with the effects of the free trade environment differently to sustain competitiveness in their domestic and overseas markets (Hutchinson, Quinn & Alexander 2006). The most common approach or strategy adopted has been the forming of business or industry clusters by the SMEs, usually with the support of local or national governments or both (Damaskopoulos, Gatautis & Vitkauskaite 2008), such as the industrial cluster of Indian SMEs in the automobile industry. The purpose of this type of industrial cluster is to enhance the competitiveness of SMEs (Venkataramanaiah & Parashar 2007). The industry cluster in India involves government initiatives directed towards enhancing the manufacturing competitiveness of SMEs (Damaskopoulos, Gatautis & Vitkauskaite 2008). These government initiatives also include the facilitation of assisting, identifying and providing relevant services. The services include offshore banking units and the creation of special economic zones, export processing and special concessions (Venkataramanaiah & Parashar 2007).

The SME clusters in India and other countries have proved successful in enhancing the level of productivity of the participant firms and increasing their levels of penetration into the international market (Lokar, Bajzikova & Mason 2007; Venkataramanaiah & Parashar 2007). For instance, the industrial clusters also help with increasing the innovativeness of firms, which is an important factor for competition. It has been demonstrated that innovation is necessary to keep up with the competition and to make it easier for SMEs with limited resources to remain viable (Clarkson, Fink & Kraus 2007).

Individual SMEs in general, as a rule of thumb, when faced with the challenges brought about by the free trade environment, tend to use the same strategies to sustain their competitiveness (Hutchinson, Quinn & Alexander 2006). These innovation-based common strategies are usually product differentiation and use of new production technologies and distribution systems (Julien, Joyal & Deshaies 1994). Product differentiation is usually achieved with the help or use of new production technologies for most of the industry (Damaskopoulos, Gatautis & Vitkauskaite 2008). It is arguably very important as a strategy for SMEs to differentiate their products from others. However, because of the limitations of their resources and their economies of production scale, they would presumably not be able to compete with larger firms in pricing, marketing, or R&D (Campbell 1996).

Due to the limited resources and the size of the SMEs, they have to develop strategies to compete with all the firms existing in the market. Many authors have emphasised the importance of innovation, learning, networking, clustering and internationalisation of SMEs (Atristain & Rajagopal 2010; Awuah & Amal 2011; Campaniaris et al. 2010; Crick 2009).

In the current market environment, SMEs are forced to compete on designing and developing new products. They are then forced to adopt smart approaches to manufacturing, which are efficient in market distribution, purchasing cutting-edge communication and developing appropriate marketing strategies. With these pressures on them, the strategic collaboration and formation of network and clusters become a common practice for SMEs in many countries (Atristain & Rajagopal 2010; Campaniaris et al. 2010). The following section presents a discussion on the experience of Thai SMEs and globalisation.

2.6 Thailand and Globalisation

Thailand and other South-East Asian countries are reacting to and are affected by globalisation in similar ways. As a small and developing country, Thailand is enjoying the growth and development in its economy in relation to the global economy (Ho 2006). However, intense and sustained development tends to be concentrated in the major cities of the developing countries. For Thailand, this development is concentrated in Bangkok and surrounding cities. It is believed that these areas are representing a newly industrialising economy, which is set in a developing country (Ho 2006). With major changes to many South-East Asian capital cities, these cities are in various stages of development due to large informal sectors, congestion, slums, and poor and inadequate infrastructure. These are also due to the concentration of development and wealth in certain cities of the country (Iwami 2001). As for Bangkok, the city itself generates about 50 per cent of Thailand’s gross national product (GNP) and absorbs more than 80 per cent of all the investment (Ho 2006).

With many incentives to act upon the effects of globalisation, many developing countries, including Thailand, do not pay enough attention to the pressure that globalisation imposes, such as those on institutional structure, which includes finance, economic structure and government policy (Rampersad 2000). In the current social and economic environment, developing countries must become more active in taking advantage of the opportunities brought about by globalisation to become more competitive on the world stage and improve their overall structure. However, if they do not take an active role in defending their interest in the global economy, globalisation will have a negative effect on them.

If the developing countries do not act proactively to take advantage of the changes due to globalisation, it may widen the income gap between the rich and poor countries (Hartungi 2006; Ho 2006). The developed countries will become stronger and richer while the developing countries will be taken advantage of by the developed countries and become weaker and poorer. These gaps are not only widening between countries but also, within countries, between regions. Due to these effects, developing countries are encouraged to take advantage of the process and deal with their own internal problems. They must take greater control over their issues or sink further into poverty.

There are common issues that the developing countries are facing when it comes to the process of globalisation (Hartungi 2006; Ho 2006). Even though globalisation will open up the market for all countries through the process of the FTA, many developed countries are placing restrictions on the import of manufactured goods. The developed countries like to put restrictions on goods regarding which they are disadvantaged in terms of price. This is to help their local producers. Due to these restrictions, most of the developing countries face restrictions and limitations on the importation of the goods regarding which they have a comparative advantage.

The other main issue facing developing countries is that they are dealing with unstable exchange rates, which can make overseas transactions more risky for many businesses. The unstable exchange rate occurred due to speculation raids against their currency. Developing countries are also dealing with extensive short-term debt by their private sector (Hartungi 2006; Ho 2006). These issues make it more challenging for small or developing countries to take full advantage of the process of globalisation and compete against the larger developing countries or with developed economies.

In the past, most developing countries approached the process of globalisation in an ad hoc manner and lacked an organised approach. Developing countries should try to utilise the process by securing multilateral agreements with developed countries and adjust their corporate strategies (Chaiprasit & Swierczek 2011; Rampersad 2000). With these agreements, developing counties will have better access to the developed countries' markets. They should try to eliminate the barriers against their export products, especially regarding agricultural products, textiles and garments. With these 'light' manufacturing products, developing countries seem to have a comparative advantage over the developed countries. For example, India has been very active by adopting a measurable approach to globalisation; it has worked hard to seal a deal to remove barriers from imports and exports, especially in capital investment (Rampersad 2000).

Businesses need to adjust their corporate strategies to keep up with the changes due to globalisation so they can take advantage of the opportunities and deal with the threats (Chaiprasit & Swierczek 2011). The corporate strategies that they need to focus on are organisation competencies and global perspective. The factors that are important to the new strategies are business diversification, international strategic management, new international market and innovation (Chaiprasit & Swierczek 2011).

In terms of competencies, it is important for firms in developing countries to focus on different competencies than those on which they used to focus. Now, they should be focusing on the technological skills, specialisation, innovation and relationship capabilities instead of competitive advantages from cost competitiveness. Specialisation and innovation of products will keep the firms in Thailand competitive in the world market (Chaiprasit & Swierczek 2011). Relationship capability also will help the firms to complement resources and experience of different partners. This will help them gain opportunities in international operations (Chaiprasit & Swierczek 2011)

2.7 The Clothing and Textile Industry

The clothing and textile industry is one of the main industries in most countries, especially developing countries, in term of employment and contribution to GDP. However, the industry is labourintensive and requires low level of technical innovation compared to others industries. This combination of labour intensity and lower capital requirement has enabled the developing countries to gain competitive advantage over developed economies who were the traditional market leaders (Taplin, 2006). With the onset of trade liberalization, the developing countries become the major exporters of clothing and textile products globally, and to Europe and the US, in particular.

The clothing and textile industry is the biggest industry in Thailand, accounting for 36 per cent of the country's industrial sector. The scope of the clothing and textile industry covers the conversion of fibres into yarn, from yarn into cloth and from cloth into garments, which then enter the marketing channels. The industry comprises many forms of firms (Glasmeier, Thompson & Kays 1993).

According to the US clothing and textile industry, they can be categorised into three main types of businesses operating in this industry. They are textile producers, apparel producers, and apparel production organisers or distributors (Glasmeier, Thompson & Kays 1993). Textile producers produce cloth from yarn or other material into cloth, while apparel productions are in charge of making the cloth into garments. This work involves the designing and manufacturing of the garments. Then the finished garments are forwarded to distributors, and so on.

In the clothing and textile industry, many firms carry out the entire set of processes by themselves. This is commonly found in small and medium-sized firms (Glasmeier, Thompson & Kays 1993). To compete with large firms or multinational firms in the market, smaller firms need to differentiate themselves, which may include developing and investing in their own unique material and design. They are not able to compete in terms of cost via economics of scale so they have to compete in terms of innovation.

With the increase in the FTA and the openness of the worldwide market, the clothing and textile industry has become very competitive, and many developing nations are taking advantage of this change, which also benefits those developed nations seeking lower-cost products and materials (Glasmeier, Thompson & Kays 1993; Hurreeram & Little 2004). For example, the Italian clothing and textile industry, which is one of the top suppliers and exporters in the world, has changed its business strategies to keep up with the current trade environment (Scarso 1997).

With this high competition, it is important that the industry be at a mature stage for it to compete on the world stage or even in the local market. With its high percentage of contribution to a country's GDP, the textile and clothing industry is one of the most important sectors for both developing and developed countries (Glasmeier, Thompson & Kays 1993; Hurreeram & Little 2004).

The textile and clothing industry is also one that is intensely exposed to and is affected by globalisation. With trade policies, allowing countries to trade freely between each other, there is an increased level of offshore outsourcing and trade flows (Shelton and Wachter, 2005; Rasiah, 2009). The main motivation behind outsourcing is the labour cost advantage offered by certain countries (Shelton and Wachter, 2005).

2.8 The Impact of Globalisation and Free Trade on Economy and Businesses

2.8.1 Impact of Globalisation on Economy and Businesses

The phenomenon of globalisation has occurred over the past 50 years and it no longer affects only a few industries. Globalisation has played a major part in the recent success of many businesses, which not only has to do with outsourcing for the lower-cost labour and resources. It is believed that globalisation is the second modern wave of value migration (Slywotzky et al. 2006). This value migration is 'the flow of value from old, obsolete business designs to new, more economically effective ones' (Slywotzky et al. 2006). Companies are adapting to changes that happen via globalisation and using them to their advantage. The new value can include how they run a business, their market segmentation, how they position their products or services, their business strategies, and other inner-working activities. With the new business designs that are more suited to current market trends, it helps firms to achieve more than they ever could in the past.

However, not all businesses are able to take advantage of globalisation. Globalisation will help businesses with strong business designs to become stronger and those with weak business designs will become weaker, and businesses will have to know how to integrate the positive changes from globalisation to their advantage. The major changes brought about by globalisation are, among others, improvement in transportation, easy access to information, and the widespread improvement in information and communication technologies (ICT) (Milner & Kubota 2005).

A result of globalisation is trade liberalisation, which aims to increase international trade. The figures from the world development indicators and United Nations conference on trade and development show that globalisation has indeed had a major impact on trade, especially on international trade (Mamman & Baydoun 2009). However, the figures are less significant in the developing countries than in developed countries.

The figures gathered for country statistics also indicates that there have been significant effects on FDI due to globalisation. The evidence shows that globalisation has increased the opportunity for the free movement of productive capital, which helps foster economic development (Mamman & Baydoun 2009). Countries have also experienced increases in FDI, especially developing countries. Multinational firms are outsourcing their productions in developing countries, mainly due to low labour costs.

Studies also show that globalisation has had an effect on nation states. Due to the influence of global capitalism, led by MNEs, nation states have lost control over their economies (Mamman & Baydoun 2009). With many international agreements, governments have found it difficult to control the activities of people and firms, which have caused them to have little control over the economies as a whole. Globalisation has also been shown to have had a more significant effect on developing countries because they have less bargaining power on the world stage (Passemard & Kleiner 2000). The causes of the agreement are usually the more powerful nations or the developed nations.

2.8.2 Impact of Free Trade on Economy and Businesses

FTAs have had many effects on businesses in the participant countries, whether it is a multilateral or bilateral agreement. However, they can affect each country or industry differently. If the participant countries in the bilateral agreement have similar needs and look for the same expected outcomes from trade, the result will be greater positive outcomes (Hur & Park 2011).

Many countries are usually looking for bilateral FTAs with their trading partners and often they will be discouraged from signing multilateral agreements. Due to the political decisions of a country, when a bilateral FTA benefits major industries or important sectors of a country, the government will try to block a multilateral agreement (Hur & Park 2011; Levy 1997). This helps to protect influential groups but may not be beneficial for smaller firms or industries.

While many countries are in the process of forming bilateral or multilateral FTAs, in a transition period, there are few effects on participating countries. The anticipation of the agreement will reduce the volume of trade among the participating countries as well as their trading partners (Baier & Bergstrand 2007; Levy 1997). The countries will wait to take full advantage of the agreement and slow down trade until the agreement is fully completed, which may take a few years in many cases. However, over the long term, the trade between participating countries and nonparticipants will be permanently reduced.

The anticipation of the FTA also affects the tariff rate in the waiting period. The tariff rate between the countries and nonparticipant countries in the agreement will rise during the process of forming an agreement, and after the agreement, the tariff will be lower for the participant countries but the tariff rate will not increase for nonparticipant countries (Baier & Bergstrand 2007; Levy 1997).

Another main reason or incentive for developing countries to enter into an FTA is to increase FDI (Galán & González-Benito 2001). Even though their main incentive is to obtain tariff-free access to a larger market, such as Europe and the United States, FDI will benefit the developing countries over the long term. The benefits can include an increase in employment rate, an increase in the standard of living of the local people, increase in the trade of raw materials, expansion of the existing domestic market and benefits from knowledge transfer (Denis 2012).

Developing countries are entering into FTAs with developing countries to gain a competitive advantage over other developed countries that are not yet engaged in the agreement (Manger 2005; Subhash C 1999). They also use developing countries as an export platform to other neighbouring countries and, therefore, to their existing market. This will help them to save costs and to gain benefits from the developing countries' low-cost wages, raw materials and total operational costs. For these reasons, the FTAs in developed countries usually respond to the needs and demands of MNEs (Manger 2005; Subhash C 1999).

These MNEs gain many benefits from bilateral agreements (Manger 2005). The first and the most well-known factor is that they benefit from low wages. Even though developing countries represent a small export market for them, they can invest in the manufacturing sector of the businesses or the labour-intensive sectors. However, they need to ensure that the particular country in which they are investing has a stable political condition. The goods manufactured in the host country are usually exported to the home country and other developed countries' markets. They also benefit from a low tariff rate when importing parts or machinery into the host country, which gives them a competitive advantage over the firms from other developed countries (Grossman & Helpman 1993). Without a bilateral FTA, the host country will still charge a high tariff rate to countries without an FTA. These are the main reasons why many developed countries are interested in bilateral FTAs with developing countries. In conclusion, the FTA will affect consumer surplus, producer profits and tariffs revenues (Manger 2005).

Consumers also benefit from an FTA (Grossman & Helpman 1993; Manger 2005). The lower tariffs will affect import prices. Import prices as well as the cost of the production will be lower. This means that consumers in developed countries will benefit from the final lower price of the product. The consumers in developing countries also benefit from the fall in the prices of the goods and the surplus in the market.

2.9 Competitiveness and Factors Affecting the Competitiveness of Small and Medium-Sized Enterprises

Increasing competition, especially from large MNEs, makes it more difficult for SMEs to survive, so it is important for them to develop a competitive advantage over other firms to stay in business. In addition, before they can embark into the international market, SMEs need to gain and sustain competitiveness on the international stage (Audretsch 2003). As noted by Michael E. Porter, competitiveness or competitive advantage is expressed by the supply of a continual stream of new products, business models, and new processes and innovation (Achanga et al. 2006).

With respect to the competitiveness of SMEs, there are two types of contributing factors: internal factors and external factors (Causa & Cohen 2006; Rice 2000). Internal factors can be further categorised into those that are internal to the firm and those that are internal to the industry. Firm-level internal factors are those that the firm itself can change and that heavily influence the firm's competitiveness; these internal factors include the knowledge, experience, and capabilities of the managers and entrepreneurs, R&D activities, culture, work practices, economies of scale, human resources, financial resources and information technology (Man, Lau & Snape 2008; Rice 2000). The factors internal to the industry are those governing the costs and qualities of the elements of production, the existence of local, provincial or national government laws, regulations or practices, the existence of buyers of the product, and competition and cooperation within the industry (Man, Lau & Snape 2008; Rice 2000).

Likewise, the external factors can be grouped into factors external to the firm and to the industry (Causa & Cohen 2006; Rice 2000). External factors are the economic environment, the market condition, legal, regulation and government policies, national culture, customer tastes and preferences, the supply of the factors of production, official and unofficial levies, rivalry and transportation effects. The firm has little or no control over them and cannot change them effectively; however, the industry can manage them to a certain extent (Man, Lau & Snape 2008; Rice 2000). In contrast, the factors external to the industry cannot be changed or controlled by the firm or industry. These external factors are availability and cost of credit, the supply of infrastructural services provided by governments and internalisation requirements (Man, Lau & Snape 2008; Rice 2000). Some factors that are external to the firm can be internal to the industry.

2.9.1 Competitive Advantages

There are many definitions of competitive advantage. The following definitions are those commonly used. A competitive advantage is 'a philosophy of choosing only those competitive arenas where victories are clearly achievable' (Wiggins & Ruefli 2002, p. 84). Porter defines it as 'only two possible competitive advantages a firm may possess, a cost advantage or a differentiation advantage' (cited in Wiggins & Ruefli 2002, p. 84).Many researchers have defined it further to include other advantages. The possible advantages are technical opportunities and learning, physical capital, organisational capital, human capital and institutional context. However, most of the research on this topic focuses on firm performance as the effect of the competitive advantage of the firm (Wiggins & Ruefli 2002). It has been shown that high capability or resources that give the firm higher competitive advantages lead to better and higher firm performances.

Other studies suggest that competitive advantages derive from activities that can draw from four domains of action, which in turn derive from two dimensions (Rindova & Fombrun 1999). The first dimension distinguishes material resources and human interpretational domains, and the second dimension distinguishes the organisational field and firm. The four domains of actions are markets, resources, macro-culture and micro-culture. Combining these dimensions and domains, these are the sources of competitive advantages.

2.9.2 Characteristics of Competencies

The characteristics of competencies can be described as the combined knowledge and skills in both the individual and the organisation (King, Fowler & Zeithaml 2001). They are the knowledge base and set of required skills that the individuals and firms have to perform well in the firm and the market (Fleury & Fleury 2003). The competencies that the firms encompass will give them a competitive advantage. However, certain competencies are valuable and hard to imitate by other firms in the industry.

The competencies of the firm are the internal knowledge-based resources, which are believed to be the most important factors contributing to a firm's competitive advantage (King, Fowler & Zeithaml 2001). For the firms to gain a real competitive advantage from their competencies, the management of the firm has to be able to fully develop, use and maintain these competencies in their daily operations (Fleury & Fleury 2003). In most firms, the top management allocates resources to draw the most out of the firm competencies, but when it comes to implementing them, the middle-level management is usually responsible; middle management carries out the top-level vision or aims to be implemented by the lower-level management (King, Fowler & Zeithaml 2001). They are the forces that push the agenda into action.

It is important that firms invest their time and resources to assess their competencies and implement them in their daily operation (King, Fowler & Zeithaml 2001). The well-rounded knowledge of their competencies will help with their strategic decision-making, which in turn will result in better firm performance. However, to integrate these competencies or core competencies effectively the competencies must represent a real value for the firm (Lahti 1999; Wang, Lo & Yang 2004), and there are ways to test the validity of these competencies (Lahti 1999), which will show the extent of the importance of the competencies to the firm's performance. However, the test to construct the validity of the competencies is costly and takes time, and businesses are not interested in testing them due to the amount of resources required.

Content validation involves collecting samples from the domain of information and confirming that the samples collected represent the majority of the population in the given firm. The sample and data used for this test are gathered from the experts in each category or competency that is being studied. The samples usually are the expertise of individuals who are fully knowledgeable of the organisation and have some connection with it. This can include customers, incumbents or vendors (Lahti 1999). The technique used to gather information can include surveys, focus groups and interviews.

In contrast, criterion validation involves forecasting the outcome from predictors or indicators (Lahti 1999). This test is important for the organisation and needs to be established. It is important because the organisation needs to know whether its implemented competencies are really working for the firm in terms of increasing individual and organisational performance. This test can be conducted by using a baseline for a given time period to keep track of individual and organisation performance (Lahti 1999). The test will also show whether certain competencies have an effect on individual and organisation performance.

The following section presents a discussion of the different types of competencies relevant to the study.

Opportunity Competencies

Opportunity competencies are the knowledge and skills of recognising and developing market opportunities (Jones & Tilley 2003). Opportunity competencies are affected by the external environment, which includes the knowledge and skills used to take advantage of the changes in the external environment in favour of the organisation. Two characteristics of opportunity competencies affect organisational performance: robust competencies and vulnerable competencies (King, Fowler & Zeithaml 2001).

Robust competencies are insensitive to environmental changes (Rodriguez et al. 2002). These types of competencies are those that do not depend on a certain set of circumstances. In this case, it makes them retain their value even if there are changes in the external environment. This characteristic helps increase the value of the competencies and contributes to the sustainability of the firm’s competitive advantages (Lado, Boyd & Wright 1992).

In contrast, vulnerable competencies are more likely to be affected by the external environment. When there are changes in the external environment, these types of competencies will be affected. The external environment that is outside the control of the organisation and that affects the organisation can include technology and economic and political factors (King, Fowler & Zeithaml 2001).

Relationship Competencies

Relationship competencies are the knowledge and skills of establishing and enhancing the interactions between firms based on cooperation, communication and trust (Jones & Tilley 2003). When it comes to relationship competencies, the transferability of the competencies is an important factor. This can be called the embeddedness of a competency. It is the measuring of the transferability of the competencies to another firm or organisation (Isik et al. 2009; King, Fowler & Zeithaml 2001). The factor is measured along the lines of the mobility of the knowledge and skills. However, the embeddedness of the competencies depends upon where the knowledge and skills are located in the organisation.

The competencies can be located in knowledge and skills, in the physical or managerial system, and in the organisational mission (Isik et al. 2009; King, Fowler & Zeithaml 2001). The competencies that are located in the knowledge and skills of the employees are usually more important at the management level and with the key personnel in the firms. The physical systems are computer databases and equipment, and software programs used in the firm. The managerial systems are the incentive systems and reward structure of the firm. The organisational mission is the culture or values that screen and encourage different kinds of knowledge in the firm (Lokshin, Gils & Bauer 2009).

The competencies that are the most mobile are the knowledge and skills of the employees (Lokshin, Gils & Bauer 2009). This is because the employees are mobile and can switch firms at any time when they obtain a better opportunity elsewhere. The competencies will be lost once the employees leave the firm, so the firm should always have a backup plan for when this happens. The competencies that are least mobile or are embedded are the organisational mission. The firm’s mission, culture and value are highly immobile and the most difficult to imitate. It takes years and many resources to build the firm’s value and culture, and the physical and managerial system lie in between embedded and mobile. The degree of its mobility depends on the complexity of the system itself.

Conceptual Competencies

The conceptual competencies are the conceptual abilities related to decision-making skills, information absorption, risk-taking and innovativeness (Jones & Tilley 2003). Part of these conceptual competencies is how the information or knowledge is communicated to other individuals or firms. The concept is that knowledge or skills can be either tacit or articulate knowledge. A competency that the firm holds can be ranked along the lines of tacit or articulate competency (King, Fowler & Zeithaml 2001).

Tacit knowledge or competency is an intuitive knowledge that cannot be communicated easily to the next person, and it is more difficult to absorb this information. Tacit knowledge is usually gained from experience and learning by doing. Articulate knowledge or competency is the knowledge that can be explained in steps or a series that can be communicated to other persons or firms verbally or in writing (Lam 2000).

Organisations are more concerned with tacit knowledge and competencies and try to maintain personnel who have this knowledge. These tacit competencies do give the firms a competitive advantage. It is knowledge that cannot be easily imitated or used by other firms and that gives them a competitive advantage over competitors (Lam 2000). However, articulate competencies and knowledge can easily be imitated and used by others, so they do not give firms any competitive advantage.

Organisational Competencies

Organisational competencies are the internal and external activities associated with human, physical, financial and technological resources (Jones & Tilley 2003). Information technology competency is one of the most important competencies of a firm in the current environment.

Technological resources and information technology resources are important resources of the firm that give them competitive advantages over other firms (Eikebrokk & Olsen 2007; Tippins & Sohi 2003). The firm has to have an ability to manage information effectively within the firm to be able to have a competitive advantage. This information is a firm's intangible asset. If the firm can manage it properly, it can give the firm an advantage over other competitors.

The important information for firms is information on the markets and its customers. With this information, they will be more flexible and up-to-date regarding changes in the environment and they can react faster than their competitors can; additionally, they can take advantage of situations more quickly than other firms can in the same industry. With many perceived benefits, many firms are trying to develop a strategy to adopt and utilise information technology in their operation (Lokshin, Gils & Bauer 2009).

To implement information technology competencies in the firm, organisational learning needs to be implemented (Eikebrokk & Olsen 2007; Tippins & Sohi 2003). The firm must include information technology application at the level of organisational learning processes so that it can enhance a firm's competitive advantages and capabilities. In the current business environment, the firm has to integrate information technology capabilities into their business strategies. It is no longer an option but is necessary for effective firm performance in this business era.

Strategic Competencies

Strategic competencies consist of the setting, and evaluating and implementing strategies (Jones & Tilley 2003). To implement and conceive strategic decisions, the organisation must have available resources, and these resources are the assets of the firm, which include knowledge, capabilities and organisational processes (Marino 1996).

The physical resources of the organisation usually include the plants and equipment, production technology, financial endowments, location advantages and raw materials. The human resources include the training of new and current employees, abilities, and the knowledge and experience of all the members in the organisation (Marino 1996; Tidd 2006). Organisation resources consist of the image and the reputation of the organisation, the R&D system, organisational plans, the motivation or incentive system, and the process of the operation within the organisation.

Good implementation of the resources in the running of the organisation will result in implementable strategy plans. A strong and implementable strategy plan will give them a competitive advantage over other competitors and will result in good organisational performance (Tidd 2006).

There are numerous ways to implement a resource-driven approach to strategy formulation. However, management levels face two challenges (Marino 1996). In the first challenge, the management personnel need to examine the resources at hand and identify which resources are beneficial for the organisation. The resources chosen also must give the organisation a competitive advantage in the industry; then the organisation has to come to an agreement on how to implement those chosen resources in its strategic plans (Marino 1996).

Commitment Competencies

Commitment competencies are entrepreneurial drives to develop a business (Jones & Tilley 2003). Every individual employee, especially at the management level, needs to possess individual-level core competencies to be successful in an organisation (Lahti 1999). However, the individual level core competencies must be identified and utilised to obtain a better understanding of the human resources of the organisation as a whole and individually. Doing this will help to improve the organisational performance. The factors covered under the individual level core competencies include organisational factors, which are training, R&D, performance management, human resources management, compensation and incentives (Lahti 1999).

Under the study of individual-level core competencies, it is assumed that all employees are successful and that they all possess core competencies.

2.10 Internal and External Factors Affecting Performance and Growth of Small and Medium-Sized Enterprises

Many studies have attempted to determine why firms in different industries perform differently and why firms in the same industry perform differently from each other. Many studies have shown that numerous factors affect the performance of the firm, such as industry effects, market share effects and corporate-parent effects (Zott 2003). These effects influence each firm's performance. However, when the studies focus on firms of the same industry, there are more factors to be analysed.

The firms in the same industry perform differently because each firm has different resources and capabilities. These resources and capabilities allow them to run differently from their competitors with other factors in. Other factors can include many other internal and external factors, such as superior information and luck, which allows them to gain the most from their resources.

2.10.1 Internal Factors

Production

The production factor of the firm is influenced by labour skills, technology and infrastructures (Bartezzaghi, Spina & Verganti 1997). Many small and medium size firms are able to produce more than what the market can absorb with a view to exporting the surplus. To achieve the economics of scale, the firm needs to utilise their production capacity fully so that they can spread the cost of operation (Leonidou et al. 2007). Export markets provide an opportunity for firms to expand production and benefit from economies of scale.

In terms of production, firms need to keep abreast of the competition and invest their time and resources in the process of innovation (Chin & Saman 2004). This process involves operational routines that have to be maintained at a satisfactory level and that are the most cost effective for the firm. The overall purpose is to optimise the production levels of the firm and to maximise the profit margin. To do so, the firm has to invest in the training of its production staff, and in new technology such as new equipment and reengineering of the production process (Zott 2003). The short-term cost might be significant for the firm but in the long term, it will benefit them.

R&D is essential for most firms and it has adirect effect on their performance, in general (Chin & Saman 2004). R&D is more important for firms that produce high-technology products and services. It is what sets them apart from their competitors and gives them the competitive advantage in the market. R&D helps to alter and enhance the existing firm assets, production processes and products (Helfat 1994; Toni, Nassimbeni & Tonchia 1997). The results of R&D usually provide firms with the production of the firm's specific knowledge, which gives its products or services firm-specific characteristics. For example, European textile companies that are threatened by competitors such as China that have lower labour costs, have invested in R&D and developed new competitive advantages (Bilalis et al. 2006). They are focusing on the quality and technology rather than being price competitive.

R&D at the firm level helps with the production process, which over thelong term helps lower the cost of production and adds firm-specific characteristics to the production process (Helfat 1994). These short- and long-running benefits more than justify the investment in R&D. Most firms with specific knowledge usually patent their findings so that other firms cannot take advantage of it for a specified period. The patents help protect the knowledge and expertise of the firm and encourage it to invest more in research and to lead rather than follow the trends (Helfat 1994).

Marketing

With an understanding of the needs and wants of current and potential customers, firms can adjust their products or services to satisfy them. This helps to improve the overall performance of the firm. The marketing of the firm covers many areas, including promotion of the products or services of the firm, product or service innovation, and setting product or service placement (Wang, Lo & Yang 2004).

Product innovation is very important to firms in the current market environment. With high competition in every industry, firms have to stay innovative to compete. However, the product innovation process can be quite costly (Wang, Lo & Yang 2004; Zott 2003), and the cost of product innovation will lay heavily on the technology and human capital. By differentiating their products or services from other competitors, they can gain a greater market share and meet the needs of their customers better than other firms can (Zahay & Griffin 2010).

Actions that the firm can take to differentiate itself from other firms include the following (Zott 2003). First, the firm can increase the number of its R&D staff. This will help them in the R&D of new and existing products that will serve the needs of the customer.

Secondly, the firm can invest in brand creation. This will help the firm place brand awareness among their current and future customers; over the long term, this will help to develop brand loyalty from the customers. The third action is to improve after-sales services. Finally, it is important to hire marketing specialists to assess their customers to see what is needed in the market. Then they can report to the R&D staff, who can develop products and services that meet the customers' needs (Zott 2003). These actions are costly to the firm but the return might be greater for them over the long term. Due to this, many firms are engaging more in product innovation.

With the increase in competition, especially in the retail market in the clothing and textile industry, firms need to invest more in marketing and implement an effective marketing strategy (Moore & Fairhurst 2003). They have to try to capture the interest and loyalty of customers. In an industry such as clothing and textiles, the business environment is constantly changing, so firms need to build the capabilities that support marketing strategies (Moore &Fairhurst 2003). This will lead to the growth of the firm and long-term survival for them in the competitive market environment.

Human Resources

For all firms, human resources are a very important asset. SMEs are dependent more on the entrepreneur's ability to spot and identify opportunities for the firms (Ferguson & Reio Jr 2009). With this ability, it gives the firm advantages in competing in the market as well as a head start when competing with other SMEs.

SMEs face issues when it comes to attracting a highly skilled and educated workforce. They are less likely to gain the skilled workers they need at the price that they can afford, so they significantly rely on the skill, education and experience of the owners or managers of the firm (Ferguson & Reio Jr 2009). Studies have shown that the higher education level of the owners or managers, the more positive the effect on the growth rate of the firm as well as the performance of the firm (Panayotopoulou & Papalexandris 2003). This higher-education level is usually associated with a higher reputation and position in the marketplace.

The experience of the owner, manager and other workers also has a positive effect on the growth and performance of the firm. The more experienced workforce will help the firm to grow faster and perform better when compared to a less experienced workforce (Panayotopoulou & Papalexandris 2003). However, it is difficult for a small firm to obtain an experienced workforce, so they do rely on the experience of the owner or the manager to control the direction of the firm in the marketplace.

Others studies have shown that small and medium-sized firms have failed due to the lack of skills and experience of their internal management. They face many issues due to their lack of human resource management skills (Bacon et al. 1996). One major issue with respect to small-firm human-resource management is that the owners or managers are not willing to delegate their work or control as the firm grows bigger, which can cause the businesses to fail (Macmahon & Murphy 1999).

The other human resource problem that small firms face is the owner's non-rational attitude to the business (Bacon et al. 1996; Macmahon & Murphy 1999). Many small business owners start the business tofu fill their lifestyle choices and, once they achieve their goals, they tend to lack further motivation to contribute to the growth of the firm. The theoretical assumption of the businesses is to maximise profit but alternative modern theories also focus on market share and sales. These theories are generally not applicable to SMEs. This causes small businesses to have a different approach to management than that of the big firms and often prevents them fromgrowing (Macmahon & Murphy 1999).

The other common issue related to the human resources of the small and medium-sized firm is a deficiency of managerial skills (Bacon et al. 1996; Macmahon & Murphy 1999). Small and medium-sized businesses are normally established by people who haveexpertise in the product or service that they are providing but, inmany cases, theylack managerial skills. This can be an obstacle to running a successful business. Small businesses also face the fear of incubating competitors (Macmahon & Murphy 1999). When the expertise or skills spread out to the employees, they can leave and form a business to compete with their employers. This is more likely to happen to small businesses because the skills are usually processed by one person, who can easily establish another small business with minimal resources.

Without managerial expertise and experience, the management of small and medium-sized business also face the difficulties of dealing with conflict. Small businesses normally spring from the idea of a single or small group of people who share the same goal and strategy (Alvarez-Dardet, Cuevas-Rodriguez & Valle-Cabrera 2000). However, they tend to be less flexible and are less likely to take an objective view of conflicts (Macmahon &Murphy 1999). Accordingly, the employees are more likely to feel detached from their jobs and have less loyalty to the firm.

These types of issues faced by small and medium firms in terms of human resource management should be taken into account when evaluating firm performance and how they affect the firm’s success.

Finance

Another important factor affecting the performance and growth of SMEs is financial barriers. As small and medium-sized businesses, they face many obstacles to sourcing external financing. With the lower capital and instability of small businesses, it is not easy to obtain credit, and when it is available, it is usually at a higher cost. In addition to the obstacles of obtaining external financing, SMEs face high tax rates that are hard for them to afford (Irwin & Scott 2010).

Deficient funding is one of the significant obstacles to growth, expansion and effective competition against larger firms (Irwin & Scott 2010). The high cost of running a business is a burden on small businesses. They usually struggle to meet day-to-day costs, and they face late payment of bills fees, large severance payments, high costs of loans and high collateral payments (Irwin & Scott 2010). These burdens are major problems facing small and medium-sized businesses, and usually lead to failure of the firms.

However, financial competitive advantage is also a great motivation for firms to expand their businesses to foreign markets, and to grow and improve their performance (Leonidou et al. 2007). Small and medium-sized businesses usually have problems obtaining funding, so many resort to saving and thoughtful investing. The financial gain from their success gives them financial competitive advantages and thus more leverage over other competitors of the same size. The financial resources of a firm are very important factors influencing the firm's performance and success.

Financial performance and measurement were the measurements used to determine a firm's performance in the past (Prieto & Revilla 2006). The focus was on maximising the wealth of the shareholder and the profitability of the firm. However, in the past decade, studies have shown the importance of other factors in determining firm performance (Hussain & Gunasekaran 2002). Based on accounting studies, 'such traditional accounting-based performance measures are inappropriate in the uncertain, complex, and competitive, economic environment of today' (Hussain & Gunasekaran 2002, p. 232).

Size, Scope and Scale

Three characteristics of firms affect their performance and growth rate, namely, the ownership type of the firm, the size of the firm and the age of the firm (Brill, Bishop & Walker 2006). Studies show that privately owned SMEs seem to do better than government-owned SMEs: they have more potential for growth and perform better in the market.

The size of a firm is also important to determine the growth rate and the performance of the firm in the market (Kalafsky 2004). Smaller firms are more likely to grow more rapidly than larger ones. However, larger firms are more likely to perform better than smaller firms do due to their access to greater resources that enable them to outperform the smaller ones.

The size of a firm also affects the average wages of its employees (Chen, Mattioda & Daugherty 2007; Hollister 2004). Studies show that larger firms pay higher wages than smaller firms do for workers with the same level of knowledge and competencies (Hollister 2004). Larger firms can afford to pay higher wages because they face different conditions in their industry sectors and product, input and labour market than small firms in the same market and industry. Larger firms are more likely to hold monopolistic positions in their product markets that allow them to reduce the cost of production due to economies of scale (Hollister 2004). With more stability in the market, they can create long-term employment and training structures, and invest more into their human resources.

Due to the higher average wages paid to their employees, large firms are able to attract a more productive pool of human resources than small firmscan (Chen, Mattioda & Daugherty 2007). For this reason, they are able to perform better than can those with fewer resources. However, the size of a firm is not the only factor contributing to its performance and growth. Larger firms are more likely to be able to take advantage of the full potential of changes, innovation and opportunities given to them to grow (Pagano & Schivardi 2003). While small firms are more flexible, they can achieve growth through other means, such as product differentiation and entrepreneurial talent.

The other internal resource that is intangible and very important to the firm is its reputation, which has been referred to in the literature as a set of social complex resources (King & Zeithaml 2001) that derive from the firm’s characteristics. These social complex resources are the firm’s reputation and the trust from their customers, which develop over time and are difficult and expensive for competitors to copy (King & Zeithaml 2001).

With respect to firm size, SMEs have a few advantages and many disadvantages over the large firm (Wincent 2005). The advantages of small and medium-sized firms are that they are more flexible to change and are able to make decisions quickly. With a smaller number of management personnel involved in the decision-making process, fewer processes are required and they more likely to be more flexible. The disadvantages that they face are a lack of resources, especially financial ones, and limited market power (Wincent 2005).

The Age of the Firm

Olderfirms have a competitive advantage over younger firms due to the resources they have accumulated over time, including networks. According to King and Zeithaml (2001), history-dependent factors protect the firm’s valuable resources from competitive imitation. Firms with an early head start in the business benefit from the ownership of enforceable property rights that they have obtained before other competitors later entered the market. They also have more knowledge of the market and the product and services than the new-entry firms, which can only gather such knowledge over time. This possession of knowledge cannot be imitated by other firms and will give the older firm advantages over the long term.

In studies on the effect of the age of the firm on firm performance, two major areas have been identified (Storey et al. 2009; Wissen 2002). The first one is the effect on the survival probability of the firm in the market and the second is the effect on growth and size. The studies show that younger firms have a higher mortality rate than that of mature firms because they lack experience in dealing with obstacles (Wissen 2002). The mortality rate of a firm tends to decline as the age of the firm increases because it becomes better at dealing with the pitfalls of the market operation. The second effect of age is the on the firm growth and size (Wissen 2002). The size of the firm has been proven grow at the firm ages but at a decreasing rate.

A firm's age has both positive and negative effects on its performance. The older or more mature a firm is, the more experienced it is and the better equipped to deal with market conditions. However, it also might develop structural inertia and lose pace with technology (Wissen 2002).

2.10.2 External Factors

External environmental factors have a great influence on a firm's performance. However, the extent to which these factors can affect the performance of the firm varies. Each factor has a different effect on the performance. Effects can also vary according to the size of the firm and type of industry.

Additionally, firms must anticipate and respond to environmental changes to keep pace with competitors and to retain their competitive advantage as well as to survive in a highly competitive market. Studies have shown that successful firms are responsive to changes in the environment and continually change their business strategy (Goll, Johnson & Rasheed 2007).

Legal Environment

The legal environment presents SMEs with rights and obligations. Organisations must follow certain compliances to conduct a business, including legal and supra-legal requirements (Peng 2004).

Legal imperatives refer to the laws and administrative provisions that are enforced by the government and the various delegates of the state. These laws and administrative provisions are relevant to all business practices. Supra-legal imperatives are the self-imposed commitments that firms enforce on themselves (Doyle 2007). The purpose of the commitments is to sustain business strategies and to gain operational competitive advantages.

They include mission statements, standards, guidelines, policies, best practices, strategies and standard operating procedures (Doyle 2007).

Legal imperatives are enforced in all businesses but there are numerous obstacles related to following them. The main obstacle that most businesses face in following laws and legislation is that the legislation is often difficult to understand (Daines 2001). In general, firms waste time and effort repeatedly perusing the information and trying to understand it, and they have difficulty in applying the laws and legislation to their practice. There is no framework that supports the integration of legal compliance, which makes it difficult for the firm to apply it to its strategy and structure (Doyle 2007).

The constant changes in the economic and business environment, laws and regulations have become more complex and increased in number (Peng 2004). Yet, small and medium-sized firms have no department to look after these changes. Even for larger firms, such departments are not very common (Doyle 2007).

For firms that are engaged in international transactions, the legal framework of the trading partners adds another level of complexity. In many cases, they have to deal with a different language and vastly different compliance regimes, resulting in information overload (Doyle 2007).

Studies on the effects of the legal environment usually focus on the effects of the ownership structure and industry concentration on firm performance (Zeitun & Tian 2007). Many studies have reported that the ownership structure and concentration affect the firm's performances. It is believed that ownership concentration helps to improve firm performance because it lowers monitoring costs. However, it may also work in the opposite direction because the shareholders are looking to gain and have their own benefits at heart. To study this effect, certain factors have been used for measurement: balance sheets, income statements, ownership structure and the percentage holdings of all direct shareholders (Zeitun & Tian 2007).

Market Size

Previous studies have claimed that the market size does have expected and unexpected effects on individual firms' performance and industry. These arguments are further supported by the previous literature (Arora & Gambardella 1997; Wang, Lo & Yang 2004). They argued that in reality firms in the market tend to be more efficient when there are large numbers of firms. As a result, a larger market will benefit the customers and increase the returns and economies of scale for the firms. In practice, the use of more efficient production technologies brings advantages to the firms, unlike a lack of resources in a smaller industry or market. It also includes learning by doing and other experience-based learning. Further, larger markets can increase firm specialisation. Firms that specialise in their products or services set themselves apart from competitors and are able to satisfy customers' specific needs and wants (Bloodgood & Katz 2004; Matear et al. 2002).

However, the unexpected effect of a larger number of firms in the market is intense competition (Arora & Gambardella 1997). Accordingly, to survive in a large-market industry, firms need to be very efficient so that they can compete in the market for a market share.

Competitors

The number of competing firms in the market has a major influence on the growth rate and performance of a firm. Studies show that the more competition a firm faces, the less it is likely to grow. However, research also suggests that a competitor-oriented strategy will help to increase the firm's profit and increase its performance (Armstrong & Collopy 1996). Studies have shown that managers are motivated by market share, which leads to greater profit for the firm. When there is a large number of firms in the market, management will work towards competing for a market share that will increase the firm's performance because firms use other competitors as their benchmark (Armstrong & Collopy 1996).

However, in many studies focusing on the effect of a competitor-oriented strategy, the results show that an increase in market share does not lead to an increase in profit for the firm (Armstrong & Collopy 1996). Even though there may be a positive relationship between the increase in the market share and firm performance, there is not necessarily a positive relationship between market share and profit. Due to the competition for the market share, firms will engage in a price war and this will lead to a loss in profit margin. Sometimes the rivalries between firms also affect the firm's performance (Armstrong & Collopy 1996). When firms are concentrating on attacking and preventing the success of their competitors, they lose focus on their own goals, which can lead to failure of their business.

With many firms in the market, firms are more likely to be competitive and to perform better, and they need to play off each other's decisions. The marketing decisions of current companies and future companies that will enter the market are often influenced by their competitors' current marketing decisions (Pauwels 2004). Competitors affect the firm's strategies and marketing plans in the same way that consumer demand affects the firm. Firms in the markets not only pay attention to the demands of the consumer but also pay attention to what is already offered in the market by its competitors.

Competition or the competitive process can be analysed and characterised into five modes of behaviour (Easton 2007). These five modes of behaviour defining the competition between firms in the same market were developed by Easton, and Easton and Araujo (2007), and have been used by many studies to measure the degree of competition. The five modes are conflict, competition, coexistence, cooperation and collusion. The measurement of conflict measures the degree of the conflict. The strongest form of conflict can involve firms that are seeking to destroy their competitors or drive them out of the market. The weaker form of conflict can involve responding to competitors' business strategies by adjusting their own to obtain a competitive advantage.

Competition differs from conflict in the respect that competition focuses more on customers than the competitors themselves (Easton 2007). The firm will focus on winning over the customer base and gaining a market share. The firm focuses more on the customers' buying behaviour and acknowledging the customers' needs. To measure this behaviour, market share is a good indicator.

The third mode of behaviour is coexistence: 'Co-existence involves apparent competitors behaving independently from other competitors. In effect, firms act to minimise their continuing competitive interdependence.' (Easton 2007, p. 41)This mode of behaviour encourages the firm to use a niche strategy whereby each firm serves its own niche market and minimises the competition in the market. The measurement of this behaviour usually involves measuring the number of firms in the same niche market.

Cooperation is another mode of behaviour in competition: 'Co-operation is defined as joint action in pursuit of interdependent goals. It is not necessary that the participants have the same goals, only that the goals be more easily achieved by joint, rather than single, action' (Easton 2007, p. 42).To measure the degree of cooperation, the study examined the activities involved between the firms, the ownership of the firms, and other activities and factors related to the firms. The last form of competitor relationship is collusion. Collusion occurs when firms work together to damage a third party. The third party can be other firms in the market or their competitors, suppliers, or other related firms and customers. This behaviour has not been widely studied because the actions regarding this behaviour are often deemed illegal. Accordingly, many firms do not disclose this information.

Fiscal and Monetary Policy

Fiscal and monetary policies affect businesses directly and can be both beneficial and an obstacle for the firm (Passemard & Kleiner 2000). Monetary policy lately has focused on ‘the setting of interest rates as the key policy instrument, along with the adoption of inflation targets and the use of monetary policy to target inflation’(Arestis& Sawyer 2003, p. 3). Interest rates and inflation affect all businesses directly; interest rates affect all firms but the inflation rate will only affect firms that are involved in international transactions. Firms that are not involved in international trade do not have to deal with the currency exchange rate so inflation of the currency will not affect them. Small and medium-sized firms are more sensitive to interest rates because of their lack of financial assets, and firms that trade internationally will be more likely to be affected by inflation. However, with the current economic and business environment, all firms seem to have internationaltransactions of one kind or another. Business can make losses and gains with changes in the inflation.

Fiscal policy refers topolicies of government expenditure and revenue (Nayyar 2008). It is also includes economic activities that overlook a country’s exports and imports and the exchange rate (Arestis & Sawyer 2003). It is believed that an increase in government spending will result in an increase in imports and opening of a trade deficit, which will cause a decrease in international consumption and investment (Arestis & Sawyer 2003). Large businesses and MNEs are more likely to be affected by a change in fiscal policy. Firms that mostly trade internationally will be highly affected by a change in policy. Their profit and revenue will depend on the changes in the number of imports and exports as well as the exchange rate.

Free Trade Environment

Free trade environments have both positive and negative effects on organisations in every industry and at every level. A free trade environment becomes more tangible when the country is engaged in a FTA. Thailand entered into the Association of Southeast Asian Nations (ASEAN) and became an ASEAN member in 1993, which established the ASEAN free trade area (Bowles & MacLean 1996). In 1993, when it was first established, the members of ASEAN were Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand. In 2010, four more members joined: Myanmar, Vietnam, Laos and Cambodia. The ASEAN free trade area creates a free trade environment for more 590 million people in the region (ASEAN Statistic2009). Under this agreement and member's bloc, the members are working towards free movement for manufacturing goods and agricultural products.

2.11 Firm Performance

There are many definitions and measurements of firm performance. King and Zeithaml (2001, p. 75) offered a simple definition: 'The firm performance is a function of how well managers build their organizations around resources that are valuable, rare, and inimitable and lack substitutes.' However, much of the literature and research has used its own measurement to measure firm performance, but many factors overlap.

Common firm performance indicators or measurements used by researchers include profitability measures, which include the average earning per share and average return on investment (ROI), and stock performance measures, which include the average return on common stock and the average annual per cent change in a firm's market value (Gomez-Mejia 1992). However, the most common measurement for firm performance is the return on average assets (ROAA) (McNamara, Luce & Tompson 2002).

The ROAA is one of the most commonly used measurements of firm performance and financial in management studies, especially in the banking industry (McNamara, Luce & Tompson 2002). In the banking industry, it is used for the internal assessment of business unit profitability and for the external assessment of the performance of bank holding companies (McNamara, Luce & Tompson 2002). According to the Sheshunoff Information Service, a respected industry analysis firm, ROAA is the best indicator of earning efficiency (McNamara, Luce & Tompson 2002).

Profitability measures and stock performance measures are common firm performance measurements widely used in management studies, and in the finance, economics and accounting literature (Gomez-Mejia 1992). The two measurement areas cover the average earning per share and average ROI for profitability measure, and the average return on common stock and average annual per cent change in a firm's market value regarding stock performance.

However, a firm's performance is affected by the strategic resources of the firm (Inmyxai & Takahashi 2009). These strategic resources refer to the resources of the firm or its internal factors. These internal resources give the firm a competitive advantage over other firms in the market and make them able to perform well. In much of the literature, the term competitive advantage usually refers to the performance of the firm (Inmyxai & Takahashi 2009). It is believed that if firms have strong strategic resources, they will perform well in the market.

The strategic resources of the firm are the bundle of resources that have an effect on the firm's performance. These resources include human resources, intangible resources such as knowledge and skills, and tangible resources such as equipment and technology (Inmyxai & Takahashi 2009). The firm needs to have all of these resources to generate a good business strategy that will result in good performance. This achievement of good performance or competitive advantage is usually measured according to the profitability of the firm and sustainable advantages (Inmyxai & Takahashi 2009).

2.12 Summary

Globalisation brings new challenges and opportunities to various countries. The effect of globalisation has been found to vary from country to country and to depend on the size of the business (Hartungi 2006). Thailand, being a developing country, might be affected quite differently from developed countries and other developing countries. This research will examine the possible effects of a free trade environment on SMEs of Thailand's clothing and textile industries, and the ways or means in which they might adapt to survive and prosper in their business under a free trade environment. These external environments presumably will have a powerful influence on their competitiveness.

The next chapter will address the research methodology and conceptual framework to fill the gap in existing research and literature.

Chapter 3

Research Methodology

3.1 Introduction

The previous chapter reviewed the literature on the impact of trade liberalisation on businesses, in general, and on SMEs, in particular. The chapter discussed the factors that have been found to have a significant effect on the performance of SMEs. The purpose of the current chapter is to formulate the theoretically relevant and empirically identified factors into a coherent framework appropriate for addressing the study questions.

The current chapter draws from the preceding chapter to establish the empirical approach to the study. The conceptual framework, research questions and hypotheses in the previous chapter, and further development of the conceptual framework in this chapter, helped to determine the research methods, which are discussed below. The research methods used in this study help to answer the research questions and hypotheses drawn from the study objectives in conjunction with the conceptual framework, which was constructed from the literature review discussed in Chapter 2.

The clothing and textile industry in Thailand was chosen for this study because it is a significant industry, relies heavily on international trade and has been affected by the free trade environment during the past decade. As mentioned in Chapter 2, the clothing and textile industry is responsible for 4.5 per cent of the country’s GDP and employs about 20 per cent of the industrial labour workforce (Watchravesringkan et al. 2010). There are more than 3,500 manufacturing firms in this industry, of which 99 per cent are SMEs (Chewcharat 2008).

3.2 Research Methodology

The empirical approach to this study is presented in two phases. The first phase consists of a questionnaire survey and the second is a set of case studies. The mixed-methods approach is used to answer the research questions. The quantitative method is used via a questionnaire survey, and the qualitative method employs in-depth interviews to form case studies. The questionnaire data is analysed using the quantitative method and the hypotheses are tested via statistical methods. The case study data is employed to strengthen the survey analysis and to develop further hypotheses.

3.2.1 Type of Research

The research conducted in this study is exploratory and descriptive (Zikmund et al. 2010, p. 54). Descriptive research describes the characteristics of the factors in the study. It addresses the questions of who, what, when, where and how in the research (Zikmund et al. 2010). This research will explore and describe the effects of the internal and external factors on the firm performance of SMEs in Thailand.

Methodological Issues

Two relevant methodological issues in empirical research are ontology and epistemology, which are especially important in the social sciences. The following sections will briefly outline the position taken by the current research on these two issues.

3.2.2 Ontological Position

The concept of ontology can be divided into three levels. These three levels are foundational and are considered top-level, domain and application ontologies (Poli, Healy

&Kameas 2010). ‘Foundational ontologies cover the most general concepts that can be expected to be common to all domains, such as “individual” vs. “universals” or “substantial” vs. “moments”. They are therefore domain-independent’ (Poli, Healy & Kameas 2010, p. 411).The second level of ontologies, or domain ontologies, is specific to the area of human activities, such as business, medicine, and biology or engineering. The last or most specific level, application ontologies, focuses on the specific activities in the domain ontology (Poli, Healy & Kameas 2010). An example is the diagnosis of cancer in medicine.

In this study, the variables used do not exist in relation to the concept of ontological research. There are ideas and opinions that cannot be measured scientifically but that work in the social science field. Concepts and variables that are useful in understanding the impact of global events on SMEs are constructed.

3.2.3 Epistemological Position

Johnson and Buberley (2000, p. 2–3) define the term epistemology as follows:

> The word derives from two Greek words: ‘*episteme*’ which means ‘knowledge’ or ‘science’; and ‘*logos*’ which means ‘knowledge’, ‘information’, ‘theory’ or ‘account’. This aetiology demonstrates how epistemology is usually understood as being concerned with knowledge about knowledge. In other words, epistemology is the study of the criteria by which we can know what does and does not constitute warranted, or scientific, knowledge.

The research in this study is not deemed to be knowledge according to science because it cannot be measured scientifically. However, for social science study, the researcher needs to work with the opinions and ideas of the participants as a form of measurement until better methods have been found for measurement in the social sciences.

Following on from the ontological position, the current research accepts perceptions, views and opinions.

3.3 Conceptual Framework, Research Objectives and Hypotheses

Before considering the details of how the research has been conducted, the conceptual framework of the study needs to be established. The conceptual framework gives the overall view of the study and helps to form the research question and hypotheses. The following section discusses the conceptual framework of this study, the research objectives and the hypotheses.

3.3.1 Conceptual Framework

The conceptual framework depicts the scope of this study. It examines the effect of the internal and external factors on SMEs' competitiveness and, consequently, their overall performance. Of special significance is the study's focus on the effects of the free trade environment as an external factor influencing SMEs' competitiveness and performance. The competitiveness in this study focuses on the six competencies (Man, Lau & Snape 2008). However, to evaluate the performance of a firm, its internal factors need to be taken into account. Internal factors play an important role in the firm's performance and success, so they are considered as part of the factors of the study.

3.3.2 Research Objectives

The objectives of this research are to study the effect of globalisation on small and medium-sized businesses' performance. However, to evaluate the firms' performance, their internal and external factors will also be studied and taken into account in this study. The specific objectives of this study following the research questions are as follows:

1. To identify the impact of globalisation on Thai businesses

2. To identify the pragmatic ways and means that are relevant to Thai conditions to improve and sustain the competitiveness of Thai SMEs
3. To identify what Thai SMEs can learn and adopt from the experience of SMEs in other countries and in other industries to sustain competitiveness
4. To develop strategies for formulating national industrial policies to improve the competitiveness of Thai SMEs in general and the clothing and textile industry, in particular.

3.3.3 Hypotheses

Following on from the research questions are the following hypotheses:

H1: There is a relationship between the internal factors of the firm and the firm's performance.

H2: There is a relationship between the external factors of the firm and the firm's performance.

H3: There is a relationship between the globalisation and the firm's performance.

H4: There is a relationship between the level of competencies of the firm and its performance.

The conceptual framework of the study is shown below.

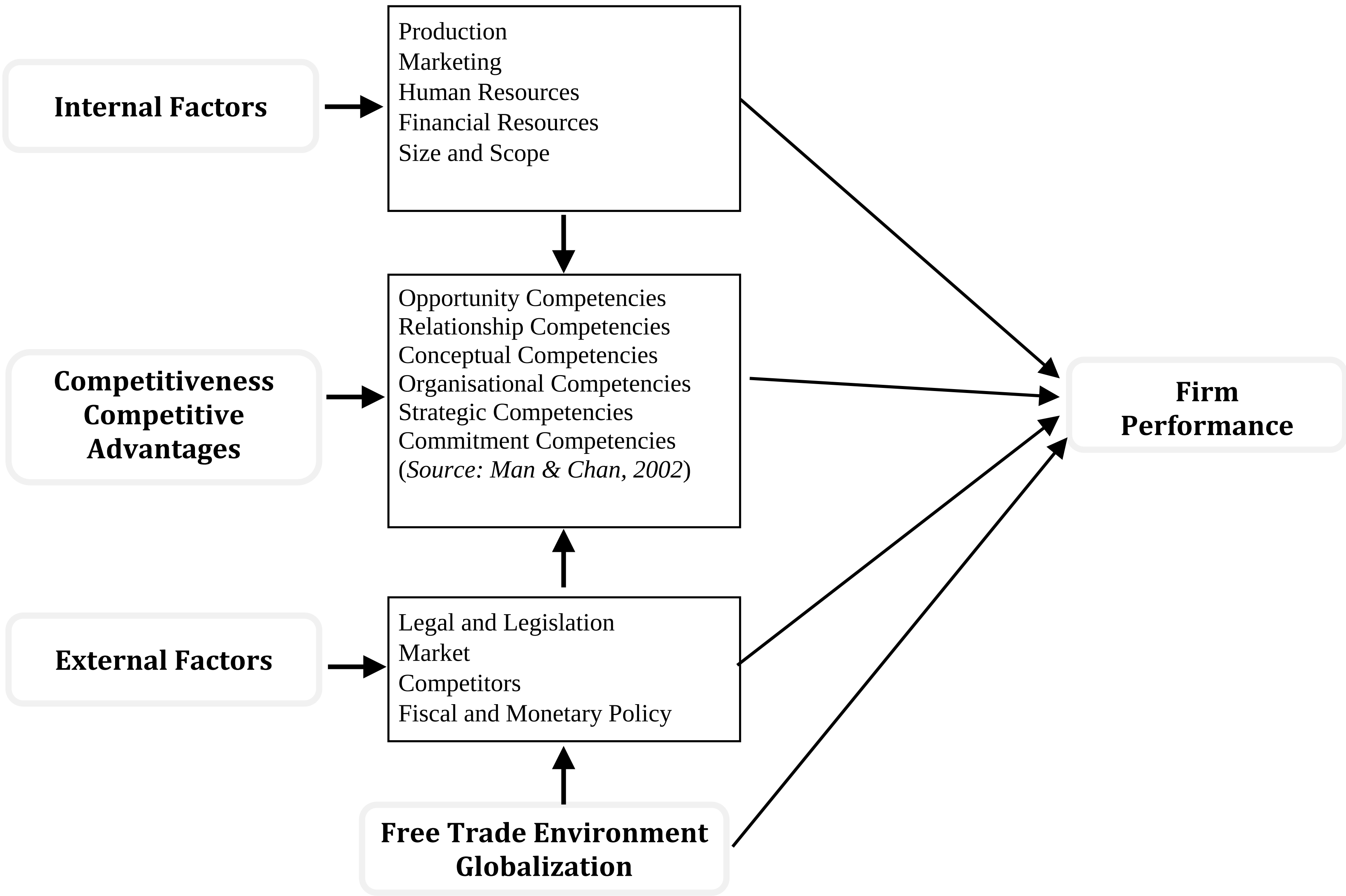

Figure 1: A conceptual framework of Thai SMEs undergoing globalisation

3.4 Internal Factors of the Firm

The internal factors of the firm need to be included in the study framework because of their direct effect on firm performance. The external factors of the firm and the free trade environment affect each particular firm differently depending on its internal factors and competencies.

3.4.1 Production

The production performance and capacity of the firm are very important factors that contribute to the firm's performance. Production is an important and large sector of the firm and can determine its position in the marketplace. An efficient and effective production sector will give the firm competitive advantages over other competitors in the same industry.

Different kinds of measurements are used to measure production depending on the focus of the study. The measurement used to assess production can include the efficiency of the production, speed of delivery, reliability, time required for the introduction of new products or required for substantial changes, volume flexibility, mix flexibility, quality capability and consistency (Toni, Nassimbeni & Tonchia 1997, p. 181).

As mentioned in Chapter 2, many studies also examine the output of the manufacturing or production to determine the performance of the firm in its production sector. The number of studies on production output has increased during the past decades. In the early studies from the 1960s and 1970s, only two outputs of production were considered: cost and quality (Chin & Saman 2004). Recent studies show that there are six outputs: cost, quality, performance, delivery, flexibility and innovativeness (Chin & Saman 2004). These outputs need to be maintained at a high and consistent level for the firm to achieve high levels of production and satisfaction, which will provide it with competitive advantages in the market. However, for this study, labour productivity and capital investment in R&D are used as a measurement.

3.4.2 Marketing

The factors included in the marketing function of the firm are the activities engaged in developing and understanding the customer needs and wants undertaken by the departments of the firm. The firm has to build an understanding of what the customers need now and what they will need in the future, as well as the factors that affect those needs (Low, Chapman & Sloan 2007). Then, the departments of the firm with access to this information need to share it with the entire firm. Each department can integrate this information into its work to achieve customer satisfaction (Low, Chapman & Sloan 2007).

The marketing strategy that the firms in the clothing and textile industry need to focus on is to determine the target market, locations and retail mix (Moore & Fairhurst 2003). 'The retail mix refers to the combination of merchandise, price, advertising and promotion, customer services and selling and store layout and design that the retailer uses to meet the needs of the target market' (Moore & Fairhurst 2003, p. 386).

The marketing capabilities or the capabilities within the marketing context that have an effect on the firm's performance are customer service, image differentiation, external market knowledge and company promotion (Moore & Fairhurst 2003). However, the capabilities will be different for each industry depending on its market and customers.

The capabilities mentioned are hard to measure. For this reason, in this study, the measurement used to gauge the marketing input of the firm is the degree of capital used in its marketing activities, such as for advertising and samples.

3.4.3 Human Resources

Human resources and their management are an important factor contributing to firm success. In small and medium-sized businesses, human resources are usually managed by the owner, who also plays the role of the manager (Macmahon & Murphy 1999). The owner or the manager of small and medium-sized businesses is normally in charge of the human resource management, training and development. This means that they are responsible for the skills, attitude and experience of all the employees in the firm. However, smaller-sized firms do not pay much attention to training and development. This is because, in most cases, the owner lacks training inhuman resources, which means that he or she does not notice the managerial deficiencies, thereby obstructing the success and development of the firm (Macmahon & Murphy 1999).

There have been many studies on the measurement of firms' human resources. However, the measurement has been divided into two areas (Alvarez-Dardet, Cuevas-Rodriguez & Valle-Cabrera 2000): human resource cost measures and human resource value measures. The human resource cost measures determine the costs of selecting, developing and training human resources that the firm has to pay (Alvarez-Dardet, Cuevas-Rodriguez & Valle-Cabrera 2000). This will provide information for the management of the firm and the external users of the costs of human resources in running a business. In contrast, the human resource value measurescalculatethe economic value of people to the organisation.

Human resource cost measures have been developed to include other costs: the original cost, replacement cost and opportunity cost (Alvarez-Dardet, Cuevas-Rodriguez & Valle-Cabrera 2000). Original cost measures the cost of acquiring and developing the skills of each employee and the direct cost of recruitment, selection, hiring and training. Replacement cost is the cost of replacing the existing employee with a new one. Opportunities cost is the value of human resources as productive factors of the firm. It is the assessed cost of the same human resources that other firms might have to pay.

In contrast, human resource value measures are based on the assumption that people are valuable to the firm (Alvarez-Dardet, Cuevas-Rodriguez & Valle-Cabrera 2000). They assume that the human resources will render future services to the firm. The model values the human resources as one of the other resources of the firm and defines them as 'the present (discounted) worth of the employee's expected future services' (Alvarez-Dardet, Cuevas-Rodriguez & Valle-Cabrera 2000, p. 13).

Regarding the two measurements mentioned above, studies show that there is no one way or a best way to measure human resources and performance (Alvarez-Dardet, Cuevas-Rodriguez & Valle-Cabrera 2000). It is unrealistic to use one measurement to determine the firm's performance and how the human resources affect the firm's performance. However, in this study, the number of human resources of the firm and the cost of investing in their training are used to measure the human resource factor of the firm.

3.4.4 Financial Resources

Financial resources and financial gain are the driving forces behind most businesses. The businesses are aiming to produce strategies for better firm performance in order to gain more profits. Firms will try to gain as large a market share as possible in both the domestic and the foreign market. The free trade environment will enter and help the firm to export to the foreign market for great financial gain.

However, even though exporting to a foreign market will increase a firm's sales and profits, it has to spend its financial resources to achieve the foreign sales (Leonidou et al. 2007). The firm faces the additional cost of marketing in the host country, the cost of researching the overseas market, the travelling cost to visit customers, the cost of the transportation of goods and other overseas transaction costs.

The literature also shows that non-financial performance is the leading indicator of financial performance and future financial performances, which are usually not included in contemporary accounting measures (Prieto & Revilla 2006). A firm's financial performance is usually influenced by external factors, such as the economic conditions, technological developments and changes in government regulations. It is also influenced by internal factors,such as changes in the cost of production and changes in the cost of delivering the products or services (Prieto & Revilla 2006).

In this study, the financial resources of the firm are measured by the return on assets (ROA) and the ROI. The ROA is the percentage of profitability of a company's assets. It is measured by dividing the net income of the firm by the average total assets. The ROI is the percentage of money gained or lost in the investment. This is measured by dividing the subtraction of the final value of the investment from the initial value of investment by the initial value of the investment.

3.4.5 Size and Scope

The size and the scope of a firm have an effect on its performance. Studies show that increasing the size of a firm has a positive effect on the firm's performance. It is believed that the bigger its size, the better the firm performs.

A firm increases in size not only as a result of its growth but also from integration. A number of researchers have found that higher levels of integration generally lead to higher or better performance (Chen, Mattioda & Daugherty 2007). However, the integration can be both internal and external. Internal integration consists of interdepartmental interaction and interdepartmental collaboration that bring the departments together to work toward the same goal (Chen, Mattioda & Daugherty 2007). External integration is the integration of two or more firms. This integration will increase the size and scope of a firm and will improve its performance if the integrated firms can work well together.

However, many studies show that the size of the firm is no longer a reliable predictor of firm performance and success (Kalafsky 2004). A firm's performance and success are mostly determined by other factors. Due to changes in technology, firm size is becoming a less significant contributor to firm performance. A firm's innovation is becoming a more significant contributor to its performance (Kalafsky 2004). Even though the firm size has become less significant, the overall literature still shows that there is a positive correlation between firm size and firm performance (Kalafsky 2004).

The measurement used in the studies of firm size and firm performance usually compares the firm size with how the firm performs in the market. The factors used in the study depend on the focus of the study. The firm size can also be measured in many ways (Wincent 2005). In this study, the number of full-time employees is used. The firm's size is used to make a comparison with the firm's performance for this study. The performance measurement considers the firm's financial performance, which are its profitability and its productivity.

3.5 External Factors of the Firm

The external factors of a firm are important elements affectingits performance and they are taken into account in this study. These factors affect firms differently depending on their resources and competencies.

3.5.1 Laws and Legislation

Laws and legislation have a direct effect on firms. In the changing business environment, new laws and legislation are passed every day. Firms and businesses have to remain up to date with the changes and understand the new laws and legislation that apply to them (Doyle 2007). Each has a different effect on firm performance and needs to be studied separately. However, as a whole, the effect of laws and legislation on firms can be generalised.

With the recent trend of considering the environment and climate, more firms are focusing on social responsibility. Globalisation, which affects the economic growth of all countries, also affects and threatens the environment (Nga 2009). In accordance with the many concerns about the environment, there are numerous laws and regulations that make up the international standards pertaining to environmental management that businesses have to apply to their operation, for example, ISO 4000, which is the certification of compliance with guidelines for environmental management systems that promote green, efficient production processes (Nga 2009). If firms adhere to these environmental standards, their products and the firms themselves are more likely be accepted when exporting, especially to the European Union and the United States (Nga 2009). These countries are more concerned with causes and are willing to reduce the trade barriers for firms that have ISO 4000 certificates.

However, the adoption of these standards and regulations is not only good for the firm’s environmental performance; it also has a positive effect for the firm in other areas (Nga 2009). By applying the environmental standards to its practice, the firm gains a reputable corporate image, which contributes to its competitive advantages over other firms. This will give the firm long-term competitive advantages, especially if it has acted before other firms in the market. The application of the environmental standards also has some negative effects that are not appealing to firms. Like most laws and legislation, they are costly and time-consuming for the firm. Firms will need to devote many of their resources to this cause, which may prevent many from applying this standard.

The other factor relating to laws and legislation that has become a popular topic of study in recent years is corporate governance. Corporate governance refers to the process and structures that the members of the corporation follow to ensure the maximum benefit for the firm and the shareholders (Ehikioya 2009). To ensure good corporate governance, the principles of accountability, transparency, fairness and responsibility in the management of the firm need to be practised. The establishment of corporate governance in a firm means separating ownership and control (Ehikioya 2009).Studies show that good corporate governance contributes to better firm performance. To measure the impact of laws and legislation for this study, the factors of corporate governance and the effect of other related laws and policies will be used to gauge the effect on firm performance.

3.5.2 Market

The market in which firms operate determines their strategic plan and they use their market share to determine their success. ‘Many firms use market share as a performance indicator to measure how well they are doing comparison to their competitors’ (Bloodgood & Katz 2004).

Many firms also use their market orientation as part of their business strategy. Numerous studies have been conducted to establish the relationship between market orientation and firm performance (Matear et al. 2002). The studies show many mixed results. However, it has been concluded that the effects are different in each industry and there is an overall effect on the firm performance. The studies also show that the market orientation strategy is a source of competitive advantages that has a direct effect on firm performance (Matear et al. 2002).

Market orientation is used in business to enable managers to learn from current and potential customers’ needs and then use the information to generate superior customer value. The information gains from market orientation allow the firm to learn the potential and current customers’ needs and the opportunities to cater to the market (Chao & Spillan 2010).Many studies have been carried out on the relationship between market orientation and firm performance (Chao & Spillan 2010). However, the results are conflicting. Some studies show that there are positive links between the two and some show slight links. According to the current definition that appears in many studies, market orientation is ‘an organisation-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments and an organisation-wide responsiveness to this intelligence' (Chao & Spillan 2010, p. 475).This definition shows that there is a significant link between firm performance and market orientation strategy.

In many studies, market orientation scale and performance scale items are used. They use the performance scale and the market orientation scale developed by Kohli called MARKOR (Chao & Spillan 2010). In this study, the Likert scale model is used to measure firm performance and the factors of the market orientation strategy of the firm.

3.5.3 Competitors

Competitors have an effect on how a firm performs and, in many cases, are taken into consideration when the firm formulates its strategic plan. Competitors are firms that offer the same or close substitutes of the products and services to the same group of customers (Sorensen 2009). The firm's current or potential competitors also need to have similar production technology platforms to compete for the market share in the same market sector.

Many firms are implementing their knowledge of their competitors as part of their business strategy, a practice referred to as competitor orientation. Competitor orientation is described as 'a firm's understanding of short-term strengths and weaknesses and long-term capabilities and strategies of both current and potential competitors' (Sorensen 2009, p. 740). Changes in the competitors will have a direct effect on the firm, so they constitute another external factor that is highly important to the firm performance.

Recently, firms have also built a new strategy whereby they create invented competitors. An invented competitor is a competitor that could appear in the market in the future but is not yet part of the current market (Fahey 2002). The firm will consider which strategy the invented competitor will employ, and then develop its business strategy according to what it expects in the future market. The future competitor usually has to bring something new into the market or have an innovative marketplace strategy (Fahey 2002). Under this strategy, the firm will have a new product that is different from what is offered in the market and compete for the existing market share. The strategy will also cover its market scope, competitive posture and goal (Fahey 2002). This is the market in which the firm will compete, the way it will compete and the goals it will try to achieve. By knowing all this, the current firm in the market will be able to adjust its current strategy to compete for a greater market share and retain its current share.

For this study, the measurement used is the number of firms in each market sector. The study examines in detail the effect of competitors on firm performance.

3.5.4 Fiscal and Monetary Policy

Fiscal and monetary policies are important factors that affect national competitiveness (Passemard & Kleiner 2000). These policies affect all companies in the same way if they are in the same industry and of the same size. Factors such as the exchange rate, the interest rate and the deficit of the national budget as part of the macroeconomic will equally affect firms and give them competitive advantages over foreign competitors in the host market and the world market (Passemard & Kleiner 2000).

Fiscal and monetary policies also affect many other factors in the macro economy, which have a direct effect on businesses. Full employment and price stability can also be achieved through fiscal and monetary policies (Nayyar 2008). The policies affect developing and developed countries differently. Developing countries pay more attention to economic growth in the long term, so they focus on savings and investment (Nayyar 2008).

There are many theories and points of view regarding the impact of fiscal and monetary policies. According to Nayyar (2008, p. 7), ‘In developing countries, Keynesians have some preference for monetary policy because lower interest rates and easier credit access would stimulate investment and foster growth. The emphasis is on the interest rate and not on money supply.’

For this study, the factors used to measure the effect of fiscal and monetary policies on firm performance are changes in the interest rate and tax rate for the textile and clothing industry. The study measures the extent of these factors' influence on small and medium-sized firms.

3.6 Effect of Globalisation and Free Trade Agreement

Many factors contribute to the process of globalisation. The factors that contribute to the launching of business globalisation are technological evolution, changes in demand, the evolution of governmental politics and changes in the country's infrastructure (Passemard & Kleiner 2000). However, these changes result in inequality in the competitive advantages of businesses.

To benefit from globalisation and the free trade environment, firms need to have certain competencies and competitive advantages over the competing firms in the market. The free trade environment will be highly beneficial to firms that are ready and equipped to deal internationally and internationalise their businesses. Studies show that strategic innovation usually generates opportunities for firms in the global and free trade environment (Passemard & Kleiner 2000). The quality and productivity of the firm play an important role in its success when facing the challenges of the global market.

Firms that compete in the global market must develop global strategies. These global strategies will give the firms opportunities to survive and succeed in the highly competitive environment (Milner & Kubota 2005). To globalise their businesses, firms usually start with high-quality products, a high level of understanding of their concept, goals and market, and the development of a new and efficient approach to marketing (Passemard & Kleiner 2000). These competencies or advantages will then give them an advantage in the global-level market.

In studies on the impact of globalisation on businesses and the economy, the factors that have normally been examined are trade, direct foreign investment and the impact on nation states (Mamman & Baydoun 2009). Many studies have tried to prove that globalisation has an effect on trade, direct foreign investment and the nation state.

To measure the effect of globalisation or of the free trade environment on firm performance in this study, the respondents were asked to indicate the level of importance, or the lack of importance, of each factorto its successful performance.The items were presented on a five-pointLikert scale.Theother effects of globalisation were included as independent variables.

3.7 Firm Competencies and Competitiveness

Firm competencies and competitive advantages are formulated by factors both external and internal to the firm (Fleury & Fleury 2003). There are outside-in and inside-out approaches to the competitive strategies and competencies. In the outside-in approach, the competitive advantages are drawn from the markets and competitors. To gain competitive advantages and competencies, firms have to identify the trend and the opportunities from the markets and their competitors (Fleury & Fleury 2003).

In contrast, the inside-out approach draws the competencies and competitive advantages from the internal factors of the firm. According to the resource-based view of the firm, every firm has a resource portfolio or internal factors (Fleury & Fleury 2003). These resources are physical resources, financial resources, intangible resources such as the brand name and public image, organisational resources such as administrative systems and the organisational culture, and human resources.

These resources work together to give the firm competitive advantages and competencies to compete in the business environment. The competencies of the firm can be divided into six categories as follows:

1. Opportunity competencies are the knowledge and skills to recognise and develop market opportunities (Jones & Tilley 2003). These competencies are drawn from the external factors of the firm. They dictate how the firm uses its internal resources to make the best of its external environment.
2. Relationship competencies are the knowledge and skills to establish and enhance interactions between firms based on cooperation, communication and trust (Jones & Tilley 2003). These competencies are developed within the firm. They are drawn from the internal factor of human resources. This demonstrates how the firm's human resources interact with each other and build a strong bond among the employees, the employers and the firm.
3. Conceptual competencies are conceptual abilities related to decision-making skills, information absorption, risk-taking and innovativeness (Jones & Tilley 2003). These competencies are also obtained from the internal factors of the firm. They mainly involve the human resources of the firm and their training and development within the firm.
4. Organisational competencies are the internal and external activities associated with human, physical, financial and technological resources (Jones & Tilley 2003). These competencies come from the internal and external factors of the firm. They determine how the firm uses its internal factors to take advantage of the external environment or factors that affect the firm.
5. Strategic competencies are the setting, evaluating and implementing of strategies (Jones & Tilley 2003). Strategic competencies are the competencies drawn from

the evaluation and implementing of the internal resources and external knowledge to establish a business strategy that will help the firm to perform in the current business environment.

6. Commitment competencies are the entrepreneurial drive to develop the business (Jones & Tilley 2003). These competencies are derived from the top management and the managerial teams of the firm. The more committed the managerial teams are to the firm, the more drive they have to run a successful business.

3.8 Firm Performance

To measure the performance of a firm, it is necessary to sum up the strategy of its components' functioning, which includes the production (manufacturing), marketing, human resources, finance, service, size, scope and R&D(Chin & Saman 2004). These functions or factors of a firm have to work well together to provide the firm with the maximum competitive advantages that it can achieve. However, the external factors or environment also contribute to the firm's performance, so they are also used to determine the firm performance in this study. This study specifically examines how the free trade environment affects firm performance.

Other studies also state that the performance measurement concept is related to effectiveness and efficiency terms (Alvarez-Dardet, Cuevas-Rodriguez & Valle-Cabrera 2000). Effectiveness is the phenomenon that helps a firm to achieve its goal, while efficiency is a tool that reports how economically the firm's resources are utilised to achieve its targets. 'Therefore, performance measurement can be defined as the process of quantifying the efficiency and effectiveness of actions' (Alvarez-Dardet, Cuevas-Rodriguez & Valle-Cabrera 2000, p. 10).

3.9 Research Process

After completing the third and fourth steps of this research process, which establish the conceptual framework and the research questions of the study, the overall research process of this study is presented. Then the research methods followed for this study are presented and explained.

The research process for this study can be divided into eight steps. The first step was to select the topic for the research. This can stem from many sources, such as personal interest, the literature, policy or management, and social and popular issues (Veal 2005). The topic for this research arose from personal interest and management issues. The research topic is 'The Impact of Globalisation on Small and Medium Thai Enterprises: A Study of the Clothing and Textile Industry'.

The second step of the research process was to conduct a literature review. The literature review is a very important step in the research, as it provides information on the chosen topic and the work that has been carried out in the past. It gives the researcher the entire basis and idea for the research (Veal 2005). Past studies also provide ideas regarding the methodology to be used and the way to conduct the research on the chosen area and topic. Past studies can also presenta starting point and comparison for the new research, as well as offering the information needed for the current research (Veal 2005).

The third step was to form the conceptual framework for the research. A conceptual framework is formed through the process of the literature review and consists of four processes: identifying the concepts, defining the concepts, and operationalising and exploring the relationship between the concepts (Veal 2005).

Step four for this study was to form the research questions. These questions were those that the researcher sought to answer by conducting the research. The conceptual framework helps in forming the research questions, which must be relevant to the topic and justified in terms of conducting the study (Veal 2005). They also must be researchable. This means that they need to be answerable using the research strategy and feasible within the time scale and resources given to the researcher (Veal 2005). The hypotheses then have to be constructed according to the research questions.

The fifth step of the research was to select the research methods to answer the research questions. There are two main types of methods used in research: qualitative and quantitative methods (Cavana, Delahaye & Sekaran 2001). Quantitative methods are used to measure the phenomena under investigation through the use of statistics to analyse the raw data. Qualitative methods use questionnaires, field and laboratory experiments along with statistical data gathered by organisations such as the Australia Bureau of Statistics and Statistics New Zealand for the analysis (Cavana, Delahaye & Sekaran 2001). For this study, both methods were used to answer all of the research questions and to prove the hypotheses.

The sixth step consisted of the data collection. Since two methods were used in this research, it also involved two types of data collection. For the quantitative method, a questionnaire survey was used to collect the data for analysis. For the qualitative study, in-depth interviews were conducted and the questionnaire survey from the first method was used as supplementary data.

The seventh step was the data analysis. For the quantitative method or survey questionnaire, the SPSS program was used to analyses the data. The statistical methods used to analyse the results were frequency, cross-tabulation and regression. For the qualitative method or the interview, case studies were conducted as the data analysis method. Five case studies were completed on the information collected through the interviews.

The last step of the research process was to report the findings and results. Once the data analysis was complete, the results and conclusions were drawn from the findings. As part of the conclusion, new problems are defined and suggestions for future research are stated.

3.10 Research Methods

'Quantitative research is designed specifically for the identification and description of variables with a view to establishing the relationship between them' (Garner, Wagner & Kawulich 2009, p. 62). For this type of method, the study involves a larger number of participants than the qualitative method to test the validity and reliability and to generalise the findings of the study (Garner, Wagner & Kawulich 2009). The analysis methods used during quantitative studies are usually descriptive, correlation, quasi-experimental and experimental. These analyses are usually performed through a program such as SPSS or Excel, or another statistical computer-aided program. Then the results are drawn from the processed data (Garner, Wagner & Kawulich 2009).

In contrast, the qualitative method is a process that cannot be measured in terms of quantity, amount or frequency (Garner, Wagner & Kawulich 2009). This type of method focuses on obtaining in-depth details and an understanding of the issues in the particular research or study. This method usually involves a smaller number of participants but a larger and higher-quality response. The data collection for qualitative research is normally undertaken via interviews, observation or focus group discussion.

These two types of methods are used in this research to obtain answers or results that cover all of the research questions. The mixed method was used in this study because it is not possible to answer all the research questions using only one of the methods.

3.10.1 Quantitative Method

The quantitative method uses numbers and statistics to determine the results of the study. Quantitative research 'tends to be based on numerical measurements of specific aspects of phenomena; it abstracts from particular instances to seek general description or to test causal hypotheses; it seeks measurements and analyses that are easily replicable by other researchers' (Thomas 2003, p. 2).

The quantitative method used in this study is the questionnaire survey. This type of method provides an overview of the research participants and a bigger picture of the questions asked in this study. The questionnaire survey was conducted on SMEs in the textile and clothing industry in Thailand. The questions include general information about the firms and their competencies.

3.10.2 Qualitative Method

The qualitative method focuses on an interpretive and naturalistic approach to its subject (Thomas 2003). It is the study of things in their natural setting, making sense of what is going on and what people bring to the matter. Qualitative research 'involves the studied use and collection of a variety of empirical materials—case study, personal experience, introspective, life story, interview, observational, historical, interactional, and visual texts—that describe routine and problematic moments and meanings in individuals' lives' (Thomas 2003, p. 2).

The qualitative method used in this study is in-depth interviews, which are used to form case studies. The in-depth interviews were conducted with 10 SMEs regarding how FTAs have affected their businesses. This part of the method helps to answer the second part of the research questions, which the qualitative method cannot answer.

3.10.3 Mixed Method

In this study, both methods, qualitative and quantitative, are used to find the answer to the research questions. This has been labelled a mixed methodology (Thomas 2003). Both methods are used in this study because one method cannot answer all the questions asked and it was found to be more effective to incorporate both methods.

Many authors today find that the two methods are complementary to each other rather than antagonistic, as once believed. As noted by King, Keohane and Verba (cited in Thomas 2003, p. 7):

> The two traditions—(quantitative and qualitative)—appear quite different; indeed they sometimes seem to be at war. Our view is that these differences are mainly ones of style and specific technique.... Most research does not fit clearly into one category—qualitative or quantitative—or the other. The best often combines features of each. In the same research project, some data may be collected that is amenable to statistical analysis, while other equally significant information is not.... Neither quantitative nor qualitative research is superior to the other; ... we do not regard quantitative research to be any more scientific than qualitative research.

3.11 Survey Research Methodology and Quantitative Questionnaire Survey

3.11.1 Method of the Questionnaire Survey

The first phase consisted of a questionnaire survey of senior managers of 400 small and medium-sized Thai enterprises. The sample used for this activity met the following criteria:

1. They are SMEs.
2. They operate in the clothing and textile industry in both the production and the trading sector.
3. They are independently owned, and are not a subsidiary of a large firm.

The survey was sent to the400 SMEs in the clothing and textile industry selected for this study. The sample was chosen from the SMEs that were listed with the Small and Medium Enterprise Development Bank of Thailand. However, the response rate was less than

5 percent, requiring face-to-face interviews. There were a total of 157 responses used in the analysis.

The survey questions were developed from the literature review and the conceptual framework of the study. The questions and survey cover the following areas: the firm's attributes; the level of its equipment, and its scanning and R&D policies; its perception of and strategies for free trade and international competition; and its use of the various resources available to the firm.

The secondary data on trade associations and internal sources are also used to support the analysis.

3.11.2 Development of the Questionnaire Survey

The development and design of the questionnaire must be taken into account regarding all the aspects of the research. Other factors of the research must also be taken into account concerning the design of the questions. The other factors include the objectives of the research; the costs and funds provided for the study; the sample size and design of the study; the type of analysis; the method of delivery used for the development of the questionnaire; the survey population; the data input method and data processing method; and, finally, the report writing style (Cavana, Delahaye & Sekaran 2001). These factors were taken into consideration during the different stages of the questionnaire design.

3.11.2.1 Questionnaire Design

With respect to questionnaire design principles, researchers must focus on three areas to arrive at a questionnaire that minimises biased responses (Cavana, Delahaye & Sekaran 2001, p. 228). These areas consist of the wording of the questions, planning issues and the general appearance of the questionnaire.

The first area is the principle of wording, referring to factors such as 'the appropriateness of the content of the questions, how questions are worded and the level of sophistication of language used, the type and form of questions asked, the sequencing of the questions, and the personal data sought from the respondents' (Cavana, Delahaye & Sekaran 2001). Regarding the appropriateness of the content of the questions, the purpose of the questions must be clearly verified. The subjective and objective must be clearly stated to be able to create the right variables to measure the results. For this study, the subjective and objective were clearly stated and described at the beginning of this thesis, in the first and third chapters. The variables used for measurement were drawn from similar studies as a result of the literature review.

The language and wording of the questionnaire depend on the target respondents of the survey, and must be pitched at the same level of understanding as that of the respondents (Cavana, Delahaye & Sekaran 2001). This means that the choice of words depends on the level of the respondents' education, the terms and idioms used in the respondents' culture and the frames of reference that are known to the respondents. This ensures that the questionnaires are easily understood by the respondents; it is appropriate to respond to the respondents' attitudes, perceptions and feelings (Cavana, Delahaye & Sekaran 2001). The questionnaire for this study was written in English and then translated to Thai for use with the respondents in Thailand. The questionnaire was translated by professional translators who possessed knowledge of the language and culture of the respondents, as well as the context of the issues being studied.

The next factors that must be considered when designing the questionnaire are the type and form of the questions (Cavana, Delahaye & Sekaran 2001). Questions can be open-ended or closed questions. Open-ended questions are those that allow the respondents to answer in any way they choose (Cavana, Delahaye & Sekaran 2001). Closed questions give the respondents a choice of answers provided by the researchers. For this study, closed questions were used in the survey questionnaire since they take less time than open-ended questions, and this encourages a greater response from the respondents. It was also easier to code the answers in the analysis part of the study.

The form of questions can be positively or negatively worded (Cavana, Delahaye & Sekaran 2001). It is advisable to include both types of questions in the questionnaire to minimise the chance that the respondents will answer only at one end of the scale. However, for this study, only positively worded questions were used to minimise confusion on the part of the respondents and to make the analysis easier.

The other factor related to the wording of the questionnaire that researchers must take into account is bias in the questions. The kinds of issues that must be considered are, for example, double-barrelled questions, ambiguous questions, recall-dependent questions, leading questions, loaded questions, social desirability and the length of questions (Cavana, Delahaye & Sekaran 2001). A double-barrelled question is a question consisting of two parts that can convey different answers. This kind of question should be avoided and separate questions asked instead. Ambiguous questions should also be avoided because the respondents will find it difficult to understand the question or different respondents will understand it differently, thus making the results inaccurate. A recall-dependent question requires the respondent to recall a past experience to answer it. This kind of question also needs to be avoided because most of the time memory is hazy and will cause the answer to be biased (Cavanagh et al. 1992).

The other biased questions that the researcher should avoid are questions that have emotional links or that are attached to the respondents: leading questions, loaded questions and social desirability questions. Leading questions are those that are phrased in a way that leads the respondent to the answer that is desired by the researcher (Cavana, Delahaye & Sekaran 2001). This type of question will yield a biased answer and will not represent an accurate response by the sample. Loaded questions also lead to biased answers because they contain emotional words or phrases that affect the respondents' decision. Lastly, social desirability questions usually do not yield sincere answers from the respondents because they, the respondents, feel that they have to comply with social norms (Cavana, Delahaye & Sekaran 2001). This type of answer usually yields biased answers and is not relevant to the research.

The length of the questions is also an important factor to consider. Shorter questions are preferred for questionnaires. 'As a rule of thumb, a question or a statement in the questionnaire should not exceed 20 words or one full line in print' (Cavana, Delahaye & Sekaran 2001, p. 232).For this study, the questions were designed to be as short and clear as possible so that they would be straightforward and easy to understand.

Following the wording of the questions in the questionnaire, the next aspect that the researcher needs to decide on is the sequencing of the questions. The sequence of questions should move from more general questions to more specific ones and from easy questions to more difficult ones (Cavana, Delahaye & Sekaran 2001). This will help the respondents to become familiar with the questions and to create a flow in their responses. For this study, the questions began by asking for general information about the respondents' business and the following questions were divided into parts according to the subject matter.

In this study, classification data and personal information were requested because they were needed for the study. However, the name of the respondent was not asked; however, the name of the firm was an optional answer. The details of the study were provided and explained to the respondents before the survey so that they knew that the information would be kept confidential. Information about income and other expenses of the firm was requested because it was necessary and important for the study. A range of responses was provided for the respondents to choose from so that the issue would be considered less sensitive and so that they would feel more comfortable in responding.

3.11.2.2 Measurement Scales

Two types of measurement scales were used in the questionnaire survey for this study: the nominal scale and the interval scale. The information generated from the nominal scaling can be used to calculate the percentage or frequency in the sample of respondents (Sekaran & Bougie 2009). For this study, the nominal scale was used to collect background information on the SMEs and the respondents in the clothing and textile industry in Thailand. The information gathered included general information about the respondents, such as their position in the firm, and information on the firm, such as the number of years in operation, number of employees, structure of the business and value of the firm.

The second measurement scale used was the interval scale. This type of scale allows the researcher to use the data collected to perform certain arithmetical operations. These arithmetical operations include range, standard deviation and variance (Sekaran & Bougie 2009). The interval scale measures the distance between any two points on the scale, which allows the number to be used to compute the means and the standard deviations of the responses regarding the variable. This type of scale can also help measure the magnitude of differences in the answers among the respondents (Sekaran & Bougie 2009).

The interval scale is used in the questionnaire to gather information on how the respondents perceive the level of importance of the firm's competencies regarding performance. Five-point scales are used and ranked from 'not important' to 'extremely important'.

3.11.2.3 Pre-testing of questionnaire

The questionnaire was pre-tested for reliability and validity to ensure that it was reliable and measured what it set out to measure. This will be discussed further in the section of this chapter on the reliability and validity of the survey questionnaire (Section 3.13.5).

3.11.3 Population and Sampling Methods

The population used for this study was SMEs in the clothing and textile industry in Thailand, which has a population of approximately 230,019 (2007). The survey was sent via mail to a random sample of 400 firms in this population, with a plan to conduct face-to-face interviews if responses fall short of a viable sample size for statistical analysis. .Given the size of distribution, a 40% response rate is required for meaningful test of hypotheses.

3.11.4 Data Collection

The initial plan was to send this survey questionnaire by mail to randomly selected firms. However, the response rate for the first attempt was less than five per cent, so the surveys were conducted face to face with randomly selected SMEs in the clothing and textile industry.The survey was conducted in late 2009 and early 2010.

3.11.5 Validity and Reliability of the Survey Questionnaire

With respect to the measurement of the survey, three major criteria were employed (Zikmund 2003). The evaluation was to determine whether the measurement used was reliable and valid, and to ensure that the measurement was achieving what it was supposed to achieve effectively, which was to measure the variables in the survey. The tests of reliability and validity go hand in hand. Reliability must be achieved before a variable can be tested for validity, but this does not apply in reverse (Zikmund 2003) - a measurement that is reliable may not be valid.

Reliability

‘Reliability is the degree to which measures are free from error and therefore yield consistent results’ (Zikmund 2003, p. 300). This means that the results gathered from surveys must be similar to each other when they are obtained over a period of time and across situations. The results must remain consistent even if time has passed or the situations are different.

For this study, the survey was tested for reliability with the test-retest method. 'The test-retest method of determining reliability involves administering the same scale or measure to the same respondents at two separate times to test for stability' (Zikmund 2003).For the measurement to be stable and reliable, the test that is being administered should obtain similar results under the same conditions. In this study, the surveys were given to five respondents to answer twice in the time period of a month apart. The results attained were very close to each other, so the survey was assumed to be reliable.

Once the researcher knows that the measurement is reliable, he or she must ensure that it is also valid. This means that what has been measured accurately measured the content that he or she set out to measure. 'Validity is the ability of a measure to measure what it is supposed to measure' (Zikmund 2003, p. 301).There are three basic approaches to evaluating validity: face validity or content validity, criterion validity and construct validity (Zikmund 2003, p. 302). Face validity or content validity evaluates validity through the agreement of professionals on the selected topic - whether or not the scale or measurement used accurately measures what it is supposed to measure. Criterion validity is 'the ability of some measure to correlate with other measures of the same construct' (Zikmund 2003, p. 303). Lastly, construct validity is 'the ability of a measure to confirm a network of related hypotheses generated from a theory based on the concepts' (Zikmund 2003).

In this study, the survey was evaluated for validity using face validity or content validity and construct validity. In the evaluation via face validity or content validity, the content of the survey was agreed among professionals in the area and the surrounding areas of the study to reflect the subject matter accurately and measure what it was supposed to measure. The survey questionnaire was then reviewed by the research supervisor, co-supervisor and numerous doctoral degree research students in the business area before being finalised and used for data collection.

3.11.6 Data Analysis

The data analysis method used for this survey questionnaire was conducted via the use of the Statistical Package for Social Science (SPSS) software program. The data gathered in the questionnaire were transported into this program for statistical analysis. The statistics used to run the results included the analysis of frequency and cross-tabulation.

Descriptive Analysis and Chi-Square Analysis

Frequency was used to explain the background information of the firms participating in the survey. It provided information on the firm's size, products, employees and years of operation, and the structure of the business. Then cross-tabulation, which included the chi-square analysis, was conducted to find the association between the independent variables and the dependent variables in the questionnaire. In this study, the conditions for Chi-square test are on the expected values and not the observed values in a contingency table. The observed value can theoretically have any value (Agresti, 1990; Campbell, 2007; and Cochran, 1952). All the expected values in the tests satisfy the conditions for Chi-square tests (Cochran, 1999).

The independent variables in this research included opportunity competencies, relationship competencies, conceptual competencies, strategic competencies, commitment competencies and organisation competencies. The dependent variables were the values of the firm, net profit, firm assets, turnover and firm revenue, which indicated the firm's performance.

Globalisation is one of the independent variables use under the methodology adopted in the study, however, this will not be measured directly by employing a range of observable variables.

3.12 Qualitative Semi-structured Interviews

Semi-structured interviews were conducted as part of the study to obtain a deeper understanding of the issues. Many factors surfaced while conducting the survey, and these were explored in greater depth in the interviews if they were relevant to the study. The interviews were semi-structured. Checklists were used while conducting the interviews to ensure that all the information needed was covered in the discussion. However, many questions were open-ended and encouraged the interviewees to speak freely about the issues.

3.12.1 Instrument Used for Interviews

The interviews constituted an instrument used as part of this study to gather measurements that were not obtainable by other methods. The instrument used to select the participants who would participate in the interviews was the questionnaire from the first part of the research. The participants in the first part of the research were asked whether they would be willing to take part in the interviews. The names of the willing participants were recorded and respondents selected randomly.

3.12.2 Pre-testing for Interview Questions

The pre-testing of the interview questions was conductedwith the assistance of a focus group. The outcome of this exercise was very useful in revising the questionnaire in order to improve the reliability of the data collected.

The semi-structured interviews were conducted in the manner of asking open-ended questions to encourage more detailed discussion of the issues. The key issues discussed in the interviews are the effect of the external environment on the firm, the effect of globalisation, problems facing the SMEs and factors contributing to the SMEs' performance.

3.12.3 Interview Procedure

The interviews were conducted in Thailand with SMEs. The firms were chosen randomly from the survey firms. Ten interviews were carried out in total, between November

2010 and January 2011, in the companies' place of business. They were all face-to-face interviews.

This form of interview was chosen because it has many advantages. The researcher can explain and clarify the questions if the interviewees have any doubts, they can adapt the questions as necessary, there is more interaction between the two parties and the interviewer can pick up non-verbal cues (Veal 2005). However, face to-face interviews also have disadvantages and limitations. The disadvantage is a geographical one (Veal 2005). For this study, all of the firms with which interviews took place were located in Bangkok.

Each interview session lasted approximately 30 minutes. The interviewees were asked whether the session could be tape-recorded; however, only two out of 10 interviewees were comfortable with recording the session. The rest of the interviews were recorded by taking down notes.

3.12.4 Data Analysis

The information gathered from the interview was used in conducting the case study, which will discussed in the next section.

3.13 Case Studies

The case studies were conducted to obtain a deeper understanding of the factors contributing to the firm's success, which could not be readily ascertained with the larger quantitative survey study of a larger sample size. This enabled the researcher to achieve a better interpretation of the results of the quantitative analysis.

For this study, the unit of analysis used was firms in the clothing and textile industry in Thailand. These firms were chosen to gain sufficient information to conduct the case study analysis. A total of three case studies were conducted by semi-structured interview of ten firms. The firms were chosen in accordance with their relative success, as follows: case studies involved successful firms, struggling firms and failing firms. The information from the case studies was used to supplement the results from the questionnaire survey.

The design for the case studies in this study involved both theory-testing and theory-building case studies. The case studies were analysed and an attempt was made to prove whether the hypotheses and the supporting information would actually work in the real business environment. However, for some hypotheses, the case studies can help to refine the existing theory on the effect of the internal and external environment on firm performance.

In a theory-testing case study, a set of specific propositions or questions are developed and tested to determine how they work in the existing social and business environment (Vaus 2009). A theory-building case study begins with a basic question, and then it builds up the propositions or theories to support the findings of the case study. It refines the existing theory (Vaus 2009).

As mentioned above, the case studies conducted for this study were multiple case studies. In most studies, multiple cases give the researcher much better answers to their propositions and provide more details regarding the theory that is being tested or contribute more to building a better theory (Vaus 2009). With sufficient resources and information, multiple case studies will produce many more compelling results and provide researchers with more relevant theories and information (Vaus 2009).

The other design used for the case studies in this research was the sequential design. When using a sequential design, one case is followed by another instead of both being conducted at the same time. In most cases, it is performed by one investigator or researcher. ‘An advantage of the sequential approach is that the selection of each case and some of the issues examined can be informed by puzzles identified in earlier cases. One case can throw up ideas that can influence the selection of subsequent cases and that can be followed up in these late cases’ (Vaus 2009, p. 227). This design is more suitable for a theory-building case study and was considered suitable for use in this study. It will help to refine the existing theory, build a new theory if possible and test hypotheses.

The last component of this study's case study design is that it is a retrospective design. The retrospective design involves the collection of data relating to a unit of analysis over an extended period (Vaus 2009). It involves information from the past that can be obtained through records, documents and interviews. For this study, the data were gathered through questionnaires and interviews with people who participate in the running of the businesses.

The results of the case studies will be presented in three summary tables categorised on their levels of success as a business entity, successful, failed,orstruggling. This is followed by a discussion on the individual firms relating firm level values of the key variables to performance levels.

The level of success of the responding firms is as reported by the respondent of each firm, focussing mainly on the firms' financial performance. The successfulones are those with a strong balance sheet, not necessarily with strong net profit levels but other measures such as sales, market share, and growing export potential.

3.14 Ethical Considerations

Ethical issues need to be addressed and taken into consideration in every piece of research that involves human interactions. The researcher may face an ethical dilemma in the research process and this issue needs to be settled and discussed before conducting the study. To identify the ethical obligations and guidelines for the research, it was broken down according to the individuals involved. Each party involved had different ethical obligations and guidelines that needed to be considered separately.

The three parties involved in the research were the researcher, the user of the research and the research participants (Zikmund et al. 2010). The researcher is the person who conducts or performs the research. In this study, a doctor of business administration student conducted the research project for the programmer's dissertation. The user of the research is the research client, sponsor or management team who requests the research, and in this study, it was Victoria University. Lastly, the research participants are the people who respond to the research or participate in the study. For this study, the participants were the owners or managers of the small and medium-sized firms in the clothing and textile industry in Thailand.

Each of the parties involved in the research had his or her own rights and obligations regarding ethical issues during participation. However, the participants are given priority with respect to rights and obligations in most research studies because they have to consent to most types of study. Before beginning research involving active participants, they have to consent to the activity that is about to take place. Informed consent has to be reached. 'Informed consent means that the individual understands what the researcher wants him or her to do and consents to the research study' (Zikmund et al. 2010, p. 90). For this study, the information form and consent form were presented and explained to the participants before conducting both the survey and the interviews, and the participations were informed of the purpose and contents of the study before answering any questions. The consent forms were signed before participation began.

The main rights and obligations that are standard for all research involving participants are the obligation to be truthful, the right to privacy, the right to be informed and protection from harm due to the research (Zikmund et al. 2010). The participants, once they consent to participate in the research, are expected to be honest and truthful with their responses so that the results of the study will be accurate. However, they also expect confidentiality from the researcher and the research sponsor. This confidentiality is usually promised in the consent form, which allows the participant to participate freely in the study once it is believed that his or her information will not be shared with others. For this study, the information gained from the survey and interviews was kept confidential and was not shared with anybody other than the researcher and the supervisor.

As this study consisted of active research, involving the consent and participation of the participants, the rights to privacy of the participants differed from those found in passive research. The participants should know that they have rights and freedom regarding whether they will comply with the research request or not. The participants have the right to participate in the study as much or as little as they want and are able to terminate the session at any time if they feel uncomfortable. For this study, the privacy of the participants was ensured by the researcher. The surveys were conducted when the participants had spare time and the participants were to answer only the questions with which they were comfortable. The interview was conducted in a location and at a time allocated by the participants and the answers were not tape-recorded but were handwritten.

Participants also have the right to be informed about the details of the study in which they are participating. However, many studies cannot give out all of the details to the participants because it would jeopardise the results of the study (Zikmund et al. 2010). For this study, the information was given to the participants and they were all informed about the study.

A very important ethical issue that applies to all research is that the researchers have to do everything in their power to ensure that the participants are not harmed in the process of the study (Zikmund et al. 2010). Such harm can include physical, psychological, financial and reputational harm to the participants and their businesses. For this study, the information obtained from the participants remained confidential so that it would not have an effect on the participants in any way. The participants were also free to answer the questions with which they were comfortable.

Before conducting this research, the study was also assessed by the ethics committee of Victoria University to ensure that it complied with the ethical standards for research. The ethics committee approved the survey and the interview before the researcher proceeded with the collection of the data involving the participants.

3.15 Summary

A large amount of literature confirms that firm performance is affected by the internal factors of the firm that contribute to the firm strategy process. Studies show that this is applicable in various sectors, including the food sector, household and computer sectors, manufacturing sector, and banking sector, as demonstrated by multiple industry meta-analysis and several early, seminal conceptual developments (Gunby 2009). However, many studies still doubt the validity of the external environment regarding its effect on firm performance. This study will test how the external environment has an effect on firm performance. However, it will focus mainly on the effect of the free trade environment on the firm performance.

This chapter has explained the research methods used in this study. It has covered the methodological issues, research stages, research process, research methods, data collection, data analysis and ethical considerations. The method followed in this research was the mixed method, and included quantitative and qualitative methods. The quantitative method used in this study involved a survey questionnaire and was analysed with the SPSS program. The qualitative method involved in-depth interviews with SMEs and the analysis was carried out by conducting case studies. Before conducting the data collection and continuing with the study, ethical considerations were taken into account and ethics approval was granted by the ethics committee of Victoria University.

The next chapter will report the findings of the research methods mentioned in this chapter. The research results will include the quantitative method results, which comprise the frequencies and cross-tabulations of the variables in the survey questionnaires, and the qualitative method results, which were obtained from the case study from the interviews.

Chapter 4

Data Analysis and Results

4.1 Introduction

The data collection and analysis for the research was conducted in two stages. The first was a questionnaire survey among 157 SMEs in the clothing and textile sector of Thailand. The criteria used to categorize the firms as SMEs are as follows:

Sector	**Number of Employees**		**Capital Investment**	
	Small Enterprises	**Medium Enterprises**	**Small Enterprises**	**Medium Enterprises**
Production Sector	≤50	51–201	≤ AUD$ 1,650,000	AUD$ 1.6–6.7 million
Trading Sector (Wholesale)	≤25	26–51	≤ AUD$ 1,650,000	AUD$ 1.6–3.3 million
Trading Sector (Retail)	≤15	16–31	≤ AUD$ 1,000,001	AUD$ 1–2 million

The survey instrument is given in Appendix I. The second stage comprised eight case studies of SMEs purposively selected among the survey sample of 157 SMEs. These case studies have been described in Chapter 3 and the results will be discussed in Chapter 5. The current chapter discusses the questionnaire survey, the survey results, and the results of statistical tests of hypotheses.

Cronbach’s alpha is a robust test of the reliability of the variables used to measure the association between factors and the observed variables employed to measure the factors in the study. The results are as follow:

Competencies	Variable	Cronbach's Alpha
Opportunity Competencies	1. Ability to recognize the market opportunities. 2. Ability to develop the market opportunities.	.828
Relationship Competencies	1. Ability to build a context of cooperation and trust. 2. Ability to use contacts and connection 3. Ability to persuade 4. Ability to communicate 5. High Degree of Interpersonal Skill	.855
Conceptual Competencies	1. Decision Making Skill 2. Absorbing and understanding complex information 3. High Degree of Risk Taking skill 4. Degree of Innovativeness	.816
Organizational Competencies	1. Organization of Internal and external human resources 2. Organization of physical resources 3. Organization of financial resources 4. Organization of technological resources 5. Team Building skill 6. Leadership Skill 7. Ability in Training and Controlling	.862
Strategic Competencies	1. Ability to set the strategies of the firm 2. Ability to evaluate the strategies of the firm. 3. Degree of implementing the strategies	.880
Commitment Competencies	1. Degree of commitment to the individual tasks 2. Degree of commitment to the group task 3. Degree of commitment to the firm.	.873

Cronbach's alpha as employed in the present study measures the reliability of the variables in measuring the competencies, which are factors. The acceptable Cronbach's alpha value should be above 0.7 and as shown in the tale above, all the values are above 0.8, indicating a high level of reliability of the factors employed in the study (Pallant 2001).

4.2 Descriptions of the Population

The survey questionnaires were conducted with 157 SMEs in the clothing and textile industry in Thailand. The firms that participated in this study consisted of retail stores, distributors and manufacturing firms. Following sections provide the descriptive statistics of study sample.

Since the survey was conducted on SMEs, most of the respondents were owners and general managers of the firm. In most cases, the owners played a very active role in the day-to-day operations, unlike in larger or multinational firms. As show in Table 4.1, for this study, there were 157 respondents, of which 41.4 per cent were owners of the firm, 40.8 per cent were general managers, 15.3 per cent human resource managers, and 2.5 per cent held other positions, such as accountant or store manager.

Table 4.1: Current Position held by the Person Answering the Survey

	Frequency	Per Cent
Owner	65	41.4
General Manager	64	40.8
Human Resource Manager	24	15.3
Others	4	2.5
Total	157	100.0

Non response: 0

Small and medium firms are more likely to fail in the first three years and those that survive are likely to stay small and mid-sized (Stokes & Wilson 2006). As shown in Table 4.2, in this study, more than 50 per cent of the respondent firms had been operating for more than 10 years and around 23 per cent of the respondents had been operating for more than 20 years. They started as a small firm and were happy to operate at the same size even after being in the industry for a long period. Only 3.3 per cent of the respondents were new firms that had been operating fewer than three years. About 27 per cent of the respondents had been operating between four and 10 years, 19.1 per cent between 11 and 15 years, and 27.6 per cent between 16 and 20 years.

Table 4.2: Number of Years of Operation

	Frequency	Per Cent
1 to 3 years	5	3.3
4 to 10 years	41	27.0
11 to 15 years	29	19.1
16 to 20 years	42	27.6
20 years or more	35	23.0
Total	152	100.0

Non response:5

With respect to the structure of the business, there are more sole traders among these firms because of the lower start-up cost for small firms. As shown in Table 4.3, the results of this study show that for around 40 per cent of the respondents, their business was as a sole trader. A minority of the respondents, which made up 19.7 per cent, were in a partnership structure, while another 39.5 per cent were proprietary limited companies.

Table 4.3: Structure of the Business

	Frequency	Per Cent
Sole Trader	64	40.8
Partnership	31	19.7
Proprietary Limited Company	62	39.5
Total	157	100.0

Non response:0

The clothing and textile industry in Thailand is quite labour intensive. In the small and medium-sized firms in this industry, there will be more labour than in other industries. As shown in Table 4.4, this study shows that even in small and medium-sized firms, more than 50 per cent employ more than 50 full-time employees. However, the retail and distribution section of the industry uses less human labour. The results show that about 25.2 per cent of the respondents hire one to five full-time employees, 11.2 per cent hire five to 15 employees, and 12.6 per cent hire 15 to 50 employees.

Table 4.4: Number of Full-time Employees

	Frequency	Per Cent
Less than 5 Employees	36	25.2
6 to 15 Employees	16	11.2
15 to 50 Employees	18	12.6
50 or more Employees	73	51.0
Total	143	100.0

Non response: 14

As shown in Table 4.5, the results of this study indicate that for 19.2 per cent of the respondents the firm's turnover per year was between 0 and 1 million baht; for 16.7 per cent it was between 1 and 5 million baht; for14.1 per cent it was between 5 and 10 million baht; for 1.3 per cent it was between 10 and 15 million baht; and for the majority of respondents, at 48.7 per cent, the turnover was over 15 million baht per year.

Table 4.5: The Company Turnover in the Past Calendar Year (2008)

	Frequency	Per Cent
Less than 1 million baht	30	19.2
1 to 5 million baht	26	16.7
5 to 10 million baht	22	14.1
10 to 15 million baht	2	1.3
15 million baht and more	76	48.7
Total	156	100.0

Non response: 1

As shown in Table 4.6, the finding on average company turnover for the last three years shows that 12.8 per cent of the respondents had a turnover of between 0 and 1 million baht; 19.3 per cent between 1 and 5 million baht; 14.7 per cent between 5 and 10 million baht; 3.2 per cent between 10 and 15 million baht; and the majority of respondents, at 50 per cent, had an average turnover of over 15 million baht per year.

Table 4.6: The Company Turnover on Average for the Past Three Years (2006-2008)

	Frequency	Per Cent
Less than 1 million baht	20	12.8
1 to 5 million baht	30	19.2
5 to 10 million baht	23	14.7
10 to 15 million baht	5	3.2
15 million baht and more	78	50.0
Total	156	100.0

Non response: 1

The criteria used to determine whether the firm fit into the size of the enterprise were determined. For the small firm in Thailand, the capital investment of the firm should be equal to or less than 50 million baht. For the medium-sized firm, their capital investments must be between 30 million and 190 million baht.

As shown in Table 4.7, the results of this study on the value of the company show that 12.8 per cent of the respondents' had a value between 0 and 1 million baht; 23.1 per cent were between 1 and 5 million baht; nine per cent were between 5 and 10 million baht; 4.5 per cent between 10 and 15 million baht; and the majority of the respondents, which was 50.6 per cent, had an average turnover of over 15 million baht per year.

Table 4.7: The Value of the Company(Total Asset Value of the Firm)

	Frequency	Per Cent
Less than 1 million baht	20	12.8
1 to 5 million baht	36	23.1
5 to 10 million baht	14	9.0
10 to 15 million baht	7	4.5
15 million baht and more	79	50.6
Total	156	100.0

Non response: 1

As shown in Table 4.8, the results of this study on the revenue of the company for the study year were as follows: 17.9 per cent of the respondents showed a company value between 0 and 1 million baht; 21.2 per cent between 1 and 5 million baht; nine per cent between 5 and 10 million baht; 3.2 per cent between 10 and 15 million baht; and the majority of the respondents, which was 48.7 per cent, exhibited an average revenue of over 15 million baht per year.

Table 4.8: The Total Revenue of the Firm Last Year (2008)

	Frequency	Per Cent
Less than 1 million baht	28	17.9
1 to 5 million baht	33	21.2
5 to 10 million baht	14	9.0
10 to 15 million baht	5	3.2
15 million baht and more	76	48.7
Total	156	100.0

Non response:1

As shown in Table 4.9, the results of this study on the total revenue of the firm for the past three years were as follows: 14.1 per cent of the respondents had a total revenue between 0 and 1 million baht; 18.6 per cent between 1 and 5 million baht; 10.3 per cent between 5 and 10 million baht; 5.1 per cent between 10 and 15 million baht; and the majority of the respondents, which was 51.9 per cent, showed an average total revenueof over 15 million baht per year.

Table 4.9: The Total Revenue of the Firm for the Past Three Years (2006-2008)

	Frequency	Per Cent
Less than 1 million baht	22	14.1
1 to 5 million baht	29	18.6
5 to 10 million baht	16	10.3
10 to 15 million baht	8	5.1
15 million baht and more	81	51.9
Total	156	100.0

Non response: 1

Out of the 157 SMEs that took part in this study, 115 firms carried out export activity. As shown in Table 4.10, the results of this study on the total value of exports in the past year were as follows: 16.5 per cent of the respondents showed a total value of exports less than 1 million baht; 9.6 per cent between 1 and 5 million baht; 7.8 per cent between 5 and 10 million baht; 5.2 per cent between 10 and 15 million baht; and the majority of the respondents, which was 60.9 per cent, had an average turnover of over 15 million baht per year.

Table 4.10: The Total Value of Exports in the Past Year (2008)

	Frequency	Per Cent
Less than 1 million baht	19	16.5
1 to 5 million baht	11	9.6
5 to 10 million baht	9	7.8
10 to 15 million baht	6	5.2
15 million baht and more	70	60.9
Total	115	100.0

Non response:42

As shown in Table 4.11, the results of this study on the total value of exports in the past three years were as follows: 10.4 per cent of the respondents had a total value of exports between 0 and 1 million baht; 9.6 per cent between 1 and 5 million baht; 11.3 per cent between 5 and 10 million baht; 5.2 per cent between 10 and 15 million baht; and the majority of the respondents, which was 63.5 per cent, had an average turnover of over 15 million baht per year.

Table 4.11: The Total Value of Exports in the Past Three Years (2006-2008)

	Frequency	Per Cent
Less than 1 million baht	12	10.4
1 to 5 million baht	11	9.6
5 to 10 million baht	13	11.3
10 to 15 million baht	6	5.2
15 million baht and more	73	63.5
Total	115	100.0

Non response:42

As shown in Table 4.12, the results of this study on the total value of imports for the study year were as follows: The majority of respondents, 73.8 per cent, had a total value of imports between 0 and 1 million baht; 11.7 per cent were between 1 and 5 million baht; one per cent were between 5 and 10 million baht; and 13.6 per cent were between 15 million baht and more. Approximately 34.4 per cent of the respondents did not import at all and only used local material.

Table 4.12: The Total Value of Imports during the Past Year (2008)

	Frequency	Per Cent
Less than 1 million baht	76	73.8
1 to 5 million baht	12	11.7
5 to 10 million baht	1	1.0
15 million baht and more	14	13.6
Total	103	100.0

Non response:54

As shown in Table 4.13, the results of this study on the total value of imports in the past three years were as follows: the majority of the respondents, 71.8 per cent, had a total value of imports between 0 and 1 million baht; 10.7 per cent were between 1 and 5 million baht; 3.9 per cent between 5 and 10 million baht; and 13.6 per cent were between 15 million baht and more. Approximately 34.4 per cent of the respondents did not import at all and only used local material.

Table 4.13: The Total Value of Imports in the Past Three Years (2006-2008)

	Frequency	Per Cent
Less than 1 million baht	74	71.8
1 to 5 million baht	11	10.7
5 to 10 million baht	4	3.9
15 million baht and more	14	13.6
Total	103	100.0

Non response:54

For this study, the number of products produced by the firm was asked in the survey.The clothing textile industry had only a limited line or number of products. Most of the firms produced basic garments, such as shirts, pants, and undergarments. As shown in Table 4.14, it can be observed that the majority of respondents, which made up 86.5 per cent, only manufactured one to five products. Eleven per cent had six to 10 products, 0.6 per cent had 11 to 15 products, and 1.9 per cent had 15 or more products.

Table 4.14: Number of Products the Firm Manufactured

	Frequency	Per Cent
1 to 5	134	86.5
6 to 10	17	11.0
11 to 15	1	.6
15 and more	3	1.9
Total	155	100.0

Non response:2

In the survey, the respondents were asked to rate their current employees' productivity.As shown in Table 4.15, only 2.6 per cent thought that their labour forces were very productive. The majority of respondents (62.8 per cent) thought that their labour force was at an average rate with respect to productivity. The rest of the respondents (30.8 per cent) thought that their labour was above average, 1.3 per cent thought it was below average, and 2.6 per cent thought that they had non-productive labour.

Table 4.15: The Rate of Productivity of Labour

	Frequency	Per Cent
Very Productive	4	2.6
Above Average	48	30.8
Average	98	62.8
Below Average	2	1.3
Not Very Productive	4	2.6
Total	156	100.0

Non response:1

SMEs in the clothing and textile industry do not spend much on R&D in general. As smaller firms, they tend to follow the trends of the multinational firms or focus on niche markets. The results indicate that most of the firms invested insignificant amounts in R&D. As shown in Table 4.16, the results show that the majority of respondents (75.3 per cent) spent between 1 and 10,000 baht on R&D. The rest of the respondents (9.1 per cent) spent 10,000 to 50,000 baht, 3.9 per cent spent 50,000 to 200,000 baht, 3.2 per cent spent 200,000 to 500,000 baht, and 8.4 per cent spent 500,000 baht or more on R&D per year.

Table 4.16: Amount Spent on Research and Development per Year

	Frequency	Per Cent
1 to 10,000 baht	116	75.3
10,000 to 50,000 baht	14	9.1
50,000 to 200,000 baht	6	3.9
200,000 to 500,000 baht	5	3.2
500,000 baht or more	13	8.4
Total	154	100.0

Non response:3

As shown in Table 4.17, most SMEs did not spend on R&D, so this made up a very small percentage of their expenses. The majority of the respondents' firms (83.8 per cent) show that they spent only one to five per cent of their total expenses on the cost of R&D. The rest of the respondents' firm results are as follows: 11.7 per cent of the respondents spent five to 10 per cent of their total expense on R&D, 1.9 per cent spent 10 to 20 per cent, 0.6 per cent spent 20 to 30 percent and 1.9 per cent spent 30 per cent or more.

Table 4.17: Percentage of the Cost of R&D in the Total Expenses of the Firm

	Frequency	Per Cent
1 to 5 per cent	129	83.8
5 to 10 per cent	18	11.7
10 to 20 per cent	3	1.9
20 to 30 per cent	1	.6
30 per cent or more	3	1.9
Total	154	100.0

Non response:3

SMEs usually start their businesses with a focus on the domestic market and spend quite a sum of money on marketing to establish themself in the market.As shown in Table

4.18, the results of the survey show that most of the firms spentmuch more money on marketing in the domestic market than in the overseas market. The results also show that the majority of respondents (41.9 per cent) spent 500,000 baht or more on marketing costs for their domestic market. The rest of the respondents, 27.1 per cent, spent between 1 and 10,000 baht per year, 15.5 per cent spent 10,000 to 50,000 baht, 12.3 per cent spent 50,000 to 200,000 baht, and 3.2 per cent spent 200,000 to 500,000 baht on marketing expenditure in the domestic market per year.

Table 4.18: Cost of Marketing Expenditure in the Domestic Market per Year

	Frequency	Per Cent
1 to 10,000 baht	42	27.1
10,000 to 50,000 baht	24	15.5
50,000 to 200,000 baht	19	12.3
200,000 to 500,000 baht	5	3.2
500,000 baht or more	65	41.9
Total	155	100.0

Non response: 2

The majority of SMEs focuses on the domestic market, but the few firms that target the overseas market do spend on marketing. However, with changes in technology, the cost of marketing overseas has become decreased and become more accessible for smaller firms. As shown in Table 4.19, the results show that the majority of respondents (57.3 per cent) spent between 1 and 10,000 baht on marketing expenditure in the overseas market per year. The rest of the respondents (9.3 per cent) spent 10,000 to 50,000 baht, 9.3 per cent spent 50,000 to 200,000 baht, 1.3 per cent spent 200,000 to 500,000 baht and 22.7 per cent spent 500,000 baht or more on marketing expenditure in the overseas market per year.

Table 4.19: Cost of Marketing Expenditure in the Overseas Market per Year

	Frequency	Per Cent
1 to 10,000 baht	86	57.3
10,000 to 50,000 baht	14	9.3
50,000 to 200,000 baht	14	9.3
200,000 to 500,000 baht	2	1.3
500,000 baht or more	34	22.7
Total	150	100.0

Non response:7

4.3 Relationship between Firm Competencies and Firm Performances

In this section, the results of the cross-tabulation, which included the chi-square analysis, are presented. The purpose of this analysis is to find the association between the independent variables and the dependent variables in the questionnaire. The independent variables are firm competencies, which include opportunity competencies, relationship competencies, conceptual competencies, strategic competencies, commitment competencies and organisation competencies. The dependent variable is firm performance, which is measured by the firm’s value, net profit, assets, turnover and revenue.

4.4 Relationship between Opportunity Competencies and Firm Performance

Following are the results showing the relationship between opportunity competencies and firm performances. Opportunity competencies are measured by the ability to recognise market opportunities and the ability to develop them. Firm performance is measured by the firm’s value, net profit, assets, turnover and revenue.

4.4.1 Turnover and Opportunity Competencies

Table 4.20 shows the relationship between turnover of the firms and their opportunity competencies. It is shown that the firms that placed a high level of importance on opportunity competencies achieved higher turnover than the firms that placed low- to medium-level importance on opportunity competencies.

Table 4.20: Opportunity Competencies by Turnover

Opportunity Competencies		Turnover			
		0 to 5 million baht	5 to 10 million baht	15 million baht and more	Total
Low	Number	19	7	3	29
	% of Total	12.2%	4.5%	1.9%	18.6%
Medium	Number	30	13	32	75
	% of Total	19.2%	8.3%	20.5%	48.1%
High	Number	7	4	41	52
	% of Total	4.5%	2.6%	26.3%	33.3%
Total	Number	56	24	76	156
	% of Total	35.9%	15.4%	48.7%	100.0%

χ^2= 37.378, P<0.001

The results indicate that there is a significant association between the opportunities competencies level and the company's turnover (P<0.001).

4.4.2 Turnover and Opportunity Competencies (Three-Year Average)

Table 4.21 shows the relationship between the turnover of the firms and their opportunity competencies. It can be concluded that the firms that placed a high level of importance on opportunity competencies achieved higher turnover than the firms that placed a low to medium level of importance on opportunity competencies.

Table 4.21: Opportunity Competencies by Turnover (Three-Year Average)

Opportunity Competencies		Turnover (3-year average) 0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	19	7	3	29
	% of Total	12.2%	4.5%	1.9%	18.6%
Medium	Number	26	16	33	75
	% of Total	16.7%	10.3%	21.2%	48.1%
High	Number	5	5	42	52
	% of Total	3.2%	3.2%	26.9%	33.3%
Total	Number	50	28	78	156
	% of Total	32.1%	17.9%	50.0%	100.0%

χ^2= 41.077, P< 0.001

The results indicate that there is a significant association between the opportunity competencies level and the company's turnover (P<0.001).

4.4.3 Value of the Firm (Total Asset of the Firm) and Opportunity Competencies

Table 4.22 shows the relationship between the value of the firms and their opportunity competencies. It can be concluded that the firms that placed a high level of importance on opportunity competencies were more financially successful than the firms that placed a low level of importance on opportunity competencies.

Table 4.22: Opportunity Competencies by Value of the Firm

Opportunity Competencies		Value of the Firm 0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	19	7	3	29
	% of Total	12.2%	4.5%	1.9%	18.6%
Medium	Number	31	10	34	75
	% of Total	19.9%	6.4%	21.8%	48.1%
High	Number	6	4	42	52
	% of Total	3.8%	2.6%	26.9%	33.3%
Total	Number	56	21	79	156
	% of Total	35.9%	13.5%	50.6%	100.0%

χ^2= 39.079, P< 0.001

The results indicate that there is a significant association between the opportunity competencies level and the value of the firm (P<0.001).

4.4.4 Firm Revenue and Opportunity Competencies

Table 4.23 shows the relationship between the firms' revenue and their opportunity competencies. It can be concluded that the firms that placed a high level of importance on opportunity competencies achieved higher revenue than the firms that placed a low level of importance on opportunity competencies. This association is significant at P<0.001.

Table 4.23: Opportunity Competencies by Firm Revenue

Opportunity Competencies		Firm Revenue			
		0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	23	3	3	29
	% of Total	14.7%	1.9%	1.9%	18.6%
Medium	Number	31	12	32	75
	% of Total	19.9%	7.7%	20.5%	48.1%
High	Number	7	4	41	52
	% of Total	4.5%	2.6%	26.3%	33.3%
Total	Number	61	19	76	156
	% of Total	39.1%	12.2%	48.7%	100.0%

χ^2= 41.685, P< 0.001

The results indicate that there is a significant association between the opportunity competencies level and the firm's revenue (P<0.001).

4.4.5 Firm Revenue and Opportunity Competencies (Three-Year Average)

Table 4.24 shows the relationship between the firms' revenue and their opportunity competencies. It can be concluded that the firms that placed a high level of importance on opportunity competencies achieved higher revenue than the firms that placed a low level of importance on opportunity competencies.

Table 4.24: Opportunity Competencies by Firm Revenue (Three-Year Average)

Opportunity Competencies		Firm Revenue (3-year average) 0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	19	7	3	29
	% of Total	12.2%	4.5%	1.9%	18.6%
Medium	Number	27	12	36	75
	% of Total	17.3%	7.7%	23.1%	48.1%
High	Number	5	5	42	52
	% of Total	3.2%	3.2%	26.9%	33.3%
Total	Number	51	24	81	156
	% of Total	32.7%	15.4%	51.9%	100.0%

χ^2= 39.078, P <0.001

The results indicate that there is a significant association between the opportunity competencies level and the firm's revenue (P<0.001).

4.4.6 Total Assets and Opportunity Competencies

Table 4.25 shows the relationship between the total assets of the firms and their opportunity competencies. The results show that the high-asset firms or medium-sized firms placed more importance on opportunity competencies and believed that it is important for the firm's performance than did the smaller firms.

Table 4.25: Opportunity Competencies by Total Asset

Opportunity Competencies		Total Assets Small Firms	Medium-Sized Firms	Total
Low	Number	10	3	13
	% of Total	9.4%	2.8%	12.3%
Medium	Number	21	32	53
	% of Total	19.8%	30.2%	50.0%
High	Number	6	34	40
	% of Total	5.7%	32.1%	37.7%
Total	Number	37	69	106
	% of Total	34.9%	65.1%	100.0%

χ^2= 17.595, P < 0.00

The results indicate that there is a significant association between the opportunity competencies level and total assets (P< 0.001).

4.4.7 Net Profit and Opportunity Competencies

Table 4.26 shows the relationship between the net profit of the firms and their opportunity competencies. It can be concluded that the net profit of the firms was not related to the importance placed on opportunity competencies. However, when analysed at a high rate of profit, it appears that a large percentage of firms tended to believe that opportunity competency is important for net profit.

Table 4.26: Opportunity Competencies by Net Profit

Opportunity Competencies		Net Profit		
		10 to 20 per cent	21 per cent and more	Total
Low	Number	5	12	17
	% of Total	4.4%	10.6%	15.0%
Medium	Number	6	48	54
	% of Total	5.3%	42.5%	47.8%
High	Number	7	35	42
	% of Total	6.2%	31.0%	37.2%
Total	Number	18	95	113
	% of Total	15.9%	84.1%	100.0%

χ^2= 3.261, P = 0.196

The results indicate that there was no significant association between the opportunity competencies level and the net profits of the firms (P=0.196).

Summary: Opportunity Competencies versus Firm Performance

In summary, opportunity competencies and the firms' overall performance, with the exception of net profit, had a significant association. The firm's turnover, the value of the firm, the firm's revenue, and total assets showed a significant association with opportunity competencies and were related to the importance placed on them by the firms.

The result shows that opportunity competencies affect long-term firm performance but have only a moderate effect on the short-term financial performance of the firm. The opportunity competencies measured in this study include the ability to recognise market opportunities and the ability to develop them. Enhancing these two abilities, the firms could achieve better performance.

4.5 Relationship between Relationship Competencies and Firm Performance

The following are the results showing the relationship between relationship competencies and firm performances. Relationship competencies are measured by the ability to build a context of cooperation and trust, the ability to use contacts and connection, the ability to persuade, the ability to communicate and a high degree of interpersonal skill. The firm performance is measured by the firm's value, net profit, assets, turnover and revenue.

4.5.1 Turnover and Relationship Competencies

Table 4.27 shows the relationship between the turnover of the firms and their relationship competencies. It can be concluded that the turnover of the firms was not related to the importance placed on relationship competencies. While the firms across the rates of turnover placed a high level of importance on relationship competencies, this did not affect their rate of turnover. This may be due to the Thai culture, where trust is only given to family members and rarely to business partners (Cooper 2004).

Table 4.27: Relationship Competencies by Turnover

Relationship Competencies		Turnover			
		0 to 5 million baht	5 to 10 million baht	15 million baht and more	Total
Low	Number	0	1	0	1
	% of Total	.0%	1.3%	.0%	1.3%
Medium	Number	7	2	2	11
	% of Total	9.3%	2.7%	2.7%	14.7%
High	Number	29	14	20	63
	% of Total	38.7%	18.7%	26.7%	84.0%
Total	Number	36	17	22	75
	% of Total	48.0%	22.7%	29.3%	100.0%

χ^2= 4.717, P = 0.318

The results indicate that there was no significant association between the relationship competencies level and the turnover of the firms (P=0.318).

4.5.2 Turnover and Relationship Competencies (Three-Year Average)

Table 4.28 shows the relationship between the turnover of the firms and their relationship competencies. It can be concluded that the turnover of the firms was not related to the importance placed on relationship competencies. However, all of the firms across the rates of turnover placed a high level of importance on relationship competencies, which did not affect their rate of turnover. This may be due to the Thai culture, where trust is only given to family members and rarely to business partners (Cooper 2004).

Table 4.28: Relationship Competencies by Turnover (Three-year Average)

Relationship Competencies		Turnover (3-year average)			
		0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	0	1	0	1
	% of Total	.0%	1.3%	.0%	1.3%
Medium	Number	6	3	2	11
	% of Total	8.0%	4.0%	2.7%	14.7%
High	Number	27	14	22	63
	% of Total	36.0%	18.7%	29.3%	84.0%
Total	Number	33	18	24	75
	% of Total	44.0%	24.0%	32.0%	100.0%

χ^2= 4.420, P = 0.352

The results indicate that there was no significant association between the relationship competencies level and the turnover of the firm (P=0.352).

4.5.3 Value of the Firm and Relationship Competencies

Table 4.29 shows the relationship between the value of the firms and their relationship competencies. It can be concluded that the value of the firms was not related to the importance placed on relationship competencies. Although all of the firms across the rates of value placed a high level of importance on relationship competencies, this did not affect their rate of value. This may be due to the Thai culture, where trust is only given to family members and rarely to business partners (Cooper 2004).

Table 4.29: Relationship Competencies by Value of the Firm

Relationship Competencies		Value of the Firm: 0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	0	1	0	1
	% of Total	.0%	1.3%	.0%	1.3%
Medium	Number	8	1	2	11
	% of Total	10.7%	1.3%	2.7%	14.7%
High	Number	27	14	22	63
	% of Total	36.0%	18.7%	29.3%	84.0%
Total	Number	35	16	24	75
	% of Total	46.7%	21.3%	32.0%	100.0%

χ^2= 7.105, P = 0.130

The results indicate that there was no significant association between the relationship competencies level and the value of the firm (P=0.130).

4.5.4 Firm Revenue and Relationship Competencies

Table 4.30 shows the relationship between the firms' revenue and their relationship competencies. It can be concluded that the firm's revenue was not related to the importance placed on relationship competencies. Although all of the firms across the rates of revenue placed a high level of importance on relationship competencies, this did not affect their rate of revenue. This may be due to the Thai culture, where trust is only given to family members and rarely to business partners (Cooper 2004).

Table 4.30: Relationship Competencies by Firm Revenue

Relationship Competencies		Firm Revenue: 0 to 5 million baht	Firm Revenue: 5 to 15 million baht	Firm Revenue: 15 million baht and more	Total
Low	Number	1	0	0	1
	% of Total	1.3%	.0%	.0%	1.3%
Medium	Number	9	0	2	11
	% of Total	12.0%	.0%	2.7%	14.7%
High	Number	31	11	21	63
	% of Total	41.3%	14.7%	28.0%	84.0%
Total	Number	41	11	23	75
	% of Total	54.7%	14.7%	30.7%	100.0%

$\chi^2 = 5.310$, P = 0.257

The results indicate that there was no significant association between the relationship competencies level and the firm's revenue (P=0.254).

4.5.5 Firm Revenue and Relationship Competencies (Three-Year Average)

Table 4.31 shows the relationship between the firms' revenue and their relationship competencies. It can be concluded that the firms' revenue was not related to the importance placed on relationship competencies. Although all of the firms across the rates of firm revenue placed a high level of importance on relationship competencies, this did not affect their rate of revenue. This may be due to the Thai culture, where trust is only given to family members and rarely to business partners (Cooper 2004).

Table 4.31: Relationship Competencies by Firm Revenue (Three-Year Average)

Relationship Competencies		Firm Revenue (3-year average) 0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	0	1	0	1
	% of Total	.0%	1.3%	.0%	1.3%
Medium	Number	8	1	2	11
	% of Total	10.7%	1.3%	2.7%	14.7%
High	Number	25	16	22	63
	% of Total	33.3%	21.3%	29.3%	84.0%
Total	Number	33	18	24	75
	% of Total	44.0%	24.0%	32.0%	100.0%

χ^2= 7.391, P = 0.117

The results indicate that there was no significant association between the relationship competencies level and the firms' revenue (P=0.117).

4.5.6 Total Assets and Relationship Competencies

Table 4.32 shows the relationship between the total assets of the firms and their relationship competencies. It can be concluded that the total assets rate of the firm was not related to the importance placed on relationship competencies. Although all of the firms across the rates of total assets placed a high level of importance on relationship competencies, this did not affect their rate of total assets. This may be due to the Thai culture, where trust is only given to family members and rarely to business partners (Cooper 2004).

Table 4.32: Relationship Competencies by Total Asset

Relationship Competencies		Total Assets: Small Firms	Total Assets: Medium-Sized Firms	Total
Low	Number	1	0	1
	% of Total	2.1%	.0%	2.1%
Medium	Number	3	2	5
	% of Total	6.3%	4.2%	10.4%
High	Number	23	19	42
	% of Total	47.9%	39.6%	87.5%
Total	Number	27	21	48
	% of Total	56.3%	43.8%	100.0%

$\chi^2 = 0.844$, P = 0.656

The results indicate that there was no significant association between the relationship competencies level and the total assets of the firm (P=0.656).

4.5.7 Net Profit and Relationship Competencies

Table 4.33 shows the relationship between the net profit of the firms and their relationship competencies. It can be concluded that the net profit of the firms was not related to the importance placed on relationship competencies. Although all of the firms across the rates of net profit placed a high level of importance on relationship competencies, this did not affect their net profit. This may be due to the Thai culture, where trust is only given to family members and rarely to business partners (Cooper 2004).

Table 4.33: Relationship Competencies by Net Profit

Relationship Competencies		Net Profit		Total
		10 to 20 per cent	21 per cent and more	
Low	Number	0	1	1
	% of Total	.0%	1.9%	1.9%
Medium	Number	1	4	5
	% of Total	1.9%	7.4%	9.3%
High	Number	10	38	48
	% of Total	18.5%	70.4%	88.9%
Total	Number	11	43	54
	% of Total	20.4%	79.6%	100.0%

$\chi^2 = 0.263$, P = 0.877

The results indicate that there was no significant association between the relationship competencies level and the net profits of the firm (P=0.877).

Summary: Relationship Competencies versus Firm Performance

This study's results have shown that the firms' overall performance was not related to the firms' relationship competencies. However, in the literature, relationship competencies have been shown to have an effect on firm performance. The difference in the results, that is, their contrast with past studies, might have to do with the firms' culture. The present study was conducted in Thailand and the Thai business culture is different from that in other countries, especially Western countries, where most previous studies have been conducted.

Most of the SMEs in this study were also family-run businesses, which are harder to define than other SMEs and have more complicated relationships and management than normal firms (Thassanabanjong, Miller, & Marchant 2009). Family-run businesses are normally emotion based with concentration on the members' loyalty, care and nurturing, while others business concentrate on performance and results (Thassanabanjong, Miller, & Marchant, 2009).

The relationship competencies measured in this study included the ability to build a context of cooperation and trust, the ability to use contacts and connections, the ability to persuade, the ability to communicate and a high degree of interpersonal skill. In the Thai business culture, relationships are built through personal contact and trust is only given to family members (Cooper 2004). Real trust in business is not usually given to business partners, so this is likely to affect the results of the study on these groups' respondents.

4.6 Relationship between the Conceptual Competencies and Firm Performance

The following are the results showing the relationship between conceptual competencies and the firms' performances. Conceptual competencies are measured by decision-making skills, the ability to absorb and understand complex information, risk-taking skills and innovation skills. Firm performance is measured by the firms' values, net profit, assets, turnover and revenue.

4.6.1 Turnover and Conceptual Competencies

Table 4.34 shows the relationship between the turnover of the firms and their conceptual competencies. It can be concluded that the turnover of the firms was not related to the importance placed on the conceptual competencies of the firm. As shown in the results, all of the firms across the rates of turnover placed a high level of importance on conceptual competencies, which clearly shows that the levels of conceptual competencies did not affect their rate of turnover.

Table 4.34: Conceptual Competencies by Turnover

Conceptual Competencies		Turnover			
		0 to 5 million baht	5 to 10 million baht	15 million baht and more	Total
Low	Number	1	0	0	1
	% of Total	1.3%	.0%	.0%	1.3%
Medium	Number	9	1	2	12
	% of Total	11.4%	1.3%	2.5%	15.2%
High	Number	26	11	29	66
	% of Total	32.9%	13.9%	36.7%	83.5%
Total	Number	36	12	31	79
	% of Total	45.6%	15.2%	39.2%	100.0%

$\chi^2 = 6.424$, $P = 0.170$

The results indicate that there was no significant association between the conceptual competencies level and the turnover of the firm (P=0.170).

4.6.2 Turnover (Three-Year Average) and Conceptual Competencies

Table 4.35 shows the relationship between turnover of the firms and their conceptual competencies. It can be concluded that the turnover of the firms was not related to the importance placed on the conceptual competencies of the firm. As shown in the results, all of the firms across the rates of turnover placed a high level of importance on conceptual competencies, which clearly shows that the levels of conceptual competencies did not affect their rate of turnover.

Table 4.35: Conceptual Competencies by Turnover (Three-Year Average)

Conceptual Competencies		Turnover (3-year average)			
		0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	1	0	0	1
	% of Total	1.3%	.0%	.0%	1.3%
Medium	Number	8	2	2	12
	% of Total	10.1%	2.5%	2.5%	15.2%
High	Number	25	11	30	66
	% of Total	31.6%	13.9%	38.0%	83.5%
Total	Number	34	13	32	79
	% of Total	43.0%	16.5%	40.5%	100.0%

$\chi^2 = 5.373$, P = 0.251

The results indicate that there was no significant association between the conceptual competencies level and the turnover of the firm (P=0.251).

4.6.3 Value of the Firm and Conceptual Competencies

Table 4.36 shows the relationship between the value of the firms and their conceptual competencies. It can be concluded that the value of the firm was related to the importance placed on the conceptual competencies of the firm.

Table 4.36: Conceptual Competencies by Value of the Firm

Conceptual Competencies		Value of the Firm			
		0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	1	0	0	1
	% of Total	1.3%	.0%	.0%	1.3%
Medium	Number	10	0	2	12
	% of Total	12.7%	.0%	2.5%	15.2%
High	Number	24	12	30	66
	% of Total	30.4%	15.2%	38.0%	83.5%
Total	Number	35	12	32	79
	% of Total	44.3%	15.2%	40.5%	100.0%

$\chi^2 = 10.617$, P = 0.031

The results indicate that there was a significant association between the conceptual competencies level and the value of the firm (P= 0.031).

4.6.4 Firm Revenue and Conceptual Competencies

Table 4.37 shows the relationship between the firms' revenue and their conceptual competencies. It can be concluded that the firms' revenue was related to the importance placed on the conceptual competencies of the firm. As shown in the results, all of the firms across the rates of revenue placed a high level of importance on conceptual competencies, which clearly shows that the levels of conceptual competencies had an effect on their rate of turnover. This is significant at P=0.090.

Table 4.37: Conceptual Competencies by Firm Revenue

Conceptual Competencies		Firm Revenue			
		0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	1	0	0	1
	% of Total	1.3%	.0%	.0%	1.3%
Medium	Number	10	0	2	12
	% of Total	12.7%	.0%	2.5%	15.2%
High	Number	28	8	30	66
	% of Total	35.4%	10.1%	38.0%	83.5%
Total	Number	39	8	32	79
	% of Total	49.4%	10.1%	40.5%	100.0%

χ^2= 8.032, P = 0.090

4.6.5 Firm Revenue (Three-Year Average) and Conceptual Competencies

Table 4.38 shows the relationship between the firms' revenue and their conceptual competencies. It can be concluded that the firms' revenue was not related to the importance placed on the conceptual competencies of the firm. As shown in the results, all of the firms across the rates of revenue placed a high level of importance on conceptual competencies, which clearly shows that the levels of conceptual competencies did not affect their rate of turnover.

Table 4.38: Conceptual Competencies by Firm Revenue (Three-Year Average)

Conceptual Competencies		Firm Revenue (3-year average)			
		0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	1	0	0	1
	% of Total	1.3%	.0%	.0%	1.3%
Medium	Number	9	1	2	12
	% of Total	11.4%	1.3%	2.5%	15.2%
High	Number	25	11	30	66
	% of Total	31.6%	13.9%	38.0%	83.5%
Total	Number	35	12	32	79
	% of Total	44.3%	15.2%	40.5%	100.0%

χ^2= 6.973, P = 0.137

The results indicate that there was no significant association between the conceptual competencies level and the firms' revenue (P=0.137).

4.6.6 Total Assets and Conceptual Competencies

Table 4.39 shows the relationship between the total assets of the firms and their conceptual competencies. It can be concluded that the total assets were not related to the importance placed on the conceptual competencies of the firm. As shown in the results, all of the firms across the rates of total assets placed a high level of importance on conceptual competencies, which clearly shows that the levels of conceptual competencies did not affect their rate of total assets.

Table 4.39: Conceptual Competencies by Total Asset

Conceptual Competencies		Total Asset		
		Small Firms	Medium-Sized Firms	Total
Low	Number	1	0	1
	% of Total	1.8%	.0%	1.8%
Medium	Number	5	2	7
	% of Total	8.9%	3.6%	12.5%
High	Number	20	28	48
	% of Total	35.7%	50.0%	85.7%
Total	Number	26	30	56
	% of Total	46.4%	53.6%	100.0%

χ^2= 3.350, P = 0.187

The results indicate that there was no significant association between the conceptual competencies level and total assets of the firm (P=0.187).

4.6.7 Net Profit and Conceptual Competencies

Table 4.40 shows the relationship between the net profit of the firms and their conceptual competencies. It can be concluded that the net profit rate was not related to the importance placed on the conceptual competencies of the firms. As shown in the results, all of the firms across the rates of net profit placed a high level of importance on conceptual competencies, which clearly shows that the levels of conceptual competencies did not affect their rate of net profit.

Table 4.40: Conceptual Competencies by Net Profit

Conceptual Competencies		Net Profit		
		10 to 20 per cent	21 per cent and more	Total
Low	Number	0	1	1
	% of Total	.0%	1.6%	1.6%
Medium	Number	1	6	7
	% of Total	1.6%	9.7%	11.3%
High	Number	10	44	54
	% of Total	16.1%	71.0%	87.1%
Total	Number	11	51	62
	% of Total	17.7%	82.3%	100.0%

χ^2= 0.295, P = 0.863

The results indicate that there was no significant association between the conceptual competencies level and the net profits of the firm (P=0.863).

Summary: Conceptual Competencies versus Firm Performance

In conclusion, the results show that the importance placed on the conceptual competencies of the firms, with the exception of the current levels of the firms' revenue and value, had no significant association with the firms' overall performance. These results indicate that the firms' overall performance was not related to their conceptual competencies, in general.

However, in the literature, conceptual competencies have been found to be related to a firm's overall performance and its competitive advantages (King, Fowler & Zeithaml 2001). Conceptual competencies comprisethe tacit or intuitive knowledge that the firm holds, and it is this knowledge that cannot be easily transferred to others. In this study, the results show that these competencies, in general, were not important to the firms' performance and this might be because of the industry in which the firms in this study were located. The clothing and textile industry in Thailand is focused on price rather than innovation. The industry itself also does not require specific expertise or knowledge, as is the case in the information technology industry, where conceptual competencies will highly affect firmperformance.

4.7 Relationship between Organisational Competencies and Firm Performance

The following are the results showing the relationship between organisational competencies and the firms' performances. Organisational competencies are measured by the organisation of internal and external human resources, organisation of physical resources, organisation of financial resources, organisation of technological resources, team building skills, leadership skills and ability in training and controlling. Firm performance is measured by the firm's values, net profit, assets, turnover and revenue.

4.7.1 Turnover and Organisational Competencies

Table 4.41 shows the relationship between the turnover of the firms and their organisational competencies. It can be concluded that the turnover was not related to the importance placed on the organisational competencies of the firm. As shown in the results, all of the firms across the rates of turnover placed a high level of importance on organisational competencies, which shows that the levels of organisational competencies did not affect their rate of turnover.

Table 4.41: Organisation Competencies by Turnover

Organisation Competencies		Turnover			
		0 to 5 million baht	5 to 10 million baht	15 million baht and more	Total
Low	Number	1	0	0	1
	% of Total	1.4%	.0%	.0%	1.4%
Medium	Number	8	1	0	9
	% of Total	11.4%	1.4%	.0%	12.9%
High	Number	28	14	18	60
	% of Total	40.0%	20.0%	25.7%	85.7%
Total	Number	37	15	18	70
	% of Total	52.9%	21.4%	25.7%	100.0%

$\chi^2 = 6.829$, P = 0.145

The results indicate that there was no significant association between the organisational competencies level and the turnover of the firms (P=0.145).

4.7.2 Turnover (Three-Year Average) and Organisational Competencies

Table 4.42 shows the relationship between the turnover of the firms and their organisational competencies. It can be concluded that turnover was not related to the importance placed on the organisational competencies of the firm. As shown in the results, all of the firms across the rates of turnover placed a high level of importance on organisational competencies, which shows that the levels of organisational competencies did not affect their rate of turnover.

Table 4.42: Organisational Competencies by Turnover (Three-Year Average)

Organisational Competencies		Turnover (3-year average)			
		0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	1	0	0	1
	% of Total	1.4%	.0%	.0%	1.4%
Medium	Number	7	2	0	9
	% of Total	10.0%	2.9%	.0%	12.9%
High	Number	25	17	18	60
	% of Total	35.7%	24.3%	25.7%	85.7%
Total	Number	33	19	18	70
	% of Total	47.1%	27.1%	25.7%	100.0%

χ^2= 6.149, P = 0.188

The results indicate that there was no significant association between the organisational competency level and the turnover of the firms (P=0.188).

4.7.3 Value of the Firm and Organisational Competencies

Table 4.43 shows the relationship between the value of the firms and their organisational competencies. It can be concluded that the value of the firm was related to the importance placed on their organisational competencies. As shown in the results, most of the firms across the rates of value placed a high level of importance on organisational competencies; but small percentage of firm with lower value of the firm. This shows that organisational competencies did have an effect on the firms' performances.

Table 4.43: Organisational Competencies by Value of the Firm

Organisational Competencies		Value of the Firm			Total
		0 to 5 million baht	5 to 15 million baht	15 million baht and more	
Low	Number	1	0	0	1
	% of Total	1.4%	.0%	.0%	1.4%
Medium	Number	9	0	0	9
	% of Total	12.9%	.0%	.0%	12.9%
High	Number	26	15	19	60
	% of Total	37.1%	21.4%	27.1%	85.7%
Total	Number	36	15	19	70
	% of Total	51.4%	21.4%	27.1%	100.0%

χ^2= 11.019, P = 0.026

The results indicate that there was a significant association between the organisational competencies level and the value of the firm (P=0.026).

4.7.4 Firm Revenue and Organisational Competencies

Table 4.44 shows the relationship between the firms' revenue and their organisational competencies. It can be concluded that the firms' revenue was related to the importance placed on their organisational competencies. As shown in the results, all of the firms across the rates of revenue placed a high level of importance on organisational competencies, which shows that the levels of organisational competencies did affect their revenue.

Table 4.44: Organisational Competencies by Firm Revenue

Organisational Competencies		Firm Revenue			Total
		0 to 5 million baht	5 to 15 million baht	15 million baht and more	
Low	Number	1	0	0	1
	% of Total	1.4%	.0%	.0%	1.4%
Medium	Number	9	0	0	9
	% of Total	12.9%	.0%	.0%	12.9%
High	Number	31	11	18	60
	% of Total	44.3%	15.7%	25.7%	85.7%
Total	Number	41	11	18	70
	% of Total	58.6%	15.7%	25.7%	100.0%

χ^2= 8.252, P = 0.083

The results indicate that there was a significant association between the organisational competencies level and the revenue of the firms (P=0.083).

4.7.5 Revenue (Three-Year Average) and Organisational Competencies

Table 4.45 shows the relationship between the firms' revenue and their organisational competencies. It can be concluded that the firms' revenue was related to the importance placed on their organisational competencies. As shown in the results, all of the firms across the rates of revenue placed a high level of importance on organisational competencies, which shows that the levels of organisational competencies do affect their revenue.

Table 4.45: Organisational Competencies by Firm Revenue (Three-Year Average)

Organisational Competencies		Firm Revenue (3-year average)			
		0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	1	0	0	1
	% of Total	1.4%	.0%	.0%	1.4%
Medium	Number	8	1	0	9
	% of Total	11.4%	1.4%	.0%	12.9%
High	Number	25	17	18	60
	% of Total	35.7%	24.3%	25.7%	85.7%
Total	Number	34	18	18	70
	% of Total	48.6%	25.7%	25.7%	100.0%

χ^2= 8.309, P = 0.081

The results indicate that there was a significant association between the organisational competencies level and the revenue of the firm (P=0.081).

4.7.6 Total Assets and Organisational Competencies

Table 4.46 shows the relationship between the total assets of the firms and their organisational competencies. It can be concluded that the rates of total assets of the firms were not related to the importance placed on their organisational competencies. As shown in the results, all of the firms across the rates of asset placed a high level of importance on organisational competencies, which shows that the levels of organisational competencies do not affect their asset rates.

Table 4.46: Organisational Competencies and Total Assets

Organisational Competencies		Total Assets		
		Small Firms	Medium-Sized Firms	Total
Low	Number	1	0	1
	% of Total	2.3%	.0%	2.3%
Medium	Number	4	0	4
	% of Total	9.3%	.0%	9.3%
High	Number	20	18	38
	% of Total	46.5%	41.9%	88.4%
Total	Number	25	18	43
	% of Total	58.1%	41.9%	100.0%

$\chi^2 = 4.074$, $P = 0.130$

The results indicate that there was no significant association between the organisational competencies level and the assets of the firm (P=0.130).

4.7.7 Net Profit and Organisational Competencies

Table 4.47 shows the relationship between the net profit of the firms and their organisational competencies. It can be concluded that the firms 'net profit was related to the importance placed on their organisational competencies. As shown in the results, all of the firms across the rates of net profit placed a high level of importance on organisational competencies, which shows that the levels of organisational competencies did affect their net profit.

Table 4.47: Organisational Competencies by Net Profit

Organisational Competencies		Net Profit		Total
		10 to 20 per cent	21 per cent and more	
Low	Number	1	0	1
	% of Total	2.0%	.0%	2.0%
Medium	Number	1	3	4
	% of Total	2.0%	5.9%	7.8%
High	Number	8	38	46
	% of Total	15.7%	74.5%	90.2%
Total	Number	10	41	51
	% of Total	19.6%	80.4%	100.0%

$\chi^2 = 4.317$, P = 0.115

The results indicate that there was a significant association between the organisational competencies level and the net profit of the firms (P=0.083).

Summary: Organisational Competencies versus Firm Performance

In conclusion, the study results show that the firms' overall performance was related to their organisational competencies. Out of seven variables measured, four are significant and three are not. The variables that are significant with respect to firm performance are the firm's value, revenue and net profit, and those that are not significant are turnover and total assets.

Organisational competencies are very important to a firm's overall performance, as reported in the literature (Jones & Tilley 2003; Tippins & Sohi 2003); this study also found that they had a significant effect on the firms' performance. However, not all the variables are significant; this might have to do with the size of the firms in the study. With smaller firms, organisational skills might not be as important as they are for larger firms and MNEs.

4.8 Relationship between the Strategic Competencies and Firm Performance

The following are the results showing the relationship between strategic competencies and the firms' performances. Strategic competencies are measured by the ability to set the strategies of the firm, ability to evaluate the strategies of the firm and degree of implementing the strategies. Firm performance is measured by the firm's values, net profit, assets, turnover and revenue.

4.8.1 Turnover and Strategic Competencies

Table 4.48 shows the relationship between the turnovers of the firm sand their strategic competencies. It can be concluded that the firms that placed a high level of importance on strategic competencies tended to perform better in terms of turnover.

Table 4.48: Strategic Competencies by Turnover

Strategic Competencies		Turnover			
		0 to 5 million baht	5 to 10 million baht	15 million baht and more	Total
Low	Number	4	1	0	5
	% of Total	3.3%	.8%	.0%	4.1%
Medium	Number	14	2	4	20
	% of Total	11.5%	1.6%	3.3%	16.4%
High	Number	29	16	52	97
	% of Total	23.8%	13.1%	42.6%	79.5%
Total	Number	47	19	56	122
	% of Total	38.5%	15.6%	45.9%	100.0%

χ^2= 16.238, P = 0.003

The results indicate that there was a significant association between the strategic competencies level and the firms' turnover (P= 0.003).

4.8.2 Turnover (Three-Year Average) and Strategic Competencies

Table 4.49 shows the relationship between the turnover of the firms and their strategic competencies. It can be concluded that the firms that placed a high level of importance on strategic competencies tended to perform better in terms of turnover.

Table 4.49: Strategic Competencies by Turnover (Three-Year Average)

Strategic Competencies		Turnover (3-year average)			
		0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	4	1	0	5
	% of Total	3.3%	.8%	.0%	4.1%
Medium	Number	12	3	5	20
	% of Total	9.8%	2.5%	4.1%	16.4%
High	Number	26	19	52	97
	% of Total	21.3%	15.6%	42.6%	79.5%
Total	Number	42	23	57	122
	% of Total	34.4%	18.9%	46.7%	100.0%

$\chi^2 = 13.982$, P = 0.007

The results indicate that there was a significant association between the strategic competencies level and the firms' turnover (P= 0.007).

4.8.3 Value of the Firm and Strategic Competencies

Table 4.50 shows the relationship between the value of the firms and their strategic competencies. It can be concluded that the firms that placed a high level of importance on strategic competencies tended to have higher firm values.

Table 4.50: Strategic Competencies by Value of the Firm

Strategic Competencies		Value of the Firm: 0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	5	0	0	5
	% of Total	4.1%	.0%	.0%	4.1%
Medium	Number	16	0	4	20
	% of Total	13.1%	.0%	3.3%	16.4%
High	Number	27	18	52	97
	% of Total	22.1%	14.8%	42.6%	79.5%
Total	Number	48	18	56	122
	% of Total	39.3%	14.8%	45.9%	100.0%

χ^2= 27.456, P < 0.001

The results indicate that there was a significant association between the strategic competencies level and the value of the firms (P < 0.001).

4.8.4 Firm Revenue and Strategic Competencies

Table 4.51 shows the relationship between the revenue of the firms and their strategic competencies. It can be concluded that the firms that placed a high level of importance on strategic competencies tended to have higher revenues.

Table 4.51: Strategic Competencies by Firm Revenue

Strategic Competencies		Firm Revenue: 0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	5	0	0	5
	% of Total	4.1%	.0%	.0%	4.1%
Medium	Number	15	1	4	20
	% of Total	12.3%	.8%	3.3%	16.4%
High	Number	32	13	52	97
	% of Total	26.2%	10.7%	42.6%	79.5%
Total	Number	52	14	56	122
	% of Total	42.6%	11.5%	45.9%	100.0%

χ^2= 18.984, P = 0.001

The results indicate that there was a significant association between the strategic competencies level and the firms' revenue (P= 0.001).

4.8.5 Firm Revenue (Three-Year Average) and Strategic Competencies

Table 4.51 shows the relationship between the revenue of the firms and their strategic competencies. It can be concluded that the firms that placed a high level of importance on strategic competencies tended to have higher revenues.

Table 4.52: Strategic Competencies by Firm Revenue (Three-Year Average)

Strategic Competencies		Firm Revenue (3-year average)			
		0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	5	0	0	5
	% of Total	4.1%	.0%	.0%	4.1%
Medium	Number	11	5	4	20
	% of Total	9.0%	4.1%	3.3%	16.4%
High	Number	28	14	55	97
	% of Total	23.0%	11.5%	45.1%	79.5%
Total	Number	44	19	59	122
	% of Total	36.1%	15.6%	48.4%	100.0%

$\chi^2 = 18.190$, P = 0.001

The results indicate that there was a significant association between the strategic competencies level and the firms' revenue (P= 0.001).

4.8.6 Total Assets and Strategic Competencies

Table 4.53 shows the relationship between the total assets of the firms and their strategic competencies. It can be concluded that the firms that placed a high level of importance on strategic competencies tended to have higher rates of total assets.

Table 4.53: Strategic Competencies by Total Assets

Strategic Competencies		Total Assets		
		Small Firms	Medium-Sized Firms	Total
Low	Number	4	0	4
	% of Total	4.7%	.0%	4.7%
Medium	Number	10	4	14
	% of Total	11.6%	4.7%	16.3%
High	Number	20	48	68
	% of Total	23.3%	55.8%	79.1%
Total	Number	34	52	86
	% of Total	39.5%	60.5%	100.0%

χ^2= 14.990, P = 0.001

The results indicate that there was a significant association between the strategic competencies level and the firms' total assets (P= 0.001).

4.8.7 Net Profit and Strategic Competencies

Table 4.54 shows the relationship between the firms' net profit and their strategic competencies. It can be concluded that the firms that placed a high level of importance on strategic competencies tended to have higher net profits.

Table 4.54: Strategic Competencies by Net Profit

Strategic Competencies		Net Profit		
		10 to 20 per cent	21 per cent and more	Total
Low	Number	1	3	4
	% of Total	1.1%	3.2%	4.3%
Medium	Number	6	9	15
	% of Total	6.5%	9.7%	16.1%
High	Number	8	66	74
	% of Total	8.6%	71.0%	79.6%
Total	Number	15	78	93
	% of Total	16.1%	83.9%	100.0%

χ^2= 8.098, P = 0.017

The results indicate that there was a significant association between the strategic competencies level and the firms' net profit (P= 0.001).

Summary: Strategic Competencies versus Firm Performance

In conclusion, the results show that the strategic competencies of the firm had a significant association with the firms' overall performance. These results show that the firms' overall performance was related to their strategic competencies. The strategic competencies measured in this study included the ability to set the strategies of the firm, the ability to evaluate the strategies of the firm, and the degree of implementing the strategies.

These strategic competencies play a major role in firm performance because they help to outline a firm's plans and actions for its businesses. It is how a firm implement the resources it has in running a successful operation (Marino 1996). The study also indicates that the larger firms in the study paid more attention to strategic management and to achieving better results in their financial outcome.

4.9 Relationship between Commitment Competencies and Firm Performance

The following are the results showing the relationship between commitment competencies and the firms' performances. The commitment competencies are measured by the degree of commitment to individual tasks, degree of commitment to group tasks and degree of commitment to the firm. Firm performance is measured by the firm's values, net profit, assets, turnover and revenue.

4.9.1 Turnover and Commitment Competencies

Table 4.55 shows the relationship between the turnover of the firms and their commitment competencies. It can be concluded that the firms that placed a high level of importance on commitment competencies achieved a higher turnover than the firms that placed a low level of importance on commitment competencies.

Table 4.55: Commitment Competencies by Turnover

Commitment Competencies		Turnover			
		0 to 5 million baht	5 to 10 million baht	15 million baht and more	Total
Low	Number	18	3	4	25
	% of Total	11.5%	1.9%	2.6%	16.0%
Medium	Number	27	14	41	82
	% of Total	17.3%	9.0%	26.3%	52.6%
High	Number	11	7	31	49
	% of Total	7.1%	4.5%	19.9%	31.4%
Total	Number	56	24	76	156
	% of Total	35.9%	15.4%	48.7%	100.0%

χ^2= 19.773, P = 0.001

The results indicate that there was significant association between the commitment competency level and the firms' turnover (P= 0.001).

4.9.2 Turnover (Three-Year Average) and Commitment Competencies

Table 4.56 shows the relationship between the turnover of the firms and their commitment competencies. It can be concluded that the firms that placed a high level of importance on commitment competencies achieved a higher turnover than the firms that placed a low level of importance on commitment competencies.

Table 4.56: Commitment Competencies by Turnover (Three-Year Average)

Commitment Competencies		Turnover (3-year average)			
		0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	17	2	6	25
	% of Total	10.9%	1.3%	3.8%	16.0%
Medium	Number	23	18	41	82
	% of Total	14.7%	11.5%	26.3%	52.6%
High	Number	10	8	31	49
	% of Total	6.4%	5.1%	19.9%	31.4%
Total	Number	50	28	78	156
	% of Total	32.1%	17.9%	50.0%	100.0%

χ^2= 19.849, P = 0.001

The results indicate that there was a significant association between the commitment competencies level and the firms' turnover (P= 0.001).

4.9.3 Value of the Firm and Commitment Competencies

Table 4.57 shows the relationship between the value of the firms and their commitment competencies. It can be concluded that the firms that placed a high level of importance on commitment competencies had higher values than the firms that placed a low level of importance on commitment competencies.

Table 4.57: Commitment Competencies by Value of the Firm

Commitment Competencies		Value of the Firm			
		0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	19	1	5	25
	% of Total	12.2%	.6%	3.2%	16.0%
Medium	Number	26	14	42	82
	% of Total	16.7%	9.0%	26.9%	52.6%
High	Number	11	6	32	49
	% of Total	7.1%	3.8%	20.5%	31.4%
Total	Number	56	21	79	156
	% of Total	35.9%	13.5%	50.6%	100.0%

χ^2= 23.302, P < 0.001

The results indicate that there was a significant association between the commitment competencies level and the value of the firms (P < 0.001).

4.9.4 Firm Revenue and Commitment Competencies

Table 4.58 shows the relationship between the firms' revenue and their commitment competencies. It can be concluded that the firms that placed a high level of importance on commitment competencies achieved higher revenue than the firms that placed a low level of importance on commitment competencies.

Table 4.58: Commitment Competencies by Firm Revenue

Commitment Competencies		Firm Revenue			
		0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	20	1	4	25
	% of Total	12.8%	.6%	2.6%	16.0%
Medium	Number	29	12	41	82
	% of Total	18.6%	7.7%	26.3%	52.6%
High	Number	12	6	31	49
	% of Total	7.7%	3.8%	19.9%	31.4%
Total	Number	61	19	76	156
	% of Total	39.1%	12.2%	48.7%	100.0%

$\chi^2 = 23.091$, $P < 0.001$

The results indicate that there was a significant association between the commitment competencies level and the firms' revenue ($P < 0.001$).

4.9.5 Firm Revenue (Three-Year Average) and Commitment Competencies

Table 4.59 shows the relationship between the firms' revenue and their commitment competencies. It can be concluded that the firms that placed a high level of importance on commitment competencies achieved higher revenue than the firms that placed a low level of importance on commitment competencies.

Table 4.59: Commitment Competencies by Firm Revenue (Three-Year Average)

Commitment Competencies		Firm Revenue (3-year average)			
		0 to 5 million baht	5 to 15 million baht	15 million baht and more	Total
Low	Number	18	2	5	25
	% of Total	11.5%	1.3%	3.2%	16.0%
Medium	Number	23	16	43	82
	% of Total	14.7%	10.3%	27.6%	52.6%
High	Number	10	6	33	49
	% of Total	6.4%	3.8%	21.2%	31.4%
Total	Number	51	24	81	156
	% of Total	32.7%	15.4%	51.9%	100.0%

$\chi^2 = 23.882$, $P < 0.001$

The results indicate that there was a significant association between the commitment competencies level and the firms' revenue (P < 0.001).

4.9.6 Total Assets and Commitment Competencies

Table 4.60 shows the relationship between the total assets of the firms and their commitment competencies. It can be concluded that the firms that placed a high level of importance on commitment competencies had more assets than the firms that placed a low level of importance on commitment competencies.

Table 4.60: Commitment Competencies by Total Assets

Commitment Competencies		Total Assets		
		Small Firms	Medium-Sized Firms	Total
Low	Number	12	4	16
	% of Total	11.3%	3.8%	15.1%
Medium	Number	20	37	57
	% of Total	18.9%	34.9%	53.8%
High	Number	5	28	33
	% of Total	4.7%	26.4%	31.1%
Total	Number	37	69	106
	% of Total	34.9%	65.1%	100.0%

χ^2= 16.988, P < 0.001

The results indicate that there was a significant association between the commitment competencies level and the firm's total assets (P < 0.001).

4.9.7 Net Profit and Commitment Competencies

Table 4.61 shows the relationship between the net profit of the firms and their commitment competencies. It can be concluded that the firms that placed a high level of importance on commitment competencies achieved higher net profits than the firms that placed a low level of importance on commitment competencies.

Table 4.61: Commitment Competencies by Net Profit

Commitment Competencies		Net Profit		
		10 to 20 per cent	21 per cent and more	Total
Low	Number	6	11	17
	% of Total	5.3%	9.7%	15.0%
Medium	Number	10	53	63
	% of Total	8.8%	46.9%	55.8%
High	Number	2	31	33
	% of Total	1.8%	27.4%	29.2%
Total	Number	18	95	113
	% of Total	15.9%	84.1%	100.0%

$\chi^2 = 7.160$, P = 0.028

The results indicate that there was significant association between the commitment competencies level and the firms 'net profits (P= 0.028).

Summary: Commitment Competencies versus Firm Performance

The results have shown that there was a significant association between the importance placed on the commitment competencies of the firms and their performance. The results also show that the firms that placed a high level of importance on commitment competencies tended to perform better financially than the firms that placed a lower level of interest on commitment competencies.

The commitment competencies measured in this study included the commitment to individual tasks, commitment to group tasks and commitment to the firm. The firms with a high degree of commitment to these factors outperformed those that lacked commitment to them.

4.10 Conclusion

In the literature, all of the competencies (opportunities, relationship, conceptual, organisational, strategic, and commitment) affect a firm's performance. However, in application, the effect on the performance depends on the internal and external factors of the firms as well as the competencies that are part of the firm.

SMEs in the clothing and textile industry are the subjects of the present study, and the results differ from those found in the literature due to their size, culture and environment. In this study, opportunity competencies, strategic competencies and commitment competencies are shown to have affected the firms' performance. However, the relationship competencies, conceptual competencies and organisational competencies were not significantly related to the firms' performance.

The result also shows that there were no significant association between the competencies level and net profit of the firms. This is due to the market and economic condition in Thailand, where the main causes are increase in the minimum wages and high competition in the market.The increase in their sales volume cannot cover the increase in cost of production and price based competition in the market (Watchravesringkan et al., 2010).

The following chapter discusses the outcome of the in-depth interviews. Chapter six presents a synthesis of the findings reported in the two chapters.

Chapter 5

Discussion of the Case Studies

The case study section for this research is divided into three cases. In the three case studies, the firms were grouped according to their state of success. The case study is based on the interviews that were carried out on 10 SMEs in the clothing and textile industry in Thailand. The types of business varied among the interviewee's firms. Since the names of the firms have been kept anonymous, the firms are labelled using the letters A to J.

5.1 Case Study 1: Successful Small and Medium Enterprises in the Free Trade Environment Era

Table 5.1 presents a summary of the responses to in-depth interviews by three successful SMEs, which are discussed in the following section.

Table 5.1: Summary of Responses to Interview Questions: Successful Firms

Questions	Interview A	Interview B	Interview C
1. Company name/ Respondent's position	Anonymous/Owner	Anonymous/ General Manager	Anonymous/ Owner
2. Number of employees	100	120	13
3. Type of business	Wholesaler of textile goods	Manufacturer, wholesaler and retailer	Designer, producer and online retailer
4. State of the firm	Successful	Successful	Successful
5. External environment affecting the firm			
5.1 Laws and Regulations	Not affected.	The firm was affected by the trade law because when the customers faced problems, the sales dropped. The changes in the environmental law also affected the firm because the firm's factory had to adjust to the new laws.	Not affected.

Questions	Interview A	Interview B	Interview C
5.2 Customers' needs and wants	Always needs to keep up with the changes and fill customers' order s.	The customers' preference directly affected the firm. The firm always updated its clothing line to keep up with the trends.	The firm is the designer so the designs are current and up to date with what the market demands. The products are produced in small quantities and are updated regularly.
5.3 Competitors	Direct effect on the firm so the firm tries to stay competitive and continuously seeks low-cost sources. The firm also sells a wider variety.	The firm differentiated the products so there is less direct effect fromcompetitors. However, there are close substitutes in the market that do have an effect on sales.	There are many new competitors entering the market due to lower start-up costs in online retailing. As a firm in the fashion industry, it supplies to a niche market.
5.4 Exchange rate	Direct effect from the exchange rate because the firm imports all its stock from overseas. Minimises the effects of exchange rate fluctuations by shortening the time between placing the orders and receiving goods.	The exchange rates do affect the sales because more than 50 per cent of the customers are from overseas.	Not affected because all the raw materials are bought locally.
5.5 Interest rate	Minor effect due to firm's experience; the firm is skilled at managing its finance.	Not affected.	Not affected because the funding is an interest-free loan from owner's parents.
6. Effects of globalisation			
6.1 Changes in technology	Advanced machinery in other countries has affected the manufacturing firms and resulted in the closing down of many firms in the industry.	The firm continuously updates to new technologies with respect to machinery. They are more effective and efficient in the end.	Directly affects the firm because as an online retailer, the firm heavily relies on technology. With the new online technologies, the firm has low start-up costs and low operating costs. The firm is able to extend its market coverage through social networking sites.
6.2 Changes in demands of customers	The firm keeps up with the market trends and supplies and customers' order. It also introduces many new products to its customers on a regular basis.	As in the fashion industry, the firm continuously updates its line to satisfy customers' needs.	The firm's designs are always changing and up to date with current trends.

Questions	Interview A	Interview B	Interview C
6.3 Changes in government policies	Not helping the firm or the industry. Causes high labour costs, resulting in loss of competitive advantage with other countries in the region.	Government policies have positive effect on the firm. The firm participated in many trade fairs organised by the government to promote SMEs. The firm gained many new customers through these fairs.	Not affected.
6.4 Changes in the country's infrastructure	Not applicable.	There have not been many changes in the country's infrastructure in the past 15 years so there has been no effect on the firm.	Not affected.
6.5 Changes in trade policies	Minimal effect on the firm. The firm pays minimal import tax because it can work around it. Tax laws in Thailand are not effectively enforced.	The firm benefits from these changes. There are increases in overseas customers and, due to incentives by the Thai government; the overseas customers are more comfortable dealing with Thai firms.	As an online retailer, the firm sometimes receives orders from overseas customers. However, the customers are responsible for the import tax in their countries. The firm does not have to pay export tax.
6.6 Free trade environment	The firm is suffering from lost market share to the Chinese firms that enter the Thai market. The firm also benefits from easy access to other markets and declining import costs.	The number of overseas customers has increased because of easier access and lower import tax in their home countries.	As an online retailer, the firm is accessible to customers worldwide. The lower import tax in the customers' countries has increased the firm's sales overseas.
7. Major problems facing the firm	The increase in competitors, especially from China. The project called China City Complex, which will increase the number of competitors from China and will allow direct access to the Thai market by foreign firms.	The increase in competition forces the firm to lower prices and increases in overseas competitors from China and India.	The production cost of the firm is higher than in larger firms but it differentiates its product with unique designs. The SMEs are facing high production cost and poor access to financial resources.
8. Overcoming the effect of increase in competition	The firm is focusing on human resources and customer services.	The firm is attempting to maintain the high quality of the product and good customer service.	Keeps up with design and builds brand image.

Questions	Interview A	Interview B	Interview C
9. Benefits of globalisation	The firm can eliminate the go-between and directly access sources, which helps lower the cost of its goods. The improvement in telecommunication and Internet also greatly benefit the firm.	The firm is able to reach wider markets and benefit from the free trade environment through standardising of fashion style, and the language barrier no longer exists.	With the advancement of technology, online retailing has become easy and cheap. Advances in banking systems also benefit the firm with websites such as PayPal and Google Checkout.
10. Competing with large firms or MNEs	The firm provides more personalised customer services, pays more attention to detail and provides speedy service. The personal relationship also helps with retaining customers.	Differentiates the product to serve the niche market and tries to be accessible by opening retail shops in the main cities and top-end department stores.	Unique design of the firm's clothes and quality of the products.
11. Remaining competitive in the local and global markets	Remains responsive to changes. Maintains good relationships with customers.	The unique design and good customer service keep the firm competitive in the market.	The unique design, high-quality product and good customer service.
12. Factors contributing to current status	Good customer service, relationships between trading partners and local authorities, good human resources and provides lower price product than the competitors.	The factors are: attention to detail of the products, maintaining quality, updating design, good customer service, good human resources and management teams.	The firm has good customer service, great returns policy, and strong designers and tailors.
13. Most important factor contributing to the firm's success	Good customer service.	The unique design and attention to detail of the products.	The strong design team and good customer service team.

5.1.1 Background

Three firms in the sample were successful and performed well in the free trade environment. They were larger than the other firms that were interviewed in this study.

Firm A was a wholesaler of textiles that commenced business in 1998. The firm had an office in Bangkok, and had 100 employees. It imported textiles, mostly from China, and distributed in the Thai market. The types of textile imported by this company include cotton, silk, and Lycra used in the garment industry. However, recently the firm had started to export to nearby countries such as Laos, Vietnam and Myanmar. The business had grown rapidly in size and capital base in the past few years. The owner of the firm had a great deal of experience in this business and industry. Prior to 1998, she was a partner in a large manufacturing firm of clothing and textiles. However, the firm failed in 1997 due to the economic crisis. She then started a trading firm in 1998 with her own family members.

Firm B was a manufacturer, wholesaler and retailer of silk garments. Most of their products are fashion silk clothing for both women and men. The firm’s factory was located in the north of Thailand, while their retail and wholesale stores were located in main cities in Thailand, which include Chaing Mai and Bangkok. The firm had 120 employees in its factory and stores. The firm started out as a small manufacturing firm and started to build up its brand.

Firm C was a designer, producer and online retailer. They made and sold fashion clothing line for young women. The firm had 13 employees in all functions. It did not have a physical store but sold its product via its own website and via Facebook. It was a small family-owned business and wasmanaged by two sisters, who were both designers for their stores. The manufacturing of the product wasconducted at home by eight tailors. They sold readymade clothes of their own design as well as taking custom orders. The firm was relatively new and had grown rapidly within three years.

5.1.2 External Factors Affecting the Firms

Firm performance is affected by both internal and external factors. In this study, an attempt was made to see how the external factors affected the firms’ performances. The external factors that were examined in this study were the laws and regulations of the country, customers’ needs and wants, competitors, exchange rate, interest rate and globalisation. The effects of globalisation are discussed in the next section.

The owners of Firm A and Firm C felt that the laws and regulations of Thailand did not have an effect on their performance. They felt that the laws and regulations applied to everyone and had no direct effect on them. However, Firm B's owner felt that its performance was directly affected by trade and environmental laws. The firm's factory had to adjust to the new environmental laws and update its facility to comply with the changes introduced. The adjustment cost the firm a substantial amount of money but it had a positive effect on the firm in the long term—the manufacturing became more effective and efficient. Trade laws also had a positive effect on the firm's sales.

With respect to the effects of the customer's needs and wants, all of the firms were affected. Firm A, as a wholesaler,took orders and supplied what the customers wanted. However, they had to keep up with current trends and supply customers with new samples all the time to boost their sales. Firm B was involved in both manufacturing and sales, so they were directly affected by changes in customers' needs and wants. The firm had to keep its designs up to date with what was demanded by the market. Market surveys were ongoing practices so that the firm could be sure it was responding to market demand. The clothing designs were regularly updated to keep up with current trends. Firm C, as a small online retailer, had inventories that were small and updated regularly. The owners, who were the designers of all of their clothing, were young and in touch with current fashion. They kept their line of clothing current with trends in the local market as well as in the overseas markets.

All of the firms were also affected by their competitors. The firms' owners believed that the competitors affected their performance and allowed them to grow and differentiate themselves to compete in the highly competitive market. Firm A strategised itself as a price-competitive firm and provided a large selection to serve all of its customers' need. It regularly looked for better sources for its products at better prices. This kept it competitive in the market. Firm B, however, tried to differentiate its products from those of its competitors. This helpedto lessen the effects of other firms. Firm C's products were fashion clothes of its own design so it had a niche market. However, due to low start-up costs in online retail, it had many competitors. Nevertheless, the design and its uniqueness keptthe firm competitive.

Exchange ratesdid not appear to affect all the firms equally. Firm C, for example, was not affected by exchange rates because itbought all of its materials locally and its customers were mainly local. Firms A and B, however, were affected by them. Firm A imported all of its products from overseas, mainly China and India, so the exchange rate directly affected its profit margin. However, to minimise its loss, it tried to improve the logistics and have its products reach the customers as fast as possible. In many cases, ittook payment on the order date rather than on the delivery date, thus minimising the effects of exchange rate fluctuation. Firm B was also affected by the exchange rate. It affectedits sales because more than half of its wholesale customers were overseas. When the Thai baht was weak, sales increased because it meantlower costs for the customers, and vice versa.

Conversely, interest ratesdid not have much effect on the firms. Neither Firm B nor Firm C was affected by the interest rate, whereas Firm A was slightly affected. With experience in business, the owner of Firm A managedits funds so it obtained the most benefits from the interest rate offered by financial institutions.

5.1.3 Effects of Globalisation on the Firm

All of the firms were affected by globalisation, some positively and others negatively. Many of the concerns were generally the same for all the firms but they benefited from it differently. Firm A, for example, was affected by government policies and the free trade environment. Firm A's owner felt that government policies had an effect on labour costs, which hadcaused Thailand to lose its competitive advantages. Labour costs had increased in the past five years, which had affected the industry. Clothing and textile industries are highly reliant on human labour, so this affected the manufactured cost of the products. Firm A's owner also felt that the free trade environment had caused an increase in overseas competitors. Many Chinese firms, for example, were entering the Thai market and they had taken away a great deal of market share from the local firms.

However, Firm Aalso benefited from globalisation. With the free trade environment, it was easier for the firm to access overseas suppliers. The cost of imports had also decreased and it was now cheaper for it to import products. Additionally, there wasmuch less paperwork and fewer processes concerning imports, which increased the speed of their trade. However, the firm was not affected by changes in trade policies because the owner felt that, in Thailand, tax laws are not seriously enforced and there are ways to minimise the effect of these laws.

Firm B was in manufacturing so it was affected by the changes in technology. The firm had to keep updating its machinery so that itcould retain its competitiveness. The changes cost it a substantial amount of money, but the ownerfelt that it would benefit the firmover the long term. It would make its production more effective and efficient.

Changes in government policies benefited the firm. The government supports the international trade of SMEs and often holds trade fairs, which are open to the SMEs to join at minimal cost. These fairs encourage overseas customers to meet the SMEs in Thailand and to familiarise themselves with what they have to offer. The firm had entered many of these trade fairs in the past and successfully gained many new customers. The overseas sales of the firm increased rapidly due to the exposure given by the government, and the people at the firm also felt that the changes in trade policies benefited them. Due to changes and incentives from the government, there was an increase in overseas customers, and overseas firms had become more comfortable about dealing with Thai firms, especially with smaller firms that have support from the government.

Firm B’s owner also felt that the free trade environment had benefited the firm. The lower import and export taxes in both home and host countries helped to stimulate sales and trade across countries.

Firm C was smaller than Firms A and B and was quite new to the business, so it had not entered into overseas trade as much. It was less affected by the changes in government policies, trade policies and the free trade environment. However, it was most affected by the changes in technology because it was an online retailer and did not have a physical store. Improvements in online technology and in logistics had helped the firm to reach its customers effectively. The new online technologies had lowered the start-up costs and operating costs for the firm. The firm was also able to reach a wider market from the comfort of its office. Further, it gained exposure and benefits through social network sites such as Facebook at zero cost.

The free trade environment also benefited the firm. Even though the firm had few overseas customers, due to low import taxes or no import tax for low-cost items such as its products, it experienced an increase in overseas customers. The openness of online trading also helped with firm sales because now people have more trust in this form of trade and there are more sites that support payments.

Overall, the three firms benefited from globalisation and the owners were happy with the changes brought about by it. Their concerns were with the increase in competition thathad resulted from openings in the market.

5.1.4 Problems Facing Small and Medium-Sized Enterprises

Even though the three firms enjoyed success and benefits in this trade era, the owners also felt threatened by the changes. They felt that there were many problems faced by small and medium-sized firms and many of these problems were rooted in globalisation. Firm A faced the problem of increased competition in the market, especially from China. A project sponsored by the Chinese and Thai government called China City Complex has established a trading complex in Thailand where Chinese factories can open their stores with the benefit of import tax exemption. This will have major effects on Thai firms and allows Chinese suppliers to have direct access to the Thai market.

Firm A was aware of the threats in the market, so was working towards building a stronger firm to compete with the increased competition. The firm was working on strengthening the internal factors of the firm, and it was focusing on human resources and customer services. The firm's owner felt that internal factors gave it a competitive edge to compete with other SMEs and larger firms.

As a medium-sized firm, itcould pay more attention to detail in its customer service and it was able to provide more customised services and become personally acquainted with each of its customers. It also provided faster service because it had a lower-level structure. In the Thai market, personal relationships are important in business and trade, and customers want to feel that they can trust their supplier.

Firm B faced problems similar to that of Firm A, including the increase in competition, especially from China and India. Even though the firm tried to differentiate itself from its competitors, there were many close substitutes in the market. This forced the firm to lower its prices to stay competitive. To compete in the highly competitive market and environment, the firm attempted to maintain the high quality of its products and good customer service.

Firm B set out to be different in the market from the beginning, with its unique design and production technique. However, over the years, many competitors had entered the market with similar designs and techniques. Firm B's owner still felt that the firm's technique was superior to that of the others in the market and it tried to keep up with their quality. Its strategies remained the same—to differentiate its product and to serve a niche market. It had also made itself accessible to the customer by opening retail stores in the main cities and in top-end department stores. The other factor that the firm emphasisedwas good customer service.

Firm C was the smallest firm among the three and was the newest, as well. The firm had faced problems in gaining access to financial resources from financial institutions. As a new firm with no assets, it found that most of the financial institutions were not willing to lend funds so it had to rely on personal contacts. The other problem was the high cost of production. As a small firm, it produced in small amounts, which madeits production costsmuch higher than those of other, bigger firms. However, the firm was trying to establish itself as a designer brand so itcould mark up its prices. It was working on unique designs and on the quality of the product to differentiate itself and to build up a brand image.

5.1.5 Factors Contributing to the Firm's Success and Failure in the Globalisation Environment

Each firm took advantage of globalisation differently and wasalso affected by it differently. To overcome the new challenges brought about by globalisation, there are many factors firmscan try to strengthen to overcome the challenges.

Firm A enjoyed many benefits from globalisation as well as negative effects from it. The benefits that the firm enjoyedwere the openness of the market, which affordedit easy access to itsoverseas suppliers without using a go-between. This also allowedit access to products at lower prices and directly from the manufacturer, as well as access to more suppliers in many different countries, which added variety to its products. The other benefit was the improvement in technology, which greatly benefited the firm. Improved technology in communication and transportation, for example, allowed the firm to have speedy communication with its customers and suppliers, which made itmuch more effective and efficient. Improvements in transportation also speeded up its transaction periods, which in turn lowered the firm's transaction costs.

The challenge that all of the firms faced in the current free trade environment were the increase in competitors. The firms worked to strengthen the factors that kept them competitive. Firm A had been in the market for many years and knew its strengths and what had kept it successful. The factors that Firm A's ownerfelt had contributed to its success and that were very important to it remaining competitive were providing good customer services, having good relationships with suppliers and customers, being price competitive and having strong human resources. In Thailand and most Asian countries, it is very important to build a personal relationship with one's suppliers and customers. Customers are loyal to friends and trust supplierswho are more like their friends than simply trading partners. Other customer services are also important for maintaining customers and gaining new ones through referrals.

Having a strong team of employees was also very important for Firm A's aim to remain competitive. The employees in the firm were knowledgeable about the products and the business and were committed to the job. Remaining price competitive is also a very important factor for competing in this environment. Customers have more choices and price is a very important factor in buying decisions. The ability to reach suppliers with the cheapest prices allowed the firm to succeed in a highlycompetitive market.

Firm B also faced the problem of increasing competition in the market so it developed new strategies to stay competitive. The factors that keptit competitive in the market were good customer service and the unique design of its products. With designs that were difficult to copy and with the skills employed in its work, which were difficult to duplicate, it enjoyed a niche market and a secure market share. Up-to-date design is also important in the fashion industry, so the firm tried to be innovative in the design of its garments.

Firm B also placed a great deal of emphasis on customer service. It was important for it to maintain its current customers with good customer service and to gain new customers. Good human resources and management teams are also very important. Employees need to have experience, knowledge and dedication to the job. The firm’s ownerfelt that the firm’s human resources were one of the main reasons that it was doing well in the current market.

However, the firm had also gained many benefits from globalisation. The firm was able to reach a wider market due to the free trade environment. Many overseas customers had come to Thailand to purchase its products. Due to globalisation, fashion trends and styles have been standardised so it was easier to reach a wider market with its products. Another benefit is that language barriers no longer exist. Now most people are able to communicate in English, which has made communication with overseas customers much easier and it is able to reach potential customers overseas.

Firm C had benefited a great deal from the current trade environment and globalisation. As a relatively new firm and with low start-up costs, it had taken advantage of online technology to conduct its business. With the advancement in technology, online retailing is accessible to everyone—it is easy and cheap to start up a business and reach a wide market. The firm ran its business through its personal website and Facebook website. Advances in the financial sector online had also greatly benefited the firm. Itcould receive payment for sales through PayPal and Google Checkout. These are secure payment systems for both sellers and buyers. People have more trust in online retailing now so the firm could conduct its business without a physical store.

As a new and small firm, Firm C was able to do well in a competitive market due to its unique and creative designs, high-quality garments and good customer service. As an online retailer, customer service was very important. The customers must feel that they can trust the firm to conduct trade because they need to send money to the seller before receiving the goods in the mail. A good returns policy is also an important factor because the customers are not able to try on the clothes in person before making a purchase. Lastly, the most important factor in running a fashion business is the design of the clothes and the quality of the garments. A strong design team and tailors are very important to the success of the firm. The designs must be in fashion and in demand by the customers.

5.2 Case Study 2: Failed Small and Medium Enterprises in the Free Trade Environment Era

Table 5.2 presents a summary of the responses to in-depth interviews of three failed SMEs and these are discussed in the following section.

Table 5.2: Summary of Responses to Interview Questions: Failed Firms

Questions	Interview D	Interview E	Interview F
1. Company name/ Respondent's position	Anonymous/Owner	Anonymous/Owner	Anonymous/ Manager
2. Number of employees	6	50	9
3. Type of business	Small retailer of fashion clothes	Manufacturer of silk garments	Retailer and wholesaler of import fashion clothes
4. State of the firm	Failed	Failed (closed)	Failed (closed)
5. External environment affecting the firm			
5.1 Laws and Regulations	Not affected because theThai society has devised strategies to avoid the impact of laws and regulations.	Not affected.	Not affected.
5.2 Customers' needs and wants	Affected in minor ways. The firm always kept up with trends and customers' preferences.	Highly affected the firm. Due to these changes, the firm failed because the customers were seeking lower quality and lower priced products.	Affected the firm because many products that the firm imported did not sell due to the different trends in the home country.

Questions	Interview D	Interview E	Interview F
5.3 Competitors	Highly affected by competition, which resulted in lost profit margin.	The business failed, due to the competition. The firm could not compete with bigger firms and did not have bargaining power.	With many competitors in the market, the firm had to lower the price to compete, which resulted in lower profit margins.
5.4 Exchange rate	Directly affected by the exchange rate because the firm imported all its merchandise from overseas.	The firm was not affected by the exchange rate because the customers were local and all transactions were in Thai baht.	As a small business, the firm imported small amounts so the exchange rate had only a slight effect on the profit margin.
5.5 Interest rate	Not affected because the funding was from the family's savings.	As a small business, the firm had limited financial resources and had to take out bank loans at a high interest rate. Sometimes the firm borrowed from a loan shark at high interest rates.	Not affected because the business was financed by the parents.
6. Effects of globalisation			
6.1 Changes in technology	Had positive effects on the firm: improved logistics and communication, faster transportation and decreased cost of telecommunication.	Changes in technology had major effects on the firm, especially changes in machinery. The firm could not afford new machinery so it could not compete in the market in price and quality.	Had a slightly positive impact on the firm. Increased productivity with faster transportation and communication.
6.2 Changes in demands of customers	Needed to keep up with the trends and provide more variety. It is important to keep up with the customers' preferences.	Not meeting the demands of customer is one of the reasons the firm failed. The customers were seeking low prices and lower quality silk while it supplied high-quality and higher-priced silk.	Significantly affected the firm in negative way. The clothes that the firm imported were no longer in fashion so there was much unsold stock.
6.3 Changing government policies	Not affected by the changes.	Not affected by the changes.	Not affected by the changes.
6.4 Changes in the country's infrastructure	Not applicable.	Not applicable.	Not applicable.

Questions	Interview D	Interview E	Interview F
6.5 Changes in trade policies	Minimal effect on the firm. As a small retailer, the customers took care of their own export procedures and the firm did not pay import tax.	Negative effect on the firm. More overseas competitors entered the market and drove the firm out of business.	Negative effect on the firm because of increased competition in the local market from overseas. The market became highly price competitive.
6.6 Free trade environment	Increase in overseas customers.	Negative effect on the firm. As a small firm, the firm could not benefit from it and it led to more competitors in the market.	It increased overseas investment in the local market, which caused local firms to suffer from the loss of market share and made the market highly competitive.
7. Major problems facing the firm	The increase in competitors and the increase in rent for retail space were the major issues affecting the firm.	The increase in cost of production due to increase in the cost of raw materials and labour. The increase in competitors was also a major problem affecting the firm.	The increase in overseas competitors in the market, especially from China, India and South Korea.
8. Overcoming the increase in the competition	Good customer service, regular customers, good quality products at lower cost and up-to-date merchandise helped the firm compete with other retailers.	The firm could not overcome the increase in competition because the profit margin was too low for the firm to keep operating.	Tried to maintain current customers with good customer service and sourcing inputs with the lowest possible price.
9. Taking advantage of globalisation	There are increases in overseas customers brought about by globalisation. Fashion trends have also become more standardised, which made it easier for the firm to serve a variety of customers.	The firm could not take advantage of globalisation and lost its market share to firms from India and China.	Sourcing the products from the cheapest and the most innovative overseas suppliers is much easier in the current environment.
10. Competing with large firms or MNEs	The firm was able to compete with the larger firms because of efficiencies in: attention to detail, customer services, operational costs, business risk management, response rate and flexibility.	Not applicable.	React quickly to fashion trends and keep the price of the products lower than competitors.
11. Remaining competitive in the local and global market	The firm tried to remain competitive by being sincere with the customers, providing the best customer service, differentiating the products and managing the assets effectively.	Not applicable.	Sourcing quality products at a lower cost provide good customer service and remain active and up to date with fashion trends.

Questions	Interview D	Interview E	Interview F
12. Factors contributing to current status	The factors are: the entering of foreign firms via direct investment, the increase in rent of retail space and that some of the customers went direct to the sources rather than buying from the firm.	The increase in price of raw materials, labour costs and competition.	The increase in competitors, the fast changing trends and lack of retail outlet.
13. Most important factor contributing to the firm's success	Not applicable.	Not applicable.	Not applicable.

5.2.1 Background

Certain firms have failed in the era of globalisation because they were not able to cope with the changes in the environment. Firms D, E and F were struggling and were forced to close their businesses in the past few years for many reasons.

Firm D was a small retailer of women's fashion clothes, in particular. The firm employed six employees and was run by the owner. It was her first business in this industry but she had a great deal of knowledge in the retailing sector and in the sourcing of products. The firm imported all of its products from overseas and the owner flew to the host countries to choose the products herself. Due to her knowledge of fashion, the products were in fashion and in demand in the market. Most of the clothes were imported from India, Pakistan and China. These are the countries in which international brands manufacture their clothes. Many of the products provided by the firm were overstock from the factories of well-known brands. The customers of the firm were small retailers from overseas and local teenagers and professionals. The firm had a retail store in one of the busiest malls in the middle of Bangkok.

Firm E was a silk manufacturing firm. It was a family-owned firm and was run by a husband and wife. The firm employed around 50 employees in the factory and all sales and accounts were done by the owners. The factory was located in the northeast of Thailand but the sales office was in Bangkok. The firm's customers were local tailors, silk retailers and clothes manufacturers. Its sales were wholesale; it did not have a retail store of its own. The owners had a great deal of experience with garments and in the industry. The firm was founded by one of the owners' parents and ownership was then transferred to the next generation. It had been operating for more than 30 years before it closed down in 2005.

Firm F was a retailer and wholesaler of imported fashion clothing for both males and females. The firm was family owned and was run by a couple. It was funded by the parents of one of the owners and had nine employees. The firm imported fashion clothing from Korea. The first few shipments of products were chosen in person but later were ordered through the Internet and by telephone. The firm had an office and retail shop in Bangkok but in the office district rather than in the retail area. The firm was concentrating on wholesale rather than retail; however, it did join the trade fairs several times to gain more customers and to acquire orders. The firm lasted two years after it opened in 2008.

5.2.2 External Factors Affecting the Firm

All of the firms were affected by the external environment, although in different ways. However, not all of the firms were affected by laws and regulations because the owners felt that, in Thai society, there were ways and strategies to avoid them. Firm D was affected by the customers' needs and wants, but only slightly. Most of the garments imported by Firm D were leftover stock of well-known brands, so their designs were current. The owner had also personally shopped for the products to ensure the clothes satisfied current trends.

One factor that highly affected Firm D was the competition. Due to an increase in the number of competitors in the market, the firm had to lower its prices, which caused a loss in its profit margin. Changes in the exchange rate also affected the firm because all of its products were imported from overseas. When the Thai baht was strong, the firm benefited and it was more likely to earn a higher profit margin. However, interest rates did not affect the firm because the funding of the business was from family savings.

Firm E was highly affected by the external environment, especially by changes in the customers' needs and wants. Due to changes in the demands of the end customers, the textiles sold by the firm were in less demand. The end user was looking for cheaper clothes and the silk textiles sold by the firm were considered high-priced material. Customers are now looking for lower-quality and lower-price material to make their clothes so they are looking for new suppliers. With the changes in demands, the firm had to cut down on its production and eventually close down.

The firm was also affected by its competitors. As a small firm, it had less bargaining power so it could not compete with bigger firms. Many new competitors entered the market, especially from China, that could offer products at lower prices.

However, Firm Ewas not affected by exchange rates because all of its transactions were in Thai baht. The firm's customers were all local. All of the raw materials were bought in Thailand and in local currency. In contrast, interest rates had an effect on the firm; it was forced to borrow from banks and other financial institutions. As a small business, it was difficult for the firm to obtain a loan, and interest rates were higher.

Firm F's owners felt that they were greatly affected by the external environment. Firm F ordered most of its products online or over the telephone and relied on the trends in the host country when ordering its products. The customers' needs and wants in the local market were different from those in the host countries, so many products were left unsold. The firm was also affected by its competitors. Since the trends in the Korean dramatic and artistic sectors are popular in Thailand, many firms seek their products from Korea. There were many suppliers of the same or similar products on the market who had much more experience in the industry. For this reason, the firm could not compete with the expertise of other firms. Other, bigger firms were also able to obtain products at cheaper prices because they purchased in the larger numbers. This resulted in a low profit margin for the firm to compete.

Even though the firm purchased all of its products overseas, it was only slightly affected by exchange rates. The firm ordered its products in small amounts and the exchange rate between the Thai Baht and Korean Won was quite stable for quite some time so its profit margin was not affected significantly. Interest rates did not have an effect on the firm because the firm did not take out any loans for its business; the business was funded by the parents of one of the owners.

5.2.3 Effect of Globalisation on the Firm

Globalisation affected the performance of all of the firms. Firm D benefited from most of the changes brought about by globalisation, especially changes in trade policy and the free trade environment. Firm D also benefited from changes in technology. These changes positivelyaffected the firm because of improved logistics and communication, which led to a decrease in the cost of transportation and improved speed. Improvements in telecommunication also helped the firm to decrease the cost of communication between it and its trading partners, and to improve the speed of communication.

The demands of the customers also shifted slightly due to the economy and changes in fashion. However, Firm D was not affected much by the changes because it kept up with the trends and tried to offer what was in demand in the market. Changes in trade policies and increased free trade had positive effects on the firm. Trade policies had a minor effect on the firm because the firm never paid import taxes. Export taxes were the responsibility of the customers but decreases in export and import taxes in most countries increased the likelihood that the customers would purchase from them. The free trade environment also benefited the firm—there were more overseas customers in the local market, which increased sales.

Firm E had different experiences with globalisation. It suffered many negative effects from the changes brought about by globalisation. For example, changes in technologyaffected it severely. Changes and advancements in machinery also affected the firm. In the early years of change, the new machinery was expensive and the firm did not have the financial resources to upgrade its machines. However, bigger firms and firms with more financial resources were able to upgrade their machinery, which made their production more effective and efficient. Because of this, they were able to sell at lower prices. Firm E fell behind and could not compete with the prices and quality of the other firms.

Changes in demand also significantly affected the firm's performance. There were changes in the demand for quality silk; customers were now looking for cheaper and lower-quality silk, which was imported from China. The Thai silk that the firm produced was at the high end of the market, with higher quality and cost. Consumers were now looking for cheaper products so the customers of the firm needed to adjust and use lower-quality silk in their production.

The firm was also negatively affected by changes in trade policies and the free trade environment. The firm's owners felt that, due to the free trade environment and more open trade policies, there were more competitors in the market, especially from the bigger economies such as China and India. Cheaper labour and raw material costs meant they could provide cheaper products with which the firm could not compete.

Firm F also suffered from globalisation more than it benefited from it. The firm benefited from changes in technology, and the productivity of the firm increased due to improvements in telecommunications and transportation. These helped to lower the cost of operations and to speed up transactions. The firm was also able to benefit from easier access to overseas suppliers. Sourcing of products from the cheapest and most innovative overseas suppliersbecame easier to achieve due to the current environment.

Firm F was not affected by changes in customer demand. The demand for fashion clothing changes according to trends and, recently,the trends have been shifting in a matter of months. Due to these changes in demand, the firm was not able to sell many of its products and had to sell them at lower than cost prices.

Changes in trade policies and the free trade environment also had negative effects on the firm. Firm F struggled due to the increase in the number of competitors in the market who also had easy access to products from overseas. There was also an increase in overseas competitors, who could easily enter the market due to fewer restrictions. The increase in competition stemming from these changes made the market prices highly competitive. Local firms were also losing their market share to the foreign firms.

5.2.4 Problems Facing Small and Medium-Sized Enterprises

The SMEs faced similar problems but some suffered more than others due to their type of business, their experience in the market and industry, and the resources of the firm. The major problem that affected Firm D was the price of retail space. The firm had to rent retail space in a retail mall that had high foot traffic. The cost of the rent was extremely high compared to other retail areas but it attracted more customers and was well known for fashion retail. However, the increase in rent affected the firm’s profit margin and the firm was no longer able to afford to stay at the same location. The firm’s owner felt that other small retail firms also had the same problem and were losing out to bigger firms.

The increase in competition in the market and the industry was also a major problem for the firm. The firm could not compete with competitors with its price-competitive strategy so it had to try to work on other factors that is, providing the best customer service possible, maintaining regular customers, and providing good quality and up-to-date merchandise.

Firm E faced many problems that caused it to close its business. The major problem for the firm was the increase in competitors in the market, especially from China and India. Those countries have a lower cost of production and are able to provide similar products at lower cost. The other problem that the firm faced was the increase in the cost of production. This seems to be a problem faced by most of the producers in this industry. Now the labour costs in Thailand were higher than in other Southeast Asian countries and China. The prices of raw materials were also higher so these two factors, which were driving up production costs, made it difficult for the firm to compete in the local and overseas markets.

Firm F faced problems from the increase in overseas and local competitors in the market. Due to easier import and export procedures and lower tariffs, many firms are importing from the same sources, making the market highly pricecompetitive. Overseas competitors are also entering the Thai market and are selling at cheaper prices. These overseas firms from China, India and South Korea, for example, are becoming main competitors for the local firms and have quickly won over large market shares.

As a local firm, Firm F tried to use its knowledge of the market and culture of business in Thailand as its main competitive advantage. It tried to provide good customer service to retain its current customers. The firm also tried to find sources for its products at the lowest possible price to compete.

5.2.5 Factors Contributing to the Firm’s Success and Failure in the Globalisation Environment

Even though Firms D, E and F failed and had to close down their businesses, there was a time when they were doing well. The firms shared their thoughts about the factors involved in competing in a highly competitive market and about their downfall. Firm D had been operating for many years before closing down in 2010. The business performed really well in the beginning and it was able to compete with the larger firms. The firm's strength was the attention to detail it gave to its products and customers, good customer service and high flexibility in trade terms and conditions. In addition, as a small firm, Firm D had lower operational costs than bigger firms so it could price its products at a lower profit margin. This allowed it to offer lower-price products than its competitors.

Firm D's strategies were to strengthen the relationship with its customers and to offer services that required trust between the firm and customers. The firm had many regular customers and, to build its relationships, the firm was very honest with its customers and provided credit sales. In addition, the firm was run by the owner, who was also the manager, so the service and decisions were carried out quickly and efficiently. To stay afloat and remain competitive, the firm also tried to differentiate its products and to manage its assets effectively. In the same retail complex in which the firm was located, there were hundreds of clothing retail stores, so the firm tried to source products that were different from those of other firms and provided a greater variety than other firms provide.

However, the firm failed for many reasons. One main reason was the increase in rent in the retail space. The retail complex in which the firm was located is one of the most crowded malls in Bangkok and is famous for cheap fashion clothing. It attracts local and overseas visitors. The firm was doing quite well in this location but, with the increase in rent, it could not afford to stay there. After the move, the business started to decline.

The increase in competitors was another problem for the firm. Many foreign firms entered the market via direct investment, mainly from China and India. They were able to offer products at cheaper prices due to their cheaper costs. The most important factor that led to the failure of the firm was that the customers went directly to the sources and cut out the go-between, that is, the firm. The customers were then able to access the sources, such as factories, due to changes in the trade policies of many countries.

Firm E was strongly affected by changes in the external environment. Changes in the customers' preferences and the increase in competitors also had a huge effect on the firm's performance. The products offered by the firm were no longer in demand so sales dropped significantly. The increase in the price of raw materials and labour costs were also important factors in the firm's failure. With the higher price of production, it was difficult for the firm to compete in terms of prices with the overseas firms and customers were looking for a cheaper product line than what was offered by the firm. Firm E was not able to cope with all of these changes and decided to close its factory and to pursue another business.

Firm F tried to stay afloat in the changing trade environment by trying to work on their internal factors, for example, by staying alert to the changing fashion trends and by reacting quickly to these changes. However, their limited resources did not always allow them to make changes to their products. The firm also tried to be price competitive by keeping its prices lower than those of its competitors. This was not a long-term strategy for the firm because, with the low profit margin, they could not keep their business afloat.

The quality of the products was one of the factors to which the firm paid attention. Itensured that the products offered were top quality and at the lowest price possible. The firm also tried to use sources that could provide both quality and competitive prices. Last of all, customer service was a main concern for the firm. It is very important in the sales business in Thailand that firms be polite, friendly and efficient. Building relationships with customers is important for continuing business and in gaining new business.

Despite its efforts to improve the internal factors so the business would stay afloat, Firm F failed and closed down due to the effects of the external factors. The firm's owner felt that the increase in competitors affected its performance. The firms were competing in price,and smaller firms were not able to lower their prices to match those of the bigger firms. The bigger firms ordered in larger quantities so they were able to take advantage of lower prices. The fast-changing trends in fashion also affected the sales of the firm; it could no longer keep up because of the unsold stock of its older products. Retail space was another of the firm's downfalls—the firm could not obtain retail space at more popular malls or retail areas. They were forced to open in an area that had less foot traffic, and this, of course, did not benefit the firm. Due to these factors, the firm was not able to succeed in the highly competitive industry.

5.3 Case Study 3: Struggling Small and Medium Enterprises in the Free Trade Environment Era

Table 5.3 presents a summary of the responses to in-depth interviews of four struggling SMEs and these are discussed in the following section.

Table 5.3: Summary of Responses to Interview Questions: Struggling Firms

Questions	Interview G	Interview H	Interview I	Interview J
1. Company name/ Respondent's position	Anonymous/ Owner	Anonymous / Owner	Anonymous/ Owner	Anonymous/Owner
2. Number of employees	50	3	4	8
3. Type of business	Retailer/ Manufacturer of silk products	Small retailer of fashion clothes	Retailer of sportswear	Retailer of women's clothing
4. State of the firm	Struggling	Struggling	Struggling	Struggling
5. External environment affecting the firm				
5.1 Laws and Regulations	Not affected	Not affected	Not affected	Not affected
5.2 Customers' needs and wants	Always keeping up with the trends and providing variety to customers.	The firm is keeping up with the trends and following the fashion market.	The customers are willing to spend less on clothing due to bad economy so the firm has to lower prices to stay in business.	The firm has to keep up with the trends and follow fashion so it can supply current clothing designs that meet customer requirements.

Questions	Interview G	Interview H	Interview I	Interview J
5.3 Competitors	Direct impact on the firm. There are many competitors in the area so it is very price competitive.	Competitor numbers have increased and that forces the firm to be price competitive and introduce new promotions to increase sales.	Not affected because the firm is the only sportswear retailer in the area.	Not much because the firm differentiates the design of its clothing and supplies what nearby retailers do not offer.
5.4 Exchange rates	With lower exchange rates, the firm sells more to foreign customers and about 40 per cent of its customers are from overseas.	Not affected because all of the businesses are local.	Not affected because the firm only offers local products and brands.	Not affected.
5.5 Interest rates	The firm has to borrow from a loan shark to cover some of the day-to-day expenses. The interest rates are high but it could not borrow from the bank in the short-term period.	It increased operational costs because the firm has to pay interest on the loan.	Not affected because the funds are out of pocket.	Slightly affected because the firm pays interest on the loan.
6. Effects of globalisation				
6.1 Changes in technologies	As a retailer, this does not affect the firm.	Not affected.	Not affected.	Positive effects because the firm can easily keep up to date with the trends and new fashion online.
6.2 Changes in demands of customers	The demand for the firm's products seems to be more standardised so many standard products are selling more than the specialised products.	The customers are suffering from a loss in income due to nationalpolitical issues, which affects their spending. Sales have fallen in recent years due to a weak national economy.	Not affected because in sportswear the trends remain pretty much the same.	The firm has to keep developing new designs that continuously meet customer needs.
6.3 Changing government policies	The government has many new policies to help SMEs but until now it has not had any effect on the firm.	Not affected.	The government policies have a negative impact on the economy so people have less money to spend.	Not affected.
6.4 Changes in the country's infrastructure	Not applicable.	Not affected.	Not affected.	Not affected.

Questions	Interview G	Interview H	Interview I	Interview J
6.5 Changes in trade policies	The changes in the policies seem to benefit the firm. The number of overseas customers has increased.	Not affected the firm because the firms' customers are local teenagers, college students and young professionals.	Not affected because the products and the customers are local.	Not affected.
6.6 Free trade environment	The free trade environment allows the overseas customers to have easy access to the firm, thus increasing its sales.	Not affected.	It helps lower the cost of products from the supplier because they are able to lower the cost of their raw materials by importing from overseas low-cost suppliers.	Not affected.
7. Major problems facing the firm	The increase in production costs resulting from the increase in price of raw materials and labour costs. The selling price remains the same, which results in lower profit margins.	Weather conditions such as rain affected the sales because fewer people on the street and water damage to some of the products.	Increase in overseas products in the market at lower price, and the increase in the rent of retail space.	The firm suffers from cash flow issues, which many other SMEs are facing as well.
8. Overcoming the increase in competition	To compete, the firm has diversified and differentiated its products. Paying more attention to detail of quality and design of the products.	The firm always has promotions and sales to increase the sales and compete with others in the market.	Provided better customer services and improved speed of service.	The firm has direct contact with the suppliers so it always receives the new designs before others and at lower prices.
9. Taking advantage of globalisation	The firm can reach wider market because of the increase in overseas customers who came directly to it.	Increase in tourists so there are slight increases in the customer numbers.	Due to globalisation, the speed of communication and transportation has improved so the firm can take advantage of these changes.	It is easier to keep up with the trend because Western fashion has an influence worldwide.
10. Competing with large firms or MNEs	Differentiate the products.	Good customer service helps with the competitiveness of the firm.	Provide personalised customer service.	The firm provides a variety of products at reasonable price.

Questions	Interview G	Interview H	Interview I	Interview J
11. Remain competitive in the local and global market	Provide good customer service, build relationship with customers, differentiate products and provide a variety of products.	The layout of the retail shop has an up-to-date and unique design that attracts customers.	Provided good customer service and quality product.	Always loyal to the customers and being faithful and trustworthy.
12. Factors contributing to current status	Not applicable.	Good quality products and variety of products to cater to all type of customers.	Hold sales promotions every now and then and provide good customer service.	Good location is very important in retail business. The increase in cost might diminish business.
13. Most important factor contributing to the firm's success	Not applicable.	Good quality products and large variety of products.	Personalised customer service.	Good location that has good foot traffic and variety of customers.

5.3.1 Background

Many SMEs do not grow into large entities but are able to operate and remain competitive for many years. Even if they are not successful, they make enough money to keep afloat. With limited resources, they are not able to expand or compete on a larger scale. The four firms interviewed for Case Study 3were struggling to keep afloat and compete in the highlycompetitive market.

Firm G was a family-owned retailer and manufacturer of silk products and textiles. The factory was located in eastern Thailand, while two of their retail stores were in Bangkok. The firm was run by a mother and her two daughters. They employed about 50 people in the factory and retail store, and it had been a family business for more than 20 years. It started as a factory with wholesale transactions only and no retail store. Now the mother was in charge of the factory in eastern Thailand, while the two daughters were in charge of their own retail stores in Bangkok. The retail stores were located in the same shopping mall, which hosts mainly stores retailing silk garments and textiles. The customers who visit this mall are mainly interested in silk products. The firm was currently struggling due to the increase in competition along with the decrease in customer spending.

Firm H was a small retail firm with only three employees. The firm was a retailer of fashion clothing in the busy retail area in central Bangkok. The shop was run by one owner who, for the most, part did everything by herself. She had the help of three assistants in rotation. With a small retail store, all of the operations could be managed by one person, but it was difficult for the firm to grow due to the lack of help and knowledge. The store offeredwomen's wear to customers in their late teens to late thirties. The shop was located in a busy retail area, so there was plentyof foot traffic.

Firm I was a small retail firm of sportswear. The firm was owned and run by a couple and had four employees. The firm's retail store was located in an area with much foot traffic and was close to offices in Bangkok. It specialised in sportswear and was the only firm in the area that specialised in this product. The firm had been in operation for more than 10 years and the ownerswere quite knowledgeable about their products and industry. However, due to changes in customer demand, sales had dropped slightly in the past few years.

Firm J was a small retail firm of women's clothing. They specialised in office attire, and semi-formal and fashion clothing. The firm was run by the owner and had eight employees. The retail store was located in a busy shopping complex in the heart of Bangkok. The complex is always crowded and it is a prime spot for shopping. Because of this, the rent was much higher than other retail outlets, but the sales of the firm had remained constant over the years. There are also many new shopping complexes open nearby so there is a shift to the number of customers. This may affect their sales numbers in the near future.

5.3.2 External Factors Affecting the Firms

All of the struggling firms were in retail but only firm G was in the manufacturing sector. As small retail firms, the owners felt that changes in the laws and regulations did not affect them. The laws and regulations regarding trade are not seriously enforced in Thailand, especially those concerning smaller firms. Large manufacturing firms are more affected by the new regulations regarding the environment and product standards.

One factor that has affected all of the firms is the customers' needs and wants. This factor is important to all firms in every industry but is more likely to have a significant effect on an industry that follows fashion trends. Firm G had always been affected by customers' preferences so they were working to keep up with the fashion trends. It was important for them to know what the customers wanted so that they could produce products that catered to them. As a retailer and manufacturer, the firm could produce what was in demand in the market but they needed to remain alert and always pay attention to the trends. The firm also tried to provide variety in their retail stores to cater to a wider customer target.

Firms H and J were affected by the customers' needs and wants in the same way because they were providing similar products and catering to a similar group of customers. For the clothing retailer, it is important to keep up with fashion trends. The firms tried to provide up-to-date clothing and to research what was in demand in the market to keep their businesses afloat. In contrast, Firm I was affected by the changes in customer demand due to the economy—customers are now less likely to spend money on sportswear because of the bad economy. People have less money to spend on unnecessary items. Firm I had to adjust its pricing to keep the firm afloat and to keep its sales constant.

Firms G and H were affected by their competitors and reacted to them in the same way. Both firms used price competition as their strategy to compete with the increase in competitors. The firms were located in areas that are populated by many retail stores that offer similar products, so they had to compete with the prices. The firms sacrificed their profit margin to keep the prices low and offered many sales promotions.

The owners of Firms I and J believed they had not been affected by the increase in competitors because the products that they offeredwere different from those of others. Firm I was the only sportswear retailer in the area so it was generally not affected by competitors; the owners felt that their customers were the people who lived in the area and those that worked nearby so they were less likely to be affected if there were no retailers of the same products nearby. In contrast, Firm Jdifferentiated its products from those of the nearby competitors, and tried to provide designs that were uptodate and that were different from what was offered by others.

The exchange rate only affected Firm G and did not have an effect on Firms H, I or J. Firms H, I and J did not import or export their products and their customer base was the local area so the owners did not feel that the exchange rate had had an effect on them. Firm G did not import its products or raw materials but many of its customers were from overseas. The customers of the firm were 40 per cent foreigners, and many of them bought the products to resell in their home countries. When the Thai baht was weak against the customers' home currency, sales increased for the firm, and the opposite happened when the Thai baht was strong.

Interest rates had an effect on most of the firms, except for firm I. Firm I did not taken out any loans for the business and their savings were not substantial enough to gain from a higher interest rate. Neither was firms G, H and J affected by the exchange rate. The owners of Firms H and J felt that the effects were not significant but they didaffect their operational costs. They needed to pay an interest rate on their current loan but it was at a reasonable rate.

Firm G was affected the most out of all the firms because it had borrowed from a loan shark at a higher interest rate than that offered by banks or other financial institutions. Due to a decrease in sales, sometimes the firm was forced to take out a short-term loan from a loan shark to cover the day-to-day operational costs. As a smaller firm, it also found it difficult to obtain a loan approvedby a larger financial intuition, so they needed to borrow at a higher interest rate from a loan shark.

5.3.3 Effects of Globalisation on the Firm

The firms in this group seem to have been the least affected by the changes brought by globalisation compared to the successful and failed firms. Firms G, H and I were not affected by the changes in technology because, as retailers, they had very low-technology businesses and they did not rely on it. Firm J’s owner felt that improvements in the technologies had made their job easier and that they had received benefits from the advancements in the Internet. As a fashion retailer, they needed to keep up-to-date with fashion trends and new designs, and the Internet made it easy for them to do so.

However, all of the firms were affected by the changes in customers’ demands. Firm G’s ownerfelt that, due to globalisation, the trends in silk garments seemed to be more standardised across the globe, so it was easier for the firm to serve a greater variety of customers. Their standard products were cheaper for them to produce and now they were in demand more than specialised products, which made it easier for the firm. Firms H and I were affected by the changes in demands in the same way. Due to political and economic issues in Thailand, people have suffered a loss in income and have to budget their spending more than usual. This has also caused a loss in the sales of firms. However, Firm I’s owner felt that the trends in sportswear had remained pretty much the same so they had not been affected by the changes in trends like others in the industry.

Firm J’s ownerfound that changes in customer demands had slightly affected the firm but also felt that they could work to solve the problem by providing greater variety in their products. They believed that if they kept up with the design of their products, they couldmaintain their sales numbers.

Changes in government policies were perceived as not having affected the firms directly. The firms' owners felt that, even though in the past few years the government had come up with many new policies and campaigns to help support the SMEs in the country, they had yet to see their effect. Firm I's owner felt that, in recent years, government policies had affected the economy as a whole and that people had less money to spend on discretionary items such as fashion clothing. This has caused a decline in their sales.

However, changes in trade policies did benefit Firm G. The owners of the other firms did not feel that they had affected them. Firm G's owner felt that more openness in trade policies for overseas customers in terms of trading with firms in Thailand had caused an increase in their sales. Export tariffs have decreased or have been abolished for many countries, which encourages the firms from overseas to buy their products in Thailand.

Lastly, globalisation has created a free trade environment, and firms G and I have been affected by it in different ways. The owners of Firms H and J felt that it had not had an effect on them. Firm G's owner believed that, due to the free trade environment, the market was more open to foreign customers, which benefited the firm. The free trade environment encourages foreign firms to buy their raw materials and products from Thailand. Firm G benefited from the increases in sales. The owner of Firm I, however, felt that the free trade environment had caused a decrease in price for the products that they bought from suppliers. The suppliers were able to buy cheaper raw materials from overseas due to fewer restrictions on imports enabling the suppliers to afford to sell them at lower prices. Firm I benefited from the gain in the profit margin, which gave it more room to compete with price-competitive strategies.

5.3.4 Problems Facing Small and Medium-Sized Enterprises

Each firm faced different problems and struggled to keep its business afloat in the highlycompetitive environment, especially in the clothing and textile industry. Firm G had to compete with many firms in the market that supplied similar products, so the problems that they facedwere related to their production costs and a decrease in profit margin. The production costs of the firm had increased in the past few years due to the increase in labour costs and raw materials. However, the price of the products in the market had remained the same so they had suffered a loss in profit.

Firm H faced the same problem of increase in competition because of a price war between firms. However, one of their concerns was the weather conditions in Thailand. Due to frequent rain in the Bangkok area, there were fewer people on the street and this caused a decrease in the sales numbers of the firm. The rain also damaged some of the products in the store.

Firm I faced problems common to many retail firms, which is an increase in the rental cost of retail space, especially in malls with good foot traffic. The rental cost of retail space has increased significantly in the past few years and, as a result, the firm lost much of its profit margin. Another problem that the firm facedwas the increase in overseas products and competitors in the market. Many foreign firms are able to provide the same products at cheaper prices, which significantly affected the firm.

The major problem that Firm J facedwas cash flow issues. As a small firm, it was difficult for it to access affordable credit, which resulted in cash flow constraint. Due to the cash flow issues, sometimes it was hard for the firm to follow its business strategies because itdid not have enough financial resources to follow through with them. This problem is a common issue for smaller firms because they are not able to obtain loans from the bigger financial institutions.

5.3.5 Factors Contributing to the Firms' Success and Failure in the Globalisation Environment

The four firms in the Case Study 3 group struggled to stay afloat in the globalised environment due to changes in the market. However, they learned how to adjust their business strategies accordingly and some were even able to take advantage of the changes. Firm G was able to reach a wider market due to the openness in trade—its foreign customers were able to reach them directly and their number has increased in the past few years. However, globalisation has also caused an increase in competitors and a price war between firms. To be able to stay competitive, Firm G had to diversify and differentiate its products. It also paid more attention to the quality of its products and developed more variety in its designs to cater to all tastes and preferences.

The factors that helped the firm to remain competitive and afloat in the highly competitive market are good customer service, and quality and variety of its products. The firm tried to build a strong base of regular customers by providing more personalised customer care. The relationship building between the firm and its customers is very important for maintaining long-term relationships and for preventing a loss of customers to competitors.

Firm H was able to benefit from globalisation because it has led to an increase in tourist numbers in Thailand. Due to this increase, it gained a new group of customers and an increase in sales. However, there were also increases in the number of competitors so the firm had to adjust its sales strategies. The firm had sales promotions regularly to increase its sales and to compete with nearby competitors. They also paid attention to the details of the shop layout and design to attract more customers. The factors that the firm's owner felt helped them to remain competitive were good customer service, high-quality products and a variety of products offered in the store.

Firm I benefited from globalisation because of the changes in telecommunications and transportation. These changes benefited most of the businesses and they were able to provide more effective and efficient services. For firm I to remain competitive, it used the same strategies as Firms G and H. It tried to improve its customer service and offered quality products to its customers. It also used price-competitive strategies to compete and engage in sales promotions every now and then.

Firm J also tried to stay competitive in the market by providing good customer service. In addition, it tried to build a good relationship with its suppliers. The owner hoped that this good relationship would allow them to obtain the newer stock before others. The relationship with the suppliers would also help them to obtain products at better prices. The firm also paid attention to the location of its retail stores and its emphasis is on its location. A good location helps with the foot traffic in the store and increases sales.

5.4 Conclusion

From the above analysis, it is evident that the firms were affected by the external and internal factors differently, but certain patterns emerge. The firms at each stage of success experienced similar effects and reacted in a similar pattern. The study showed that the successful firms and struggling firms were affected and reacted to the external environment in similar ways but had different internal factors and strengths. In contrast, the failed firms were affected and reacted differently from the successful and struggling firms in relation to their external environment.

The external factors affected the successful and struggling firms in similar ways and they also reacted to the changes similarly. The firms stayed current with their customers' needs and wants by updating their products regularly and they ensured that they were always up-to-date with current trends. To handle the increase in competitors, they differentiated their products and sought cheaper sources for their resources. They also were more experienced in managing their finances with respect to dealing with the exchange rate and interest rate than the failed firms.

The failed firms did not react to the changes in the external environment as well as the other firms did and as a consequence they failed. They were not able, for example, to cope with the increase in competitors and changes in the customers' preferences. They were also inexperienced when it came to managing their financial resources.

The effects of globalisation affected each firm differently but, as with the effects of the external environment, the successful and struggling firms seemed to react in the same way. However, the changes in technology had positive effects on all of the firms and they were all able to take advantage of the changes. The other changes, such as the changes in government policies, trade policies and the free trade environment had negative impacts on the failed firms and they were unable to gain a benefit from the changes. In contrast, the successful and struggling firmswere able to benefit and adapt to the changes brought about by globalisation.

The problems faced by the SMEs were nearly the same for most firms. The small firms had problems with accessing credit from financial institutions so many firms had to resort to private sources at high interest rates. The increase in competitors was also a constraint facing most of the SMEs. In every sector of the industry, there were increases in the number of businesses, and many were overseas competitors. The increase in the cost of raw material and operational costs was also an issue for the businesses, and many found it difficult to compete for this reason. These problems led many firms to fail in the competitive market.

The successful and struggling firms credited their internal factors for their success and strengths. The owners believed that their success stemmed from strong personnel, good customer services,good relationships with trade partners and good quality products. All firms emphasised customer service and the attention to details of their services as key to their success in the competitive market.

The current chapter, along with the previous one, presented the results of the two phases of the study. The following chapter presents a synthesis of the findings from the two stages of the study.

Chapter 6

Discussion and Implications of Results

6.1 Introduction

The effects of globalisation and the effects of internal and external factors of the firm on SMEs in the clothing and textile industry in Thailand have been studied and the results are discussed in this chapter, along with the implications of the study. In the previous chapters (Chapters 4 and 5), the results of the study were reported.In this chapter, the results are interpreted and discussed according to the objectives and hypotheses discussed in Chapter 3. In fulfilling the research objectives, the research questions are answered and the research hypotheses are discussed. The discussion on the implications includes the theoretical as well as the policy dimension of the study.

6.2 Research Objectives

The research objectives of this study focused on the effects of both the internal and the external environments, so it was more appropriate to use the two methods. The research objectives were:

1. To identify the impact of globalisation on Thai businesses
2. To identify the pragmatic ways and means that are relevant to Thai conditions to improve and sustain the competitiveness of Thai SMEs
3. To identify what Thai SMEs can learn and adopt from the experience of SMEs in other countries and in other industries to sustain competitiveness
4. To develop strategies for formulating national industrial policies to improve the competitiveness of Thai SMEs, in general, and the clothing and textile industry, in particular.

The following hypotheses were developed and tested in the study and the results are summarised in the following section:

H1: There is a significant relationship between the internal factors of the firm and the firm's performance.

H2: There is a significant relationship between the external factors of the firm and the firm's performance.

H3: There is a significant relationship between globalisation and the firm's performance.

H4: There is a significant relationship between the level of competencies of the firm and its performance.

This study employed two methods to answer all of the research questions and objectives. Following is a discussion of the results of the study organised under each study hypothesis.

6.3 Survey Results and Case Study Implications

The results of the study have been reported in the two previous chapters, Chapters 4 and 5. In Chapter 4, the survey data was employed to test Hypotheses 1 and 4. In Chapter 5, the case studies were presented and the results were used to validate the outcome of testing Hypotheses 1, 2 and 3.

The following table 6.1 is a summary of the hypotheses and their results, which are discussed in the section that follows.

Table 6.1: Summary of the Hypotheses and Their Results

Hypothesis	Sub-Hypothesis	Direction of Impact	Finding
H1. Internal Factors	H1A. Production	Positive	Significant
	H1B. Marketing	Positive	Significant
	H1C. Human Resources	Positive	Significant
	H1D. Financial Resources	Positive	Significant
	H1F. Size and Scope	Positive	Significant
H2. External Factors	H2A. Laws and Legislation	Neutral	Not Significant
	H2B. Market	Indeterminate	
	H2C. Competitors	Negative	Significant
	H2D. Fiscal and Monetary Policy	Neutral	Not Significant
H3. Globalisation and Free Trade Environment		Indeterminate	
H4. Firm's Competencies	H4A. Opportunity Competencies	Positive	Significant
	H4B. Relationship Competencies	Positive	Not Significant
	H4C. Conceptual Competencies	Positive	Not Significant
	H4D. Organisational Competencies	Positive	Significant
	H4E. Strategic Competencies	Positive	Significant
	H4F. Commitment Competencies	Positive	Significant

6.3.1 Internal Factors of the Firm and Firm Performance

In the literature, it has been found that the firm's performance is affected by the firm's internal and external factors (Zott 2003). The internal factors are those that constitute the firm and that makethe firm different from others. The internal factors of the firm comprise the firms' resources, assets and capability, and these factors can be divided into different functions, such as production, marketing, human resources and finance. These functions have been studied and the results support the following conclusion:

H1: There is an overall significant positive relationship between the internal factors of the firm and firm's performance.

H1A: There is a significant positive relationship between the production of the firm and the firm's performance.

H1B: There is a significant positive relationship between the marketing of the firm and the firm’s performance.

H1C: There is a significant positive relationship between the human resources of the firm and the firm’s performance.

H1D: There is a significant positive relationship between the financial resources of the firm and the firm’s performance.

H1E: There is a significant positive relationship between the size and scope of the firm and the firm’s performance.

The internal factors of the firm are very important to its performance and they have a positive relationship in this regard. The results from Chapters 5 and 6 have shown that the internal factors do have a positive relationship regarding the performance of the SMEs in the study. Each factor has been shown to have had an effect on the firms’ performances, to various extents and in relation to various aspects of the firm.

The production of the firm affects its overall performance. Production is influenced by the skills of labour, and by technology and the infrastructures of the firm (Bartezzaghi, Spina & Verganti 1997). Small and medium-sized firms find it difficult to compete with large firms in terms of economies of scale so they adopt different strategies. Smaller firms pay more attention to innovation and design to be able to compete, and R&Dis an important factor in the firms’ production.

The results from the firms participating in the study provided evidence to support the conclusion‘There is a significant positive relationship between production of the firm and the firm’s performance’ (H1A). Even though most of the firms participating in the study did not have a production function in their operation, those that did agreed that the production of the firm had an effect on their overall performance. The firms focused mainly on the design of their products because, as small firms, they could not compete in terms of quantity. The designs set them apart from their competitors and made them more attractive to consumers.

The other internal factor that has a very important influence on a firm's performance is marketing and it is shown to have a positive relationship (Low, Chapman & Sloan 2007). Marketing is very important in terms of the performance of the firm because it includes understanding the needs and wants of current and potential customers, promotion, innovation and services. Firms should know what their customers need and want to provide them with the right products and services.

The results of the study support the conclusion'There is a significant relationship between the marketing of the firm and the firm's performance' (H1B).Most of the firms participating in the in-depth interview stated that one of the most important factors for their success was good customer service. They reported that by providing good customer service they were able to gain the loyalty of their customers and capture the interest of potential customers. With many competitors in the market selling the same products, customer service was what set them apart. Sales promotions and after-sales service are also important factors that contribute to their performance. With the fierce competition in the market, marketing of the firm becomes one of the most important factors of the firm's performance.

Human resources are also a very important factor for the firm, especially for the small and medium-sized firms, which depend on the entrepreneur's abilities (Ferguson & Reio Jr 2009). Smaller firms do not have many other assets with which to compete, so the entrepreneur's knowledge and experience are very important assets. The results of the study support the conclusion'There is a significant relationship between the human resources of the firm and the firm's performance' (H1C).

The small and medium-sized firms participating in the study confirmed that good human resources are very important for the firm's performance. The successful firms in the case study analysis emphasised that the human resources of the firm were a very important factor for the firms' success. The firm needs to recruit the best people for the job that have knowledge and experience, and the downfall of many small and medium businesses is their reluctance to outsource their employees. Mostsmall and medium-sized firms are family owned and run, so they do not like to hire outsiders. This prevented the firms from achieving the best for the business because they were not combining their assets with the best available human resources.

Another factor that is very important to a firm's performance is its financial resources. Small and medium-sized firms face financial barriers to a greater extent than larger firms do because it is difficult for them to obtain external financing (Irwin & Scott 2010).

The results of the study in Chapter 5 also support the conclusion'There is a significant relationship between the financial resources of the firm and the firm's performance' (H1D).Many firms in the study struggled to obtain affordable credit, forcing them to expensive private sources. With high interest rates and limited financial resources, many firms tend to fail. Firms with more experience and expertise that are able to manage their financial resources better perform better and are more likely to succeed.

The size and scope of a firm are characteristics that affect its performance and growth rate (Brill, Bishop & Walker 2006). Smaller firms are more likely to grow faster than larger firms, while larger firms are more likely to perform better than smaller firms. Larger firms are more likely to perform better because they have more resources and are able to afford better human resources (Hollister 2004). Further, larger firms are able to attract better human resources due to their higher level of wages and more career opportunities for the employees.

The results of the study in Chapters 4 and 5 support the conclusion'There is a significant relationship between the size and scope of the firm and the firm's performance' (H1E).The results show that, overall; larger firms perform better financially compared to smaller firms. The successful firms in the case studies were larger compared to the failed and struggling firms. Bigger firms have more resources and experience in dealing with changes and with the market. They are also able to spend on training and investing in their human resources and attracting the best candidates.

The above discussion highlights the importance of internal factors to a firm's performance, which all have a positive relationship with firm performance. Firms need to have strong internal factors to take advantage of the external environment. In the next section, the findings on the external factors and their effect on firm performance are examined.

6.3.2 External Factors of the Firm and Firm Performance

Firms are not only affected by their internal factors but they are also affected by the external environment. The environment in which the firm operates is as important to the firm's performance as the internal factors. These factors are more complicated than the internal factors because they are something that the firms cannot control. The effects of the external factors are also more specific to the firm's location, culture and environment. The research hypotheses relevant to the external factors are:

H2: The relationship between the external factors of the firm and the firm's performance did not produce any meaningful result.

H2A: There is no significant relationship between laws and legislations and the firm's performance.

H2B: There is significant relationship between the market and the firm's performance.

H2C: There is a significant negative relationship between the competitors of the firm and the firm's performance.

H2D: There is no significant relationship between the fiscal and monetary policy of the firm and the firm's performance.

The results of the study only partially supported the hypotheses. The case study analysis in Chapter 5 showed that not all of the external factors had significant effects on the firm's performance. Laws and regulations do not seem to have affected most firms in the study. In the literature, it has been noted that laws and regulations can be major obstacles or beneficial to firms (Doyle 2007). However, only one firm out of 10 reported that laws and regulations did affect their performance. The reason given is that Thailand's laws and regulations are not fully enforced and that Thai society has devices intended to override the local laws and regulations. Thisis also relatedto the industry in which the firms are operating—laws and regulations might be stricter in different industries such as the food and drug industry. Larger firms are exposed to more laws and regulations than SMEs, as are those that are exposed to the international environment (Doyle 2007).

Market size and market demand also had an effect on the firms. The firms were affected by this factor differently depending on their resource base and competencies. Most of the successful firms adapted their internal working processes and business strategies to the changes in the market; however, not all of the firms could handle these changes and many failed to survive them. Some of the firms were not able to adapt their resources to the current market demand, so they eventually went out of business.

While some firms were able to adapt to the changes on a day-to-day basis, they did not seem to have long-term strategies in place, and struggled as a result. The firms with more experience and resources were more skilful at adapting to changes in the market and reacted to changes faster than their competitors.As a result, they were able to gain a competitive advantage in the market. A larger market will make the firm more efficient and specialised (Arora & Gambardella 1997). However, in a larger and more competitive market, strong firms will become stronger while weak firms will eventually exit the market if they do not learn to adapt and become specialised in their area.

The external factor that seems to have had the greatest effect on the firms and their performance was competitors. With the increase in competitors in the market, many firms struggled to stay afloat and compete because many were forced to be price competitive. With the nature of the industry, the common strategies used by the firms were competing on price, improving customer service and product differentiation. However, many firms suffered because they did not have enough assets to compete on price and were not effective and efficient enough in other areas.

In the literature, it has been suggested that a competitor-oriented strategy will help to increase a firm's profit and performance (Armstrong & Collopy 1996), which also indicates that, if managers are motivated by the market share, it will lead to higher profit. In the present study, the results show that the successful firms embraced new opportunities and adapted their strategies to make the best of their market, while the struggling and failed firms competed mostly through price-competitive strategies, which are not effective in producing long-term results.

The final external environment factor studied was the effect of fiscal and monetary policy on the firms. The effects of exchange rates and interest rateswere analysed and the results showed very little support for the view that they affect performance. The SMEs participating in the study were only slightly affected by exchange rates and interest rates. This finding is supported by studies that have shown that larger businesses and MNEs are more likely to be affected by fiscal and monetary policy (Arestis & Sawyer 2003). This is because they are more likely to enter into international transactions with major financial institutionsthat involve a greater financial burden.

The results of the study also show that most of the firms were not affected by interest rates because they were self-funded and most of them were not able to take out loans from banks or other large financial institutions. The smaller firms found it difficult to obtain a loan and many were self-funded or took out personal loans from friends and relatives. The market interest rate was not relevant to them.

The exchange rate affected only a few firms in the study. Many of the small and medium-sized firms did not operate internationally so the exchange rate did not have an effect on them, or had a minor effect on their performance, mainly because of secondary impacts. Some of them had overseas customers but this usually involved a very small percentage of their total sales. A few firms were affected by the exchange rate because they imported and exported their products. The changes in the exchange rate did have a significant effect on the performance and overall profit margin of these firms.

In conclusion, not all factors of the external environment have an effect on the performance of the SMEs. SMEs in Thailand in the clothing and textile industry are less likely to be affected by changes in the laws and regulations, or fiscal and monetary policy. However, they are sensitive to changes in customers' demands, the market and competitors.

6.3.3 Effect of Globalisation and the Free Trade Environment on Firm Performance

In the literature, it has been found that globalisation and the free trade environment have positive effects on the majority of economies and businesses but could have negative effects on others (Ho 2006; Rampersad 2000). The stronger the economy and business, the more they are able to take advantage of the changes. However, the present study was carried out on small and medium-sized businesses in a developing country, so the results vary as to whether they will support the hypothesis'There is a significant relationship between globalisation and firm performance' (H3).

The case study results presented in the earlier chapter reported on how the SMEs reacted to and was affected by globalisation and the free trade environment. The results of the case study analysis supported the hypothesis and the finding reported in the literature that there is a positive relationship between globalisation and firm performance.

Among the three groups of firms studied, the successful firms were those that actively took advantage of the changes, and they were larger compared to the other two groups. The successful firms were more equipped with knowledge and resources that enabled them to take advantage of the changes. As a result, their performance was better than that of other groups. As reported in previous studies, economies and businesses need to take an active role in defending their interest in the global environment or it will have a negative effect on them (Rampersad 2000).

The struggling and failed firms were adversely affected by the changes in globalisation, mainly due to their lack of resources and knowledge. When compared to the successful firms, they were smaller in size and had less experience in the industry and market. They were not able to deal with the increase in competitors and the fast-changing pace of the market. Due to globalisation, market trends and other market factors are changing at a faster pace, so firms need to be alert and well equipped to deal with changes efficiently.

The successful firms were able to take advantage of globalisation and the free trade environment because they adapted and addedthe new value needed for this environment. As mentioned in the literature, these new values include how they run a business, their market segmentation, market positioning, business strategies and their inner working activities (Slywotzky et al. 2006). Firms need new business designs to compete in the different environment and to be able to achieve more than they could in the past. Like the successful firms in the study, they regularly update their technology and strategies to maintain their operation at world standards. They also take advantage of the free trade environment by entering the overseas market for resources as well as products. Firms are entering the overseas market for cheaper resources and opening their market to foreign customers with the help of lower or non-existing tariff rates.

However, for businesses with weak business designs and those that are not adapting to changes, globalisation will make them weaker (Milner & Kubota 2005). The failed firms did not adapt to the changes but tried to fight them. With the increase in competitors and changes in trade policies, many firms have not changed their business strategies to take advantage of the new trade policies or to become more competitive in their own market. Due to this, their market share has been taken over by the stronger firms that are embracing the changes.

6.3.4 Competencies and Firm Performance

The firms' competencies seem to have had a direct relationship with their performance and much of the literature supports the result that firms' competencies have an effect on their performance. However, each firm has a different set of resources and operates in a different environment, so the result might not apply to all firms. The present study resulted in the following conclusions:

H4: There is a positive relationship between the level of competencies of the firm and its performance; some of these relationships were statistically significant others were not.

> H4A: There is a significant positive relationship between opportunity competencies and the firm's performance.
>
> H4B: There is a positive relationship between relationship competencies and the firm's performance.
>
> H4C: There is a positive relationship between conceptual competencies and the firm's performance.
>
> H4D: There is a significant positive relationship between organisational competencies and the firm's performance.
>
> H4E: There is a significant positive relationship between strategic competencies and the firm's performance.
>
> H4F: There is a significant positive relationship between commitment competencies and the firm's performance.

The results of the study partially support the hypothesis that there is a positive relationship between the level of competencies and performance. These results are somewhat different from what is argued in the literature—that firm competencies directly affect the firm's performance. This is because the resources owned by SMEs in the clothing and textile industry in Thailand are different from most firms studied. Most of the firms studied in the literature are from developed countries. Thailand is a developing country and Thai firms still lack many of the qualities of the firms in developed countries.

As asserted in the literature, firms in developing countries now have to focus on different competencies (Chaiprasit & Swierczek 2011). The competencies on which they should focus are technological skills, specialisation, and innovation and relationship capabilities, rather than competitive advantages from cost competitiveness.Specialisation, innovation of products and relationship capabilities will ensure firms in Thailand remain competitive in the world market and help them to gain opportunities in their international operations(Chaiprasit & Swierczek 2011).

The present study tested six competencies to determine their relationship with firm performance. The six competencies are opportunity, relationship, conceptual, organisation, strategy and commitment. The results of the study showed that four of the competencies had a significant association with the firm’s performance, while the other two showed no significant association. This might have to do with the fact that some of the competencies held by the firms were no longer valuable and were difficult to imitate by other firms in the industry, so they were not significant to the firm (Fleury & Fleury 2003).

As discussed in Chapter 2, competencies consist of internal knowledge-based resources that contribute to a firm’s competitive advantages and performance (King, Fowler & Zeithaml 2001). To take advantage of these competencies, the management must be fully developed, and use and maintain each competency in their day-to-day operation, which is not easy for smaller firms. Small and medium-sized firms do not function like larger firms, and their work function is not divided into departments as it is in larger firms. Many activities overlap and are the responsibility of a single person. As a result, the two competencies that showed no significant association with firm performance were relationship competencies and conceptual competencies.

The relationship competencies showed no significant relationship with firm performance. These results might be related to the size of the firm and the culture of the Thai firm. As stated in Chapter 2, the transferability of competencies is an important factor for relationship competencies (King, Fowler & Zeithaml 2001). Smaller firms, especially SMEs in Thailand, are normally family owned and run so the transferof knowledge and skills from outside rarely occurs. This might be one of the reasons why it is not a significant contributor to firm performance in the context of SMEs in Thailand.

The conceptual competencies showed no significance for the firms' performance in this study and this might be related to the firms' size, culture and industry in which they operate. Conceptual competencies are concerned with innovativeness, how information or knowledge is communicated to other individuals or firms, decision-making skills, and risk-taking (Jones & Tilley 2003). However, they are largely related the knowledge and information held by the firms and how they are communicated or passed on to others. In smaller firms, the information and knowledge might be known to only a few people in the firm and may not need to be communicated to others to the extent that they are in larger firms, so they might not view this competency as a major contributor to their performance. Smaller firms are also mainly family run and owned so their knowledge is less mobile. The SMEs in this industry also do not need specific knowledge in starting a business so they do need to worry about knowledge transfer.

Even though none of the two competencies showed any significant relationship with firm performance in the SMEs in this study, this does not mean that they have no effect for all firms. They do have effect on the firms' performance, according to the literature, and are important factors, as well, but might not be as important as the other four competencies that showed significant associations.

According to the results of the study, the four competencies that showed a significant association with firm performance were opportunity competencies, strategic competencies, organisational competencies and commitment competencies. Opportunity competencies are the skills and knowledge used to take advantage of the changes in the external environment (King, Fowler & Zeithaml 2001), and in the current trade and market environment, these competencies become very important for the firm. They might not have been that important in the past but, in the recent global environment, firms need to be able to take advantage of or handle changes in the external environment to stay competitive. This might be one of the reasons why this type of competency has a significant effect on firm performance.

Strategic competencies are competencies that are significantly associated with the firms' performance in the study results. These competencies consist of setting, evaluating and implementing strategies in the firm (Jones & Tilley 2003). A firm's strategy involves every aspect of the firm, such as the assets, knowledge, capabilities and organisational processes (Marino 1996). If all these factors are working well together, the firm will have a competitive advantage over other firms.

The organisational competencies also showed significant association with firm performance. These competencies include the internal and external activities between humans, and physical, financial and technological resources (Jones & Tilley 2003). However, three out of seven variables showed no significant association. With SMEs, the organisational competencies may not be as important because the process and organisation of the internal and external activities might not be as complicated as it is in larger firms. The technological resources also might not be as important to the clothing and textile industry as for other industries. This is especially true for many of the firms that participated in the study as they are in retail and do not require high information technology in their daily activities.

The final competencies that are significant to the firm's performance are the commitment competencies. These competencies refer to the entrepreneurial drive to develop a business (Jones & Tilley 2003). They include commitment at every level of the firm—from the individual to the organisational level. The more commitment the individuals have to their work, firm and customers, the better their performance will be at both the personal and organisational level.

In conclusion, in this study, not all of the competencies tested significantly affected firm performance, in contrast to the finding of other studies reported in the literature. Four of the competencies (opportunity competencies, strategic competencies, organisational competencies and commitment competencies) had a significant association with firm performance in this study's context. However, the other two competencies (relationship competencies and conceptual competencies) showed no significant association with firm performance. These results only reflect the situation of the studied firms. Not all of the firms will be affected in the same way by competencies.

6.4 Implications for Theory and Policies

6.4.1 Identifying the Impact of Globalisation on Thai Businesses and the Economy

Thai businesses and the economy have been affected by globalisation. This study has provided a specific answer to how globalisation has affectedSMEs in the clothing and textile industry in Thailand, and is summarised below.

Increase in the Number of Competitors in the Market

The most common issue faced by all of the businesses was the increase in competitors, especially competitors from overseas markets. The number of competitors in the market has increased immensely in the past few years due to the openness in the market, and the free trade environment has encouraged overseas firms and products to enter the Thai market.

The major concern in the clothing and textile industry are the competitors from China, India and Korea. The firms from these countries are more effective and efficient in their production, and Thai firms are finding it difficult to compete with them on price. The other major concern for Thai firms in the clothing and textile industry is the project called the China City Complex. This project, whichrepresents the cooperation between the Thai and Chinese governments, involved opening a wholesale shopping complex so that Chinese firms could have direct access to the Thai market in Bangkok. The project has threatened the Thai industry because the firms are concerned that they will not be able to compete with Chinese firms in their market.

Increase in Production Costs

Another issue that many firms in Thailand are facing is the increase in production costs. Thailand used to be able to compete in the world market due to its lower labour costs, which gave it a competitive advantage. However, with the recent changes in the Thai society and economy, labour costs have increased and Thailand is no longer competitive in this area compared to its neighbouring countries.

In addition to labour costs, other costs of production have increased. The price of raw materials has increased in recent years but the price of the final product has remained much the same. This has caused a loss in the profit margin for most firms.

Shortage of Retail Spaces and the Increase in Rental Costs

In this study, about 80 per cent of the firms were retail businesses. The major problem that every firm facedwas the increase in the cost of renting retail space and finding an appropriate location to do business. Locations for retail shops have become quite competitive because they are in high demand in Bangkok and in many other metropolitan cities.

In Thailand, as a developing country, there is a concentration of development and wealth in the capital city, Bangkok. Bangkok itself generates about 50 per cent of the country's GDP and absorbs more than 80 per cent of all investment (Ho 2006). Due to the concentration of all the business and trade in Bangkok, finding retail space is very competitive and the cost of renting has increased rapidly in the past few years.

6.4.2 Policies to Improve and Sustain the Competitiveness of Thai Small and Medium-Sized Enterprises

As small firms in a developing country, SMEs in Thailand should find their strengths and develop strategies that are suited to these strengths. However, Thai SMEs have many weaknesses, so they also need support from the government in terms of policy. Following are some suggested polices to help improve and sustain thecompetitiveness of Thai SMEs:

- The SMEs in Thailand still lack R&D and innovation in their businesses. They should invest more in R&D to differentiate their products from competitors.
- Many Thai SMEs still lack knowledge and skills in managing businesses and engaging in international trade. There should be more training offered by the government to support the SMEs in their businesses and help with imports and exports.
- The SMEs should take advantage of any incentives or help offered to them by the government. There are many government programmes catering to the SMEs in exporting and developing the market but most of the firms do not know about them. The firms should begin to pay more attention to these programmes and take advantage of them.
- As small firms, they are able to pay more attention to detail, especially with respect to customer service. Thai customers value service as much as the tangible products they obtain from the firms, so the firms should spend more resources on improving services.

- The SMEs should outsource their management when needed. Most of the SMEs are family owned and run, so most of their current management personnel lack knowledge, skills and experience. They should hire external expertise people who meet the requirements for helping to run their businesses.

6.4.3 What Thai Small and Medium-Sized Enterprises Can Learn from the Experience of Other Countries

There are reported studies on how other countries' SMEs deal with the changes resulting from globalisation and how they sustain their competitiveness in the current market environment (Atristain & Rajagopal 2010; Awuah & Amal 2011; Campaniaris et al. 2010; Crick 2009). Drawing from the reported experiences, Thai SMEs can adopt their practices and apply them to their businesses. The common practices and strategies that Thai SMEs can adopt to help sustain their competiveness and improve their efficiency are as follows:

Strategic Collaboration and Formation of Networks and Clusters

Individually,SMEs will have a difficult time competing with the larger firms in the market. They will face the challenge of operational efficiency to be competitive in the market with many competitors competing for the same market share. However, to become more competitive, small and medium-sized firms are joining together for strategic collaboration or forming clusters.

The strategic collaborations that Thai SMEs are using to improve their efficiency are those related to production, distribution and technology. These collaborations will help to improve their efficiency and increase their resources to compete with the larger firms in the market. This collaboration in innovation is also becoming very important in most industries, especially for smaller firms so that they are able to make the best use of their resources.

As mentioned in Awuah and Amal (2011, p. 129), 'The firms need to be capable of innovating and learning in interaction with other actors so they are able to take advantages of opportunities and handle challenges emerging form globalisation. ‘Small and medium-sized firms need to come together and collaborate in their innovation to compete with better resourced larger firms. The smaller firms will benefit from pooling their resources and conduct collective research.

Internationalisation of Businesses

The internationalisation of business will give firms more opportunities and widen their market. In many countries, the governments are implementing policies to encourage SMEs to internationalise their businesses (Kamakura, Ramon-Jeronimo & Gravel 2012). The governments are encouraging this to boost the economic growth of their country and to support local business.

Thai SMEs should look for ways to internationalise their businesses and take advantage of the subsidies and policies offered by the Thai government. In recent years, the Thai government has been promoting and helping Thai SMEs with their imports and exports but the numbers of participants are still low. There is a great deal of information and help offered by the government on these issues so it is the right time for the SMEs to start internationalising their businesses and expanding their market share.

Develop Marketing Strategies

Small and medium-sized firms normally overlook the importance of marketing or cannot afford to use their resources on it. However, studies have shown that marketing is very important for firm performance, especially for less well-known businesses. Thai SMEs need to allocate more resources on their marketing strategies and develop their presence in the market.

6.4.4 Formulating National Industrial Policies

According to the results of this study, the SMEs in the clothing and textile industry in Thailand have different requirements in terms of support from the government and its policies to improve their competiveness. The major concern of the firms in this specific group is the impact of its competitors, especially overseas competitors in the local market, and the impact of the free trade environment, in general. The industrial policies must take these factors into consideration and articulate new policies that will support the SMEs.

Promotion of Current Policies and Programmes

Prior to formulating new policies, it must be recognised that there are many programmes and policies currently offered that cater to the SMEs in Thailand. However, only a few SMEs are taking advantage of them. Most of the SMEs are still unaware of the policies and programmes offered to support them by the government so the government should improve the awareness ofall businesses that there is help available to them.

Educating the SMEs on Free Trade Policies

The present study has shown that most SMEs are not aware of the advantages or benefits that can be obtained from the free trade environment and FTAs. The government should establish a programme to help educate small businesses and the population, in general, about the advantages of the free trade environment. People should be aware of the benefits of the free trade environment and agreements and use them in their business operations.

Offering Loans to SMEs at Low Interest Rates

Most SMEs are facing difficulties inborrowing from banks or other financial institutions. This has prevented many firms from expanding their businesses or taking advantage of the opportunities in the market due to lack of financial resources. Most of the firms rely on their savings or personal loans, which makes it difficult for them to grow.

Assistance from the government in the form of policy on this matter will help the SMEs to utilise their abilitiesfully.

Trade Liberalisation with Protection and Subsidises on SMEs

The SMEs feel that trade liberalisation has affected them negatively. This is due to their limited resources, which prevents them from being able to take full advantage of it. However, the SMEs feel that extra protection or subsidies from the government will allow them to take advantage of the trade policies. This will allow the SMEs to obtain easier and cheaper access to imported inputs and capital goods and encourage exports.

6.5 Conclusion

SMEs in each country are affected by globalisation and the free trade environment, but the effects vary according to their local environment and culture. Thai SMEs in the clothing and textile industry are affected by the changes due to globalisation, especially by the increase in competitors in their local market. Their performance is also affected by internal and external factors—the internal factors of the firm all have positive effects on their performances. However, not all of the external factors have an effect on firm performance. The firms, for example, are not affected by laws and regulations, or fiscal and monetary policies. However, they are affected by their competitors and the market. Both have a positive and negative effect on their performance. These factors, combined with the changes due to globalisation, determine the performance of the firms.

The next chapter presents the conclusion to this study, the limitations of the study and recommendations for future research.

Chapter 7

Summary, Conclusions, Recommendations, and Suggestions for Future Research

7.1 Introduction

This chapter presents a synopsis of the empirical study on the impact of globalisation on Thai SMEs. The chapter includesa summary of the research, conclusions, recommendations, limitations of the study and suggestions for future research.

7.2 Summary

The main research question of the study is: 'What is the impact of globalisation on Thai SMEs with special reference to the clothing and textile industry?' The thesis is divided into seven chapters. The first chapter established the background and justified the study and the significance of the research question. This was followed by a discussion of the objectives and a brief exposition of the methodology.

In the second and third chapters, the literature review, conceptual framework and method were discussed, using the research objective of the study as a guideline. The objectives of this research were to identify the impact of globalisation on Thai's businesses and economy, and to identify some pragmatic or practicable ways and means that are relevant to Thai conditions that can improve and sustain the competitiveness of Thai SMEs. The study also aimed to acknowledge what actions SMEs in other countries and in other industries is taking, as reported in the literature and the media, and what steps Thai SMEs of the clothing and textile industry can take to sustain their competitiveness. Then, from the results of the study, a final aim was to develop strategies for formulating national industrial policies to improve the competitiveness of Thai SMEs, in general, and the clothing and textile industry, in particular.

In Chapter 3, the methods used in this study were also discussed. The methods used in this study were a mixed method approach. Quantitative and qualitative methods were both used in this study to find the answers to the research questions and test the hypotheses. The first method used was the quantitative method. The quantitative method used for this study was a questionnaire survey. The questionnaire surveys were conducted on SMEs in the clothing and textile industry in Thailand. The next method used in this study was the qualitative method. The qualitative method used comprised in-depth interviews. The results of the interviews were then used to form case studies.

The methods used in this study were questionnaire surveys analysis and case study analysis. The data used were primary data gathered via questionnaire surveys and in-depth interviews. The sample size for the questionnaire survey was 157 respondents and 10 firms for in-depth interviews. The results of the questionnaire surveys were analysed with a contingency table and x^2 tests were carried out to test the hypotheses on the relationship between the variables. The case study analysis was divided into three case studies according to the level of performances of the firms. The case studies were employed to strengthen the survey analysis and answer the rest of the research questions.

The results of this study were divided into two chapters. In Chapter 4, the results of the quantitative analysis were presented and discussed, while in Chapter 5, the case studies were presented. The case studies were conducted from the results of the in-depth interviews. The results of the quantitative analysis were the frequency and the contingency table and x^2 tests on the relationship between the firms' competencies and their performances. The case studies discussed the impact of globalisation, and internal and external factors on the firms' performances.

In Chapter 6, there was a discussion of the results and the implications of the study. The results of the studies were discussed according to the objectives of the study. The discussion also included the effects of globalisation, the internal factors of the firm and external factors of the firm in relation to SMEs in the clothing and textile industry in Thailand. The research hypotheses were also validated.

7.3 Conclusions and Recommendation

The objectives of the study were achieved by testing four main hypotheses incorporating 15 sub-hypotheses. The hypotheses involved establishing the relationship between firm performance and a range of factors, both internal and external to the firms.

The SMEs and their culture gave them the unique qualities that made them react in a unique way to their environment. The results of the hypotheses tests are summarised in Table 6.1 but it is shown again in this chapter under table 7.1.

The results show that the internal and external factors affected the SMEs in different ways than they affect large firms and corporations. The main reason for this differential impact appears to the differences in business culture.

Many of the SMEs that participated in this study were not able to take much advantage of the changes resulting from globalisation. This is due to a lack of awareness of the new opportunities presented by globalisation. There are many programmes available to the SMEs from the private and public sectors for helping SMEs with their operations and internationalisation of their businesses. It is recommended that SMEs join these programmes to learn about the opportunities that are available to them and the benefits presented by these programmes.

Table 7.1: Summary of the Hypotheses and Results

Hypothesis	Sub-hypothesis	Direction of Impact	Statistical Test
H1. Internal Factors	H1A. Production	Positive	Significant
	H1B. Marketing	Positive	Significant
	H1C. Human Resources	Positive	Significant
	H1D. Financial Resources	Positive	Significant
	H1F. Size and Scope	Positive	Significant
H2. External Factors	H2A. Laws and Legislation	Neutral	Not Significant
	H2B. Market	Indeterminate	
	H2C. Competitors	Negative	Significant
	H2D. Fiscal and Monetary Policy	Neutral	Not Significant
H3. Globalisation and Free Trade Environment		Indeterminate	
H4. Firms' Competencies	H4A. Opportunity Competencies	Positive	Significant
	H4B. Relationship Competencies	Positive	Not Significant
	H4C. Conceptual Competencies	Positive	Not Significant
	H4D. Organisational Competencies	Positive	Significant
	H4E. Strategic Competencies	Positive	Significant
	H4F. Commitment Competencies	Positive	Significant

In recent years, the Thai government has launched many programmes and policies to support SMEs. These programmes include the provision of information, technical support, financial support and networking. The SMEs that have participated in these programmes have benefited significantly. However, the number of participating SMEs is still very low compared to the overall number of SMEs in the market. SMEs should seek out these programmes and educate themselves on the policies to make full use of what is offered to them.

With the changes in the market dynamics and increase in the cost of labour compared to others developing countries, in order to gain competitive advantage and to be sustainable, the Thai SMEs have to improve the quality of their products. Thai SMEs have to improve the quality of their exports and target new markets. They should focus on specialized products targeting niche markets and improve economy-wide efficiencies to compete against countries such as ChinaandIndia.

In the current environment, branding, as a source of information, is gaining greater importance. This is one area where Thai SMEs are lagging behind compared to their internal competitors. Steps must be taken at a national level to provide training and other forms of assistance with brand development.

7.4 Contributions of the Study

There are numerous studies on the effects of the free trade environment and globalisation on businesses, but only a handful focus on small and medium businesses (Julien, Joyal & Deshaies 1994; Luostarinen et al. 1994). The studies reported in the literature also focus mainly on small and medium businesses in developed countries and on how they compete in this environment, especially in high-technology industries(Svetliaia, Jacklia & Burger 2007).

The present study was conducted to fill the gaps in knowledge regarding the effects of the free trade environment on the SMEs of a developing country, in particular,a local manufacturing industry, and how the local businesses in this country (Thailand) can adjust or adopt strategies to implement changes to their business model or practices to survive and prosper under free trade conditions.

From this study, an operational framework has emerged whereby Thai SMEs can adopt or adjust their management to the perceived consequences and possible outcomes of the free trade environment and globalisation. Effectively, this research represents an original, scholastic study of the perceived impact or consequences of the free trade environment on Thai SMEs in the clothing and textile industry and how they can sustain competitiveness to survive and prosper.

7.5 Thesis Limitations

In this study, there were limitations regarding time, resources and the scope of the study. The study was carried out on 157 SMEs in Thailand and the sample was chosen randomly and the ten interviews for the case studies. The respondents were mainly located in Bangkok and this limited the scope of the study to an extent. The surveys were first mailed out to firms across Thailand but less than a five per cent response rate resulted, so the survey had to be carried out in person. This limited the sample to the firms in the Bangkok area due to time constraints and the cost of transportation. However, the sample still represents the SMEs in the industry because more than 80 per cent of Thai businesses are located in the Bangkok area.

In conducting the study on the SMEs in a developing country, there is very limited data available. The study could not depend on secondary data because most of the information is not available. Due to this, all of the data had to be collected by the researcher. However, it was not easy to obtain the needed data from the SMEs because most of the firms were reluctant to share information.

In addition, the results of the study represent only SMEs in the clothing and textile industry.However, industries are affected by their environment differently. Consequently, the results of this study cannot be applied effectively to SMEs in other industries in Thailand. The culture of the country and the culture of the firm also have a major impact on firm performance, so the results of this study are limited to the Thailand context.

7.6Recommendations for Future Research

This study focused on the effect of globalisation on small and medium-sized businesses in Thailand and was carried out on firms in the clothing and textile industry. The results have shown that the culture and industry have a major effect on firm performance, as do other internal and external factors. There is room for future research focusing on different industries or countries. Each culture and industry is affected by the changes in globalisation and trade liberalisation differently, so the results of this study cannot be applied to all SMEs.

There are limited studies on the SME in Thailand and other developing countries, and there are many areas that need to be explored, especially regarding the nexus between the performance of SMEs and other external factors; and the performance of SMEs and their culture. SMEs in developing countries are mainly family owned and run. For these SMEs, the family culture, dynamic and background play a very important part in their operation and performances.

Even though SMEs have become a popular topic of research over the past decade, there are still many areas left to explore. Due to a lack of information available publicly, it is difficult for the researcher to conduct research using secondary data, especially on SMEs in developing countries. However, in the future, these data may become publicly available,which will provide many more opportunities for future studiesto examine SMEs as a whole and the differences between the industries.

References

Achanga, P, Shehab, E, Roy, R & Nelder, G 2006, ‘Critical success factors for lean implementation within SMEs’, *Journal of Manufacturing Technology Management*, vol. 17, no. 4, pp. 460–471.

Agresti, A. (1990). *Categorical Data Analysis*. New York: Wiley.

Alvarez-Dardet, C, Cuevas-Rodriguez, G & Valle-Cabrera, R 2000, ‘Value-based management: performance measurement systems for human resources’, *Journal of Human Costing and Accounting*, vol. 5, no. 1, pp. 9–26.

Anderson, K 2001, ‘Globalization, WTO, and ASEAN’, *ASEAN Economic Bulletin*, vol. 18, no. 1, p. 12.

Arestis, P & Sawyer, M 2003, ‘Reinventing fiscal policy’, *Journal of Post Keynesian Economics*, vol. 26, no. 1, pp. 3–25.

Armstrong, JS & Collopy, F 1996, ‘Competitor orientation effects of objectives and information on managerial decisions and profitability’, *Journal of Marketing Research*, vol. 33, no. 2, pp. 188–199.

Arora, A & Gambardella, A 1997, ‘Domestic markets and international competitiveness: generic and product-specific competencies in the engineering sector’, *Strategic Management Journal*, vol. 18, Summer Special, pp. 53–74.

ASEAN Statistic 2009, viewed 20 August 2010 , <http://www.aseansec.org/19230.htm>.

Atristain, C & Rajagopal 2010, ‘Conceptual perspectives on organizational performance and competitiveness of SMEs in Mexico’, *Journal of Transnational Management*, vol. 15, no. 4, pp. 322–349.

Audretsch, DB 2003, *SMEs in the age of globalization*, Edward Elgar, Cheltenham, UK.

Awuah, GB & Amal, M 2011, ‘Impact of globalization: the ability of less developed countries’ (LCDs’) firms to cope with opportunities and challenges’, *European Business Review*, vol. 23, no. 1, pp. 120–132.

Bacon, N, Ackers, P, Storey, J & Coates, D 1996, ‘It’s a small world: managing human resources in small businesses’, *International Journal of Human Resource Management*, vol. 7, no. 1, pp. 82–100.

Baier, SL & Bergstrand, JH 2007, ‘Do free trade agreements actually increase members’ international trade?’, *Journal of International Economics*, vol. 71, no. 1, pp. 72–95.

Bartezzaghi, E, Spina, G & Verganti, R 1997, ‘Strategically flexible production and extra-firm infrastructures: how regions become attractive’, *Integrated Manufacturing Systems*, vol. 8/5, pp. 333–346.

Bilalis, N, Wassenhove, LNV, Maravelakis, E, Enders, A, Moustakis, V & Antoniadis, A 2006, ‘An analysis of European textile sector competitiveness’, *Measuring Business Excellence*, vol. 10, no. 1, pp. 27–35.

Bloodgood, JM & Katz, JP 2004, ‘Manufacturing capacity, market share and competitiveness’, *Competitiveness Review: An International Business Journal Incorporating Journal of Global Competitiveness*, vol. 14, no. 1/2, pp. 60–71.

Asia Monitor 2004, ‘End of quotas to hit thai garment makers’, 15, *Asia Monitor: South East Asia Monitor*, vol 1, no. 12, p. 3.

Bowles, P & MacLean, B 1996, ‘Understanding trade bloc formation: the case of the ASEAN Free Trade Area’, *Review of International Political Economy*, vol. 3, no. 2, pp. 319–348.

Brill, JM, Bishop, MJ & Walker, AE 2006, ‘The competencies and characteristics required of an effective project manager: a web-based Delphi study’, *Educational Technology Research and Development*, vol. 54, no. 2, pp. 115–140.

Campaniaris, C, Hayes, S, Jeffrey, M & Murray, R 2010, ‘The applicability of cluster theory to Canada’s small and medium sized apparel companies’, *Journal of Fashion Marketing and Management*, vol. 15, no. 1, pp. 8–26.

Campbell, AJ 1996, ‘The effects of internal firm barriers on the export behavior of small firms in a free trade environment’, *Journal of Small Business Management*, July 1996, pp. 50–58.

Campbell, I. (2007) “Chi-squared and Fisher-Irwin tests of two-by-two tables with small sample recommendations.” *Statist.Med.* 2007.

Causa, OO & Cohen, DD 2006, *The ladder of competitiveness: how to climb it*, OECD Publishing.

Cavana, RY, Delahaye, BL & Sekaran, U 2001, *Applied business research: qualitative and quantitative methods*, John Wiley & Sons Australia, Ltd, Singapore.

Cavanagh, J, Gershman, J, Baker, K & Helmke, G 1992, *Trading freedom: how free trade affects our lives, work, and environment*, Institute for Food and Develoment Policy, Vermont, USA.

Cavusgil, ST, Knight, G, Riesenberger, JR, Rammal, HG & Freeman, S 2011, *International Business: The new realities*, Pearson Australia, NSW.

Cirera, X., D. Willenbockel and R. W. D. Lakshman (2013), "Evidence on the Impact of Tariff Reductions on Employment in Developing Countries: A Systematic Review", Journal of Economic Surveys, 10.1111/joes.12029

Chacar, A & Vissa, B 2005, ‘Are emerging economies less efficient? Performance persistence and the impact of business group affiliation’, *Strategic Management Journal*, vol. 26, pp. 933–946.

Chaiprasit, S & Swierczek, FW 2011, ‘Competitiveness, globalization and technology development in Thailand’, *Competitiveness Review: An International Business Journal*, vol. 21, no. 2, pp. 188–204.

Chao, MC-H & Spillan, JE 2010, ‘The journey from market orientation to firm performance: a comparative study of US and Taiwanese SMEs’, *Management Research Review*, vol. 35, no. 5, pp. 472–483.

Chen, H, Mattioda, DD & Daugherty, PJ 2007, ‘Firm-wide integration and firm performance’, *International Journal of Logistics Management*, vol. 18, no. 1, pp. 5–21.

Chew, R & Chew, S-B 2008, ‘A study of SMEs in Singapore’, *Journal of Enterprising Communities: People and Places in the Global Economy*, vol. 2, no. 4, pp. 332–347.

Chewcharat, MP 2008, *SME Development Bank of Thailand*, SME Development Bank of Thailand,viewed27July,2011, <http://www.fsa.go.jp/frtc/kenkyu/event/20080430/08e.pdf>.

Chin, HnG & Saman, MZM 2004, 'Proposed analysis of performance measurement for a production system,’*Business Process Management*, vol. 10, no. 5, pp. 570–583.

Clarkson, M, Fink, M & Kraus, S 2007, ‘Industrial clusters as a factor for innovative drive—in regions of transformation and structural change: A comparative analysis of East Germany and Poland’, *Journal for East European Management Studies*, vol. 12, no. 4, pp. 340–364.

Cochran WG. (1952) “The χ^2 test of goodness of fit.” *Annals of Mathematical Statistics*, pp. 315–345.

Cochran WG. (1954) “Some methods for strengthening the common $\chi 2$ tests.”*Biometrics* Vol. 10, pp. 417–451.

Cooper, R 2004, *Thais mean business: the expat’s guide to doing business in Thailand (revised edn)*, Marshall Cavendish Editions, Singapore.

Crick, D 2009, ‘The internationalisation of born global and international new venture SMEs’, *International Marketing Review*, vol. 26, no. 4/5, pp. 453–476.

Daines, R 2001, ‘Does Delaware law improve firm value?’, *Journal of Financial Economics*, vol. 62, no. 3, pp. 525–58.

Damaskopoulos, T, Gatautis, R & Vitkauskaite, E 2008, ‘Extended and dynamic clustering of SMEs’, *Engineering Economics*, vol. 56, no. 1, pp. 11–21.

Das, A, Paul, H & Swierczek, FW 2008, ‘Developing and validating total quality management (TQM) constructs in the context of Thailand’s manufacturing industry’, *Benchmarking: An International Journal*, vol. 15, no. 1, pp. 52–72.

Dean, JM 1990, ‘The effects of the U.S. MFA on small exporters’, *The Review of Economics and Statistics*, vol. 72, no. 1, pp. 63–69.

Denis, M 2012, ‘Beyond trade: the impact of preferential trade agreements on FDI inflows’, *World Development*, vol. 40, no. 1, pp. 49–61.

Das, D. K. (2009) Two Faces of Globalization: Munificent and Malevolent, Cheltenham and Camberley: Edward Elgar Publishing.

Doyle, E 2007, ‘Compliance obstacles to competitiveness’, *Corporate Governance*, vol. 7, no. 5, pp. 612–622.

Easton, G 2007, ‘Competition and marketing strategy’, *European Journal of Marketing*, vol. 22, no. 2, pp. 31–49.

Ehikioya, BI 2009, ‘Corporate governance structure and firm performance in developing economies: evidence from Nigeria’, *Corporate Governance*, vol. 9, no. 3, pp. 231–243.

Eikebrokk, TR & Olsen, DH 2007, ‘An empirical investigation of competency factors affecting e-business success in European SMEs’, *Information & Management*, vol. 44, no. 4, pp. 364–383.

EIU 2007, *The domestic economy: manufacturing*, EIU: Economist Intelligence Unit.

Fahey, L 2002, ‘Invented competitors: a new competitor analysis methodology’, *Strategy and Leadership*, vol. 30, no. 6, pp. 5–12.

Farrell, D 2004, ‘The case for globalization’, *The International Economy*, vol. Winter, pp. 52–55.

Ferguson, KL & Reio Jr, TG 2009, ‘Human resource management systems and firm performance’, *Journal of Management Development*, vol. 29, no. 5, pp. 471–494.

Fleury, A & Fleury, MT 2003, ‘Competitive strategies and core competencies: perspectives for the internationalisation of industry in Brazil’, *Integrated Manufacturing Systems*, vol. 14, no. 1, pp. 16–25.

Galán, JI & González-Benito, J 2001, ‘Determinant factors of foreign direct investment: some empirical evidence’, *European Business Review*, vol. 13, no. 5, pp. 269–278.

Garner, M, Wagner, C & Kawulich, B 2009, *Teaching research methods in the social sciences*,Ashgate Publishing Ltd, Surrey, UK.

Glasmeier, A, Thompson, JW & Kays, AJ 1993, ‘The geography of trade policy: trade regimes and location decisions in the textile and apparel complex’, *Transactions of the Institute of British Geographers*, vol. 18, no. 1, pp. 19–35.

Goll, I, Johnson, NB & Rasheed, AA 2007, ‘Knowledge capacity, strategic change, and firm performance: the moderating role of the environment’, *Management Decision*, vol. 45, no. 2, pp. 161–179.

Gomez-Mejia, LR 1992, ‘Structure and process of diversification, compensation strategy and firm performance’, *Strategic Management Journal*, vol. 13, no. 5, pp. 382–397.

Goyal, KA 2006, ‘Impact of globalization on developing countries (with special reference to India)’, *International Research Journal of Finance and Economics*, no. 5, pp. 166–171.

Grossman, GM & Helpman, E 1993, *The politics of free trade agreements*, National Bureau of Economic Research, Cambridge, MA.

Gunby, NWJ 2009, ‘Firm performance and complementary strategy development processes’, *Management Decision*, vol. 47, no. 5, pp. 806–818.

Hartungi, R 2006, ‘Could developing countries take the benefit of globalization?’, *International Journal of Social Economics*, vol. 33, no. 11, pp. 728–743.

Helfat, CE 1994, ‘Firm-specificity in corporate applied R&D’, *Organization Science*, vol. 5, no. 2, pp. 173–184

Ho, KC 2006, ‘Globalization and Southeast Asian capital cities: introduction to Pacific affairs special forum’, *Pacific Affairs*, vol. 78, no. 4, pp. 535–541.

Hollister, MN 2004, ‘Does firm size matter anymore? The new economy and firm size wage effects’, *American Sociological Review*, vol. 69, no. 5, pp. 659–676.

Hufbauer, GC & Schott, JJ 1992, *North American free trade: issues and recommendations*,Institute for International Economics, Washington DC.

Hur, J & Park, C 2011, ‘Do free trade agreements increase economic growth of the member countries?’, *World Development,* vol. 40, no. 7, pp. 1283–1294.

Hurreeram, DK & Little, D 2004, ‘International apparel trade and developing economies in Africa’, *International Journal of Social Economics*, vol. 31, no. 1/2, pp. 131–142.

Hussain, MM & Gunasekaran, A 2002, ‘Perspectives: management accounting and performance measures in Japanese banks’, *Managing Service Quality*, vol. 12, no. 4, pp. 232–245.

Hutchinson, K, Quinn, B & Alexander, N 2006, ‘SME retailer internationallisation: case study evidence from British retailers’, *International Marketing Review*, vol. 23, no. 1, pp. 25–53.

Inmyxai, S & Takahashi, Y 2009, ‘Firm resources and business performance in the Lao PDR: implications for SMEs in the LDC context’, *Journal of Indian Business Research*, vol. 1, no. 2/3, pp. 163–187.

Irwin, D & Scott, JM 2010, ‘Barriers faced by SMEs in raising bank finance’, *International Journal of Entrepreneurial Behaviour & Research*, vol. 16, no. 3, pp. 245–259.

Isik, Z, Arditi, D, Dikmen, I & Birgonul, MT 2009, ‘Impact of corporate strengths/weaknesses on project management competencies’, *International Journal of Project Management*, vol. 27, no. 6, pp. 629–637.

Iwami, T 2001, ‘Economic development and environment in Southeast Asia: an introductory note’, *International Journal of Social Economics*, vol. 28, no. 8, pp. 605–622.

Johnson, P & Buberley, J 2000, *Understanding management research: an introduction to epistemology*, SAGE Ltd, London, UK.

Jones, O & Tilley, F 2003, *Competitive advantage in SMEs: organising for innovation and change*, John Wiley & Sons Ltd, West Sussex, UK.

Julien, P-A, Joyal, A & Deshaies, L 1994, 'SMEs and international competition: free trade agreement or globalization?', *Journal of Small Business Management*, vol. 32, no. 3, pp. 52–64.

Kalafsky, RV 2004, 'Export activity and firm size: an examination of the machine tool sector', *Journal of Small Business and Enterprises Development*, vol. 11, no. 2, pp. 159–165.

Kamakura, WA, Ramon-Jeronimo, MA & Gravel, JDV 2012, 'A dynamic perspective to the internationalization of small-medium enterprises', *Journal of theAcademy of Marketing Science*, vol. 40, no. 2, pp. 236–251.

King, AW, Fowler, SW & Zeithaml, CP 2001, 'Managing organizational competencies for competitive advantage: the middle-management edge', *The Academy of Management Executive (1993–2005)*, vol. 15, no. 2, pp. 95–106.

King, AW & Zeithaml, CP 2001, 'Competencies and firm performance: examining the causal ambiguity paradox', *Strategic Management Journal*, vol. 22, no. 1, pp. 75–99.

Kongtip, P, Yoosook, W & Chantanakul, S 2008, 'Occupational health and safety management in small and medium-sized enterprises: an overview of the situation in Thailand', *Safety Science*, vol. 46, no. 9, pp. 1356–1368.

Lado, AA, Boyd, NG & Wright, P 1992, 'A competency-based model of sustainable competitive advantage: toward a conceptual integration', *Journal of Management*, vol. 18, no. 1, pp. 77–91.

Lahti, RK 1999, 'Identifying and integrating individual level and organizational level core competencies', *Journal of Business and Psychology*, vol. 14, no. 1, pp. 59–75.

Lam, A 2000, 'Tacit knowledge, organizational learning and societal institutions: an integrated framework', *Organization Studies*, vol. 21, no. 3, pp. 487–513.

Lau, M-m & Moon, KK-l 2008, 'Adoption of strategic networks: evidence from the Hong Kong clothing industry', *Journal of Business and Industrial Marketing*, vol. 23, no. 5, pp. 342–349.

Lee, E & Vivarelli, M 2006, 'The social impact of globalization in the developing countries', *International Labour Review*, vol. 145, no. 3, pp. 167–184.

Leonidou, LC, Katsikeas, CS, Palihawadana, D & Spyropoulou, S 2007, 'An analytical review of the factors stimulating smaller firms to export: implications for policy-maker', *International Marketing Review*, vol. 24, no. 6, pp. 735–770.

Levy, PI 1997, 'A political-economic analysis of free trade agreements', *The American Economic Review*, vol. 87, no. 4, pp. 506–519.

Lipsey, RE & Sjöholm, F 2011, ‘South–South FDI and development in East Asia’, *Asian Development Review*, vol. 28, no. 2, pp. 11–31.

Lokar, AL, Bajzikova, L & Mason, MC 2007, ‘Internationalization as a lever of success: SMEs from Italian north-eastern industrial clusters in the new global competitive environment‘, in *Conference Proceedings: 2007 International Conference Enterprise in Transition*, pp. 1–18.

Lokshin, B, Gils, AV & Bauer, E 2009, ‘Crafting firm competencies to improve innovative performance’, *European Management Journal*, vol. 27, no. 3, pp. 187–196.

Low, DR, Chapman, RL & Sloan, TR 2007, ‘Inter-relationships between innovation and market orientation in SMEs’, *Management Research News*, vol. 30, no. 12, pp. 878–891.

Luostarinen, R, Korhonen, H, Jokinen, J & Pelkonen, T 1994, *Globalization and SMEs*, Ministry of Trade and Industry, Helsinki, Finland.

Macmahon, J & Murphy, E 1999, ‘Managerial effectiveness in small enterprises: implications of HRD’, *Journal of European Industrial Training*, vol. 23/1, pp. 25–35.

Mamman, A & Baydoun, N 2009, ‘Managerial perspective on the impact of globalization in an African commercial bank: Implications for strategy implementation’, *International Journal of Organizational Analysis*, vol. 17, no. 3, pp. 184–201.

Man, TWYT, Lau, TT & Snape, EE 2008, ‘Entrepreneurial competencies and the performance of small and medium enterprises: an investigation through a framework of competitiveness’, *Journal of Small Business and Entrepreneurship*, vol. 21, no. 3, p. 257.

Manger, M 2005, ‘Competition and bilateralism in trade policy: the case of Japan’s free trade agreements’, *Review of International Political Economy*, vol. 12, no. 5, pp. 804–828.

Marino, KE 1996, ‘Developing consensus on firm competencies and capabilities’, *The Academy of Management Executive (1993–2005)*, vol. 10, no. 3, pp. 40–51.

Matear, S, Osborne, P, Garrett, T & Gray, BJ 2002, ‘How does market orientation contribute to service firm performance?’, *European Journal of Marketing*, vol. 36, no. 9/10, pp. 1058–1075.

McNamara, GM, Luce, RA & Tompson, GH 2002, ‘Examining the effect of complexity in strategic group knowledge structures on firm performance’, *Strategic Management Journal*, vol. 23, no. 2, pp. 153–170.

Milner, HV & Kubota, K 2005, ‘Why the move to free trade? democracy and trade policy in the developing countries’, *International Organization*, vol. 56, no. 1, pp. 107–143.

Moore, M & Fairhurst, A 2003, ‘Marketing capabilities and firm performance in fashion retailing’, *Journal of Fashion Marketing and Management*, vol. 7, no. 4, pp. 386–397.

Nayyar, D 2008, ‘Macroeconomics of structural adjustment and public finances in developing countires: a heterodox perspective’, *International Journal of Development Issues*, vol. 7, no. 1, pp. 4–28.

Neupert, KE, Baughn, CC & Dao, TTL 2006, ‘SME exporting challenges in transitional and developed economies’, *Journal of Small Business and Enterprise Development*, vol. 13, no. 4, pp. 535–545.

Nga, JKH 2009, ‘The influence of ISO 14000 on firm performance’, *Social Responsibility Journal*, vol. 5, no. 3, pp. 408–422.

Nordas, HK 2004, *The global textile and clothing industry post the Agreement on Textiles and Clothing*, World Trade Organization, Geneva.

Pagano, P & Schivardi, F 2003, ‘Firm size distribution and growth’, *The Scandinavian Journal of Economics*, vol. 105, no. 2, pp. 255–274.

Panayotopoulou, L & Papalexandris, N 2003, ‘Examining the link between human resource management orientation and firm performance’, *Personnel Review*, vol. 33, no. 5, pp. 499–520.

Passemard, D & Kleiner, BH 2000, ‘Competitive advantages in global industries’, *Management Research News*, vol. 23, no. 7/8, pp. 111–117.

Pauwels, K 2004, ‘How dynamic consumer response, competitor response, company support, and company inertia shape long-term marketing effectiveness’, *Marketing Science*, vol. 23, no. 4, pp. 596–610.

Peng, MW 2004, ‘Outside directors and firm performance during institutional transitions’, *Strategic Management Journal*, vol. 25, no. 5, pp. 453–471.

Poli, R, Healy, M & Kameas, A (eds) 2010, *Theory and applications of ontology : computer applications*. Springer.

Poutziouris, P 2003, ‘The strategic orientation of owner-managers of small ventures: evidence from the UK small business economy’, *International Journal of Entrepreneurial Behaviour & Research*, vol. 9, no. 5, pp. 185–214.

Prieto, IM & Revilla, E 2006, ‘Learning capability and business performance: a non-financial and financial assessment’, *The learning organization*, vol. 13, no. 2, pp. 166–185.

Rampersad, FB 2000, ‘Coping with globalization: a suggested policy package for small countries’, *Annals of the American Academy of Political and Social Science*, vol. 570, no. 1, pp. 115–25.

Rasiah, R, (2009) ‘Malaysia’s Textile and Garment Firms at the Crossroads’, Journal of Contemporary Asia, Vol. 39, No. 4, November 2009, pp. 530-541

Report on the situation of small and medium enterprises: 2006 and 2007 forecast, 2007, Office of Small and Medium Enterprises Promotion, viewed 10 April, 2008, www.sme.go.th

Rice, RC 2000, *Factors affecting the competitiveness of small and medium enterprises*, Agency for International Development.

Rindova, VP & Fombrun, CJ 1999, 'Constructing competitive advantage: the role of firm-constituent interactions', *Strategic Management Journal*, vol. 20, no. 8, pp. 691–710.

Rodriguez, D, Patel, R, Bright, A, Gregory, D & Gowing, MK 2002, 'Developing competency models to promote integrated human resource practices', *Human Resource Management*, vol. 41, no. 3, pp. 309–324.

Ruzzier, M, Hisrich, RD & Antoncic, B 2006, 'SME internationalization reseach: past, present and future', *Journal of Small Business and Enterprises Development*, vol. 13, no. 4, pp. 476–497.

Scarso, E 1997, 'Beyond fashion: emerging strategies in the Italian clothing industry', *Journal of Fashion Marketing and Management*, vol. 1, no. 4, pp. 359–371.

Sekaran, U & Bougie, R 2009, *Research methods for business: a skill building approach*, 5th edn, John Wiley & Sons Ltd, West Sussex, UK.

Shelton, R.K., Wachter, K. (2005) 'Effects of global sourcing on textiles and apparel', Journal of Fashion Marketing and Management, Vol 9, No.3, pp. 318-329

Singh, RK, Garg, SK & Deshmukh, SG 2010, 'The competitiveness of SMEs in a globalized economy: observations from China and India', *Management Research Review*, vol. 33, no. 1, pp. 54–65.

Sinha, D 2005, 'The WTO and the developing countries: a review of issues', *International Journal of Development Issues*, vol. 4, no. 1, pp. 25–48.

Slywotzky, A, Baumgartner, P, Alberts, L & Moukanas, H 2006, 'Are you enjoying globalization yet? The surprising implications for business', *Journal of Business Strategy*, vol. 27, no. 3, pp. 23–32.

Snowdon, B 2007, *Globalization, development and transition*, Edward Elgar Publishing Limited, Cornwall, UK.

Sorensen, HE 2009, 'Why competitors matter for market orientation', *European Journal of Marketing*, vol. 43, no. 5/6, pp. 735–761.

Stokes, D & Wilson, N 2006, *Small business managment & entrepreneurship*, 5th edn, Thomson, London, UK.

Storey, D, Keasey, K, Wynarczyk, P & Watson, R 2009, 'The performance of small firms: profits, jobs and failures'.

Suarez-Ortega, SM & Alamo-Vera, FR 2005, 'SMEs' internationalization: firms and managerial factors', *International Journal of Entrepreneurial Behaviour & Research*, vol. 11, no. 4, pp. 258–279.

Subhash C, J 1999, 'Prospects for a South Asian free trade agreement: problems and challenges', *International Business Review*, vol. 8, no. 4, pp. 399–419.

Svetliaia, M, Jacklia, A & Burger, A 2007, ‘Internationalization of small and medium-size enterprises from selected central European economies’, *Eastern European Economics*, vol. 45, no. 4, pp. 36–65.

Tannock, JDT & Krasachol, L 2000, ‘Quality management worldwide: the Thai foundation quality standard’, *The TQM Magazine*, vol. 12, no. 1, pp. 53–61.

Taplin, IM 2006, ‘Restructuring and reconfiguration: The EU textile and clothing industry adapts to changes’, Europen Business Review, vol. 18, No.3,pp. 172-186

Thassanabanjong, K, Miller, P & Marchant, T 2009, ‘Training in Thai SMEs’, *Journal of Small Business and Enterprise Development*, vol. 16, no. 1, pp. 678–693.

Thomas, RM 2003, *Blending qualitative & quantitative reasearch methods in theses and dissertations*, Corwin Press, Inc. , California, USA.

Thoumrungroje, DA & Tansuhaj, DP 2004, ‘Globalization effects, co-marketing alliances and performance’, *The Journal of American Academy of Business, Cambridge*, vol. September, pp. 495–502.

Tidd, J 2006, *From knowledge management to strategic competence: measuring technological, market and organisational innovation*, Imperial College Press, London, UK.

Tippins, MJ & Sohi, RS 2003, ‘IT competency and firm performance: is organizational learning a missing link?’, *Strategic Management Journal*, vol. 24, no. 8, pp. 745–761.

Toni, AD, Nassimbeni, G & Tonchia, S 1997, ‘An integrated production performance measurement system’, *Industrial Management*, vol. 97, no. 5, pp. 180–186.

Vaus, DAd 2009, *Research design in social research*, SAGE Publication Ltd, London, UK.

Veal, AJ 2005, *Business research methods: a managerial approach*, 2nd edn, Pearson Education Australia, Malaysia.

Venkataramanaiah, S & Parashar, SP 2007, ‘Enhancing the competitiveness of SMEs through industrial clusters: the Indian experience’, *International Journal of Technology Management & Sustainable Development*, vol. 6, no. 3, pp. 227–243.

Vito, T 2004, ‘Globalization and the need for fiscal reform in developing countries’, *Journal of Policy Modeling*, vol. 26, no. 4, pp. 525–542.

Wahid, RA & Corner, J 2009, ‘Critical success factors and problems in ISO 9000 maintenance’, *International Journal of Quality & Reliability Management*, vol. 26, no. 9, pp. 881–893.

Wang, Y, Lo, H-P & Yang, Y 2004, ‘The constituents of core competencies and firm performance: evidence from high-technology firms in China’, *Journal of Engineering and Technology Management*, vol. 21, no. 4, pp. 249–280.

Watchravesringkan, K, Karpova, E, Hodges, NN & Copeland, R 2010, ‘The competitive position of Thailand’s apparel industry: challenges and opportunities for globalization', *Journal of Fashion Marketing and Management*, vol. 14, no. 4, pp. 576–597.

Wiggins, RR & Ruefli, TW 2002, 'Sustained competitive advantage: temporal dynamics and the incidence and persistence of superior economic performance', *Organization Science*, vol. 13, no. 1, pp. 82–105.

Wild, JJ & Wild, KL 2012, *International Business: The Challenges of Globalization*, Sixth edn, Pearson Prentice Hall, United States of America

Wilson, K 2006, 'Chapter 2: encouraging the internationalisation of SMEs', *OECD Papers*, vol. 6, no. 12, pp. 43–66.

Wincent, J 2005, 'Does size matter? A study of firm behavior and outcomes in strategic SME networks', *Journal of Small Business and Enterprises Development*, vol. 12, no. 3, pp. 437–453.

Wissen, LJGv 2002, 'Demography of the firm: a useful metaphor?', *European Journal of Population*, vol. 18, no. 3, pp. 263–279.

Yates, D., Moore, Moore, D., McCabe, G. (1999). *The Practice of Statistics* (1st Ed.). New York: W.H. Freeman.

Zahay, D & Griffin, A 2010, 'Marketing strategy selection, marketing metrics, and firm performance', *Journal of Business & Industrial Marketing*, vol. 25, no. 2, pp. 84–93.

Zeitun, R & Tian, GG 2007, 'Does ownership affect a firm's performance and default risk in Jordan?', *Corporate Governance*, vol. 7, no. 1, pp. 66–82.

Zhouying, J 2005, 'Globalization, technological competitiveness and the "catch-up" challenge for developing countries: some lessons of experience', *International Journal of Technology Management and Sustainable Development*, vol. 4, no. 1, pp. 35–46.

Zikmund, WG 2003, *Business research methods*, 7th edn, Thomson South-Western, Kentucky, US.

Zikmund, WG, Babin, BJ, Carr, JC & Griffin, M 2010, *Business research methods*, 8th edn, South-Western Cengage Learning, Mason, OH.

Zott, C 2003, 'Dynamic capabilities and the emergence of intraindustry differential firm performance: insight from a simulation study', *Strategic Management Journal*, vol. 24, no. 2, pp. 97–125.

Appendix I: Questionnaire

Survey Questionnaire

Topic: Impact of Globalization on Thai Small and Medium Enterprises: A Study of the clothing and textile industry

Instruction:

This Questionnaire comprise of 3 parts within 7 pages. To answer most questions you only need to circle one of the most appropriate responses from the choices available. Here is an example;

1.) What is your current position?

- **a. Owner**
- **b. General Manager**
- **c. Human Resource Manager**
- **d. Others (Please Specify)______________**

Simply circle the answer that applies.

When you are asked to write in an answer, then simply write your answer in the space provided.

Please read each question carefully.

Please return the complete questionnaire in the post-paid envelope provided.

Part I: Background Information

The questions asked in this section will be used for classification purposes only and will be kept strictly confidential.

1.) **Name of your organization:**

2.) **How long has this company been operated?**

3.) **How many full-time employees does this company employ?**

4.) **What is your current position?**

- **e.** Owner
- **f.** General Manager
- **g.** Human Resource Manager
- **h.** Others (Please Specify)______________

5.) **What is the structure of the business?**

- **a.** Sole Trader
- **b.** Partnership
- c. **Proprietary Limited Company**
- **d.** **Co-operative**

6.) **What is the company sales turnover in the past calendar year (2008)?**

- **a.** 0 to less than 1 million baht
- **b.** 1 to less than 5million baht
- **c.** 5 to less than 10 million baht
- **d.** 10 to less than 15 million baht
- **e.** 15 million baht and more.

7.) **What is the company sale turnover on average of the past 3 years (2006-2008)?**

- **a.** 0 to less than 1 million baht
- **b.** 1 to less than 5million baht
- **c.** 5 to less than 10 million baht
- **d.** 10 to less than 15 million baht
- **e.** 15 million baht and more

8.) What is the total asset value of the firm?

- **a.** 0 to less than 1 million baht
- **b.** 1 to less than 5million baht
- **c.** 5 to less than 10 million baht
- **d.** 10 to less than 15 million baht
- **e.** 15 million baht and more

9.) What was the total revenue of the firm last year (2008)?

- **a.** 0 to less than 1 million baht
- **b.** 1 to less than 5million baht
- **c.** 5 to less than 10 million baht
- **d.** 10 to less than 15 million baht
- **e.** 15 million baht and more

10.)What was the average total revenue of the firm in the past 3 years (2006-2008)?

- **a.** 0 to less than 1 million baht
- **b.** 1 to less than 5million baht
- **c.** 5 to less than 10 million baht
- **d.** 10 to less than 15 million baht
- **e.** 15 million baht and more

11.)How many countries does the firm export to? (Please Specify)____

Country	Percentage of total Export (%)
1)	
2)	
3)	
4)	
5)	

12.)What is the total value of the export in the past year (2008)?

- **a.** 0 to less than 1 million baht
- **b.** 1 to less than 5million baht
- **c.** 5 to less than 10 million baht
- **d.** 10 to less than 15 million baht
- **e.** 15 million baht and more

13.)What is the total value of the export on average of the past 3 years (2006-2008)?

- **a.** 0 to less than 1 million baht
- **b.** 1 to less than 5million baht
- **c.** 5 to less than 10 million baht
- **d.** 10 to less than 15 million baht
- **e.** 15 million baht and more

14.) How many countries do the firm import from? (Please Specify)____________________

Country	Percentage of total Import (%)
1)	
2)	
3)	
4)	
5)	

15.) What is the total value of the import in the past year (2008)?

- **a.** 0 to less than 1 million baht
- **b.** 1 to less than 5million baht
- **c.** 5 to less than 10 million baht
- **d.** 10 to less than 15 million baht
- **e.** 15 million baht and more.

16.) What is the total value of the import in the past 3 years (2006-2008)?

- **a.** 0 to less than 1 million baht
- **b.** 1 to less than 5million baht
- **c.** 5 to less than 10 million baht
- **d.** 10 to less than 15 million baht
- **e.** 15 million baht and more

Part II: Internal Factors of the firm

1. Production

1.1 How many products are the firm manufactured? (Eg. A shirt is different product from pant)

a. 1 to 5

b. 6 to 10

c. 11 to 15

d. 16 and more

1.2 How do you rate the productivity of your labour force?

a. Very Productive

b. Above Average

c. Average

d. Below Average

e. Not very productive

1.3 How much does the firm spend on Research and Development per year?

a. 1 to 10,000 Baht

b. 10,001 to 50,000 Baht

c. 50,001 to 200,000 Baht

d. 200,001 to 500,000 Baht

e. 500,001 Baht or more

1.4 How much is it in percentage of the total expense?

a. 1 to 5 percent

b. 6 to 10 percent

c. 11 to 20 percent

d. 21 to 30 percent

e. 31 percent or more

2. Marketing

2.1 How much is the marketing expenditure of the firm in the domestic market per year?

a. 1 to less than 10,000 Baht

b. 10,000 to less than 50,000 Baht

c. 50,000 to less than 200,000 Baht

d. 200,000 to less than 500,000 Baht

e. 500,000 Baht or more

2.2 How much is the marketing expenditure of the firm in the overseas market per year?

a. 1 to less than 10,000 Baht

b. 10,000 to less than 50,000 Baht

c. 50,000 to less than 200,000 Baht

d. 200,000 to less than 500,000 Baht

e. 500,000 Baht or more

3. Human resources

3.1 How many employees are there in the firm?

	Management Level	Supervisor Level	Labour
Full Time			
Part Time			

4. Finances

4.1 Return on Asset

a. Net Profit (Baht):____

b. Total Assets (Baht):____

4.2 Return on Equity

a. Net Profit (Baht):____

b. Total Equity(Baht):____

Part III: Firm Competencies

Listed below are some of the firm competencies that contribute to the level of firm performance. Please indicate the level of importance that you feel it affects your firm performance.

1. Opportunity Competencies

	Not Important	Somewhat Important	Quite Important	Very Important	Extremely Important
1. Ability to recognize the market opportunities.	1	2	3	4	5
2. Ability to develop the market opportunities.	1	2	3	4	5

2. Relationship Competencies

	Not Important	Somewhat Important	Quite Important	Very Important	Extremely Important
1. Ability to build a context of cooperation and trust.	1	2	3	4	5
2. Ability to use contacts and connection	1	2	3	4	5
3. Ability to persuade	1	2	3	4	5
4. Ability to communicate	1	2	3	4	5
5. High Degree of Interpersonal Skill	1	2	3	4	5

3. Conceptual Competencies

	Not Important	Somewhat Important	Quite Important	Very Important	Extremely Important
1. Decision Making Skill	1	2	3	4	5
2. Absorbing and understanding complex information	1	2	3	4	5
3. High Degree of Risk Taking skill	1	2	3	4	5
4. Degree of Innovativeness	1	2	3	4	5

4. Organizational Competencies

	Not Important	Somewhat Important	Quite Important	Very Important	Extremely Important
1. Organization of Internal and external human resources	1	2	3	4	5
2. Organization of physical resources	1	2	3	4	5
3. Organization of financial resources	1	2	3	4	5
4. Organization of technological resources	1	2	3	4	5

	Not Important	Somewhat Important	Quite Important	Very Important	Extremely Important
5. Team Building skill	1	2	3	4	5
6. Leadership Skill	1	2	3	4	5
7. Ability in Training and Controlling	1	2	3	4	5

5. Strategic Competencies

	Not Important	**Somewhat Important**	**Quite Important**	**Very Important**	**Extremely Important**
1. Ability to set the strategies of the firm	1	2	3	4	5
2. Ability to evaluate the strategies of the firm	1	2	3	4	5
3. Degree of implementing the strategies	1	2	3	4	5

6. Commitment Competencies

	Not Important	**Somewhat Important**	**Quite Important**	**Very Important**	**Extremely Important**
1. Degree of commitment to the individual tasks	1	2	3	4	5
2. Degree of commitment to the group task	1	2	3	4	5
3. Degree of commitment to the firm.	1	2	3	4	5

Appendix II: Cover Letter

INFORMATION
TO PARTICIPANTS
INVOLVED IN RESEARCH

You are invited to participate

You are invited to participate in a research project entitled '**Impact of Globalization on Thai Small and Medium Enterprises: A study of the clothing and textile industry.'**

This project is being conducted by a student researcher Miss Pakinee Kunkongkaphan as part of DBA study at Victoria University under the supervision of Dr.SeguZuhair and Professor John Breen the Faculty of Business and Laws.

Project explanation

The aim of the proposed research is to identify factors or elements that might contribute to the competitiveness of small and medium enterprises in the clothing and textile industry in Thailand. The research would identify the factors and affects that could emerge from a free trade environment and an inevitable increase in competition. It is anticipated that strategic recommendations would emerge from this research to sustain the competitiveness of Thailand's SMEs in a new era of free trade.

Specifically, the aims of the proposed research are as follow:

1. Identify the impact of globalization on Thai's businesses and economy.
2. Identify some pragmatic or practicable ways and means that are relevant to Thai conditions in order to improve and sustain the competitiveness of the Thai SMEs.
3. Acknowledging what SMEs in other countries and in other industries could do as reported in the literature and the media, what Thai SMEs of the clothing and textile industry can do to sustain competitiveness?
4. Develop strategies for formulating national industrial policies to improve the competitiveness of the Thai small and medium enterprises in general and the clothing and textile industry, in particular.

The present study is envisaged to fill the gaps in knowledge on the effects of a free trade environment on the SMEs of a developing country in a particular local manufacturing industry and how the local businesses in this country could adjust or adopt strategies to implement changes to their business model or practices so as to survive and prosper under the free trade conditions.

What will I be asked to do?

- You are invited to complete a survey base on the checklist of internal and external of small and medium business enterprises; and firm competencies.
- The time taken to complete the survey questionnaire about 30 minutes

What will I gain from participating?

Your participation will contribute towards the development of a comprehensive framework and knowledge on the effects of a free trade environment on the SMEs of a developing country in a particular local manufacturing industry and how the local businesses in this country could adjust or adopt strategies to implement changes to their business model or practices so as to survive and prosper under the free trade conditions.

From this study a practicable framework might emerge that the Thai Small and Medium Enterprises could adopt or adjust their management of the perceived consequences and/or possible outcomes of a free trade environment or globalization. Effectively, this research would represent an original, scholastic study of the perceived impact or consequences of the free trade environment on Thai small and medium enterprises in the clothing and textile industry and how they could sustain competitiveness to survive and prosper. This study will also approach the firm level variables through macro variables.

How will the information I give be used?

Your information provided in the survey will be treated confidentially. Your information will remain confidential. Data will be aggregated in such a way that you would not be identified.

What are the potential risks of participating in this project?

Minimum risks have been identified from participating in this project. Throughout the exercise, if you feel uncomfortable or require some form of explanation; please feel free to raise the issue with the researcher. As indicated, you are free not to reveal any information that you think is too confidential to your company. However, you will not be identified as the source or author of any statement. Also, the statement or comment will not be used in a way which will enable you to be identified.

How will this project be conducted?

A survey research approach will be adopted in this project to meet the overall project objectives. A checklist and Likert scale measurement will be developed to investigate effect of globalization on the small and medium enterprises. The survey respondents will be selected using purposive sampling. The respondent of the study will be contacted by the research student as per the following procedures:

- A consent form in Thai will be given to the respondent and the study will be explained to them.
- Once, the respondents have signed the consent form the interviews will commence.
- The respondents will be informed that they have the option not to respond to any question they may not be comfortable and if they so wish, they are free to terminate the interview at any time.

Who is conducting the study?

The study is being conducted by Miss Pakinee Kunkongkaphan under the supervision ofDr.SeguZuhair(Phone:+61399191472 or email segu.zuhair@vu.edu.au) and Prof. John Breen (Phone: +61 3 99194641 or email john.breen@vu.edu.au).