

# Strategic management of community enterprises in the upper northeast region of Thailand

Aree Naipinit

*Faculty of Business Administration and Accountancy,  
Khon Kaen University, Khon Kaen, Thailand*

Thongphon Promsaka Na Sakolnakorn

*Institute for Peace Studies, Prince of Songkla University, Songkhla,  
Thailand, and*

Patarapong Kroeksakul

*Faculty of Environmental Culture and Ecotourism,  
Srinakharinwirot University, Bangkok, Thailand*

## Abstract

**Purpose** – The aims of this study are to study the problems and challenges of community enterprises; to analyze their strengths, weaknesses, opportunities and threats; and to examine the guidelines of strategy management for community enterprises.

**Design/methodology/approach** – The authors utilized a qualitative method using in-depth interviews with 25 community enterprises and a focus group of 10 specialists to discuss strategy management of community enterprises, then analyzed the data using content analysis and descriptive analysis.

**Findings** – The study found that community enterprises face numerous problems, such as marketing challenges and the inability to transfer businesses to the next generation. However, the strong points of community enterprises include the involvement and support of a lot of government agencies and the opportunity presented by consumer requirements for the handicraft of goods and products. In this paper, the authors recommend eight strategic guidelines for the management of community enterprises; they also recommend that the government use the model of the Bangsai Royal Folk Arts and Crafts Centre of Her Majesty Queen Sirikit of Thailand to set up policies that support community enterprises.

**Originality/value** – This study will be beneficial for the Department of Agricultural Extension, Ministry of Agriculture and Cooperative, Royal Thai Government, as a guideline for support of community enterprises in Thailand, and this study will benefit other countries with similarities to Thailand.

**Keywords** Strategic management, Community enterprises, Northeast region

**Paper type** Research articles



## Introduction

Community enterprises in Thailand were started more than 10 years ago when the Thai government implemented the Community Enterprise Promotion Act, BE 2548 (2005) to control and support such enterprises. "Community enterprises" refers to businesses that people in communities work on collaboratively, investing money to get started, creating products together and sharing collective responsibility for everything that affects business operations. Additionally, the products of community enterprises emerge from the local wisdom of local people who have transferred such knowledge from generation to generation (Sakolnakorn, 2013, p. 1). The definition of community enterprises in Thailand involves the following seven characteristics:

- (1) ownership by a group of residents in the community;
- (2) production occurs in the community;
- (3) ideas and innovation come from the residents in the community;
- (4) based on local wisdom but combined with universal wisdom;
- (5) local residents work together and all activities are related through a network system;
- (6) based on knowledge practice; and
- (7) uses the sufficiency economy concept for production (Pongpit, 2005, p. 40).

In Thailand, the term small and medium-sized enterprises (SMEs) indicates the same type of organizations. The sources of support for community enterprises come from many organizations – such as the local administrative organization, the Bank for Agriculture and Agricultural Co-operatives, non-governmental organizations – as well as shared interests and self-organization, and individuals splintering from an existing group to create a new group (Grisanaputi, 2012). For example, One Tambon One Product (OTOP; Tambon is a sub-district) is a small enterprise in rural area and produces many type of goods; OTOP is supported by the Ministry of Interior, Thailand and SMEs registered with the Ministry of Commerce, Thailand. In addition, although community enterprises and SMEs are essentially the same types of organizations, they are registered in different channels; community enterprises are registered with the Department of Agricultural Extension, Ministry of Agriculture and Cooperative.

From the data of the secretariat office of the Community Enterprise Promotion Board, we found that community enterprises in Thailand include 73,757 entrepreneurs and close to 50 per cent of them are in the northeast region. These data therefore show that most community enterprises in Thailand are within the northeast region (Secretariat Office of the Community Enterprise Promotion Board, 2012). Community enterprises in the northeast region of Thailand constitute highest number of community enterprises registered to Department of Agricultural Extension, Ministry of Agriculture and Cooperative; out of the total number of 30,194 enterprises, 17,652 are located in the northeast (Department of Agricultural Extension, 2010).

However, many enterprises in the northeast of Thailand lack government support, human capital, knowledge and skill, labor and marketing (Sakolnakorn, 2010). Additionally, community enterprises face many other problems related to marketing, financial issues, accounting, production, management information systems, product

design and the cost of production (Sakolnakorn and Naipinit, 2013). The factors that affect the management of small enterprises in the northeast of Thailand consist of:

- the knowledge and skill of the entrepreneur;
- the entrepreneur's capability;
- technology;
- the entrepreneur's attitude;
- the motivation to engage in business;
- the sources of investment funds; and
- the entrepreneur's creativity (Purateera *et al.*, 2009).

In addition, the 17,652 community enterprises in the upper northeast region include 4,154 enterprises that have faced problems and needed to improve (Department of Agricultural Extension, 2010).

Community enterprises provide a potential strategy for sustainable development to poor people in rural areas (Peredo and Chrisman, 2006). However, in rural upper northeast Thailand, more than 4,000 of these enterprises faced many problems and were at risk of closing. The study reported in this paper will help government agencies understand the relevant data and use it for development. Therefore, the research questions of this study are:

*RQ1.* What are the problems and challenges of community enterprises?

*RQ2.* What are their strengths, weaknesses, opportunities and threats?

*RQ3.* What are the strategic management guidelines for community enterprises?

### Objectives

The objectives of this research are to study problems and challenges of community enterprises; to analyze the strengths, weaknesses, opportunities and threats of community enterprises; and to study the strategic management guidelines for community enterprises.

### The community enterprises in Thailand

Community enterprise has been recognized in Thailand since the year 1997. Community enterprise is the government policy for solving the limitation problems of co-operative systems and company-limited systems, such as that people in rural areas have failed to manage their co-operatives and companies in their communities. Community enterprise is the way that the Thai government encourages people in the community to take part and participate in setting up their own enterprises and to have all management activities together and flexible such as internal management, production, marketing and selling and others, and the main objective of community enterprises is not for maximizing profit but for the production and sale of substitutes for the high price goods from big companies and brand name goods (Pongpit, 2009). Community enterprise is based on local material, such as using some local natural resources as materials for production; using local wisdom and local knowledge for the production process; and product design integrated with the local culture and tradition for creating the merchandise and goods (Sakolnakorn, 2013 p. 3). In addition, the community enterprises in Thailand have three

types – first is the primary level at which the community enterprises produce goods for reducing the payments of people in the community such as soap and toothpaste and then sell products in their community at lower prices than goods from factories or big companies; second is the development level at which the community enterprise has more market channels and sends its goods to sell in neighbor communities or in their provinces, and they can receive more income and have more profit to return to their community enterprises and bring in profits to develop their communities; and third is the progressive level, meaning the community enterprise extends its market from the local market to the general market (competitiveness market) and then the profit that returns to community enterprises is used to extend their business, design and create more products and use the profit to return to members of the community enterprises and bring the profit to develop their communities and support the welfare of people in the community (Sakolnakorn, 2013, pp. 5-6). In addition, Thailand defines community enterprises as a production group of people in the community who have registered their business with the Department of Agricultural Extension, Ministry of Agriculture and Cooperative, so having a Community Enterprise Promotion Division as an administrative register supports the community enterprise.

The [Community Enterprise Promotion Division \(2015a, 2015b\)](#) classification community has nine zones of the Office of Agriculture Extension and Development Region, which are the following:

- (1) Office of Agriculture Extension and Development Region 1, Chai Nat Province;
- (2) Office of Agriculture Extension and Development Region 2, Ratchaburi Province;
- (3) Office of Agriculture Extension and Development Region 3, Rayong Province;
- (4) Office of Agriculture Extension and Development Region 4, Khon Kaen Province;
- (5) Office of Agriculture Extension and Development Region 5, Songkhla Province;
- (6) Office of Agriculture Extension and Development Region 6, Chaingmai Province;
- (7) Office of Agriculture Extension and Development Region 7, Nakhon Ratchasima Province;
- (8) Office of Agriculture Extension and Development Region 8, Suratthani Province; and
- (9) Office of Agriculture Extension and Development Region 9, Phisanulok Province.

The report of the [Community Enterprise Promotion Division \(2015a, 2015b\)](#) presented a number of community enterprises and network community enterprises, so Region 4 has a higher number of community enterprises and network community enterprises compared with other regions (shown in [Table I](#)), and the number of members in the community enterprises of Region 4 will be higher than other regions, similarly, so will the number of community enterprises and network community enterprises.

However, the data from the number of registrations of enterprise and network enterprises are separated; community enterprises can be classified into 2 types –

production and service. The class of production has 18 items, including plant production, livestock and others, and service has six items (shown in Table II).

### Literature review

The lack of formal employment has pushed a peasant or farmer to self-employment outside the formal sector (Dana, 2011). The grassroots business in rural area, remote towns and village is encourage and raise up the need of people and families such as money for their family's education, health guarantee, job creation and housing (Tarway-Twalla, 2011). The management of community enterprises depends on numerous factors that influence management issues. This paper will review the literature to explain the factors related to community enterprise management, such as those presented by Sakolnakorn (2013, p. 14). He suggested eight factors related to the problems of community enterprises:

- (1) lack of accounting and finance systems;
- (2) lack of marketing management;
- (3) a labor comprised primarily of older people;
- (4) government support in terms of training and knowledge;
- (5) production issues caused by old machinery;
- (6) high labor costs/wages;
- (7) product design and package design that are not attractive to customers, and
- (8) lack of technological skill and knowledge.

In addition, Sakolnakorn *et al.* (2009) suggested that SMEs and community enterprises within the textile industry in the northeast region of Thailand face problems regarding financial loans because banks do not trust them with accounting and financial documents because they have not prepared good accounting systems. Owualah (2002) found a similar situation among small businesses in Japan that had trouble securing credit loans because Japanese banks did not trust SMEs. Banks primarily pay attention and give credit loans to large enterprises.

**Table I.**  
Report of number of community enterprises/network community enterprises and number of member community enterprises separated by region

Area	No. of community enterprise/ network community enterprise			No. of member community enterprise		
	2013	2014	2015	2013	2014	2015
Region 1	1,865	247	135	25,860	3,077	1,558
Region 2	1,521	307	152	27,415	4,687	2,089
Region 3	1,695	321	151	25,075	4,807	2,260
Region 4	1,190	6,349	5,445	19,790	125,764	99,316
Region 5	1,956	677	215	36,569	9,467	3,614
Region 6	4,036	4,127	791	62,328	57,235	1,080
Region 7	1,512	3,870	2,292	29,775	74,245	45,164
Region 8	1,489	1,142	198	33,307	25,303	3,891
Region 9	602	4,633	520	9,773	77,066	7,692
Total	15,866	21,673	9,899	269,892	381,651	166,664

**Source:** Community Enterprise Promotion Division (2015)

No.	Type of community enterprise	Enterprise	No. Network enterprise
<i>Production</i>			
1	Plant production	21,201	113
2	Livestock	13,369	36
3	Aquaculture	3,102	9
4	Food processing and food product	10,304	54
5	Woven products	9,264	55
6	Handicraft	4,762	16
7	Artificial flower	1,424	3
8	Machine industry	79	1
9	Souvenir	1,311	4
10	Herb product	2,000	10
11	Beverage	3,517	18
12	Decorations or jewel	251	0
13	Wood and furniture	1,577	15
14	Leatherwork	176	0
15	Raw material production	9,813	56
16	Pottery	378	2
17	Metal product	265	2
18	Other products	5,624	39
<i>Service</i>			
1	Community shop	1,876	23
2	Community saving	4,412	20
3	Tour	519	9
4	Healthy	557	6
5	Machine fix	29	0
6	Other service	7,352	67

**Table II.**

The number of reports registered to the enterprise and network enterprises, separated by type of community enterprise

**Sources:** Community Enterprise Promotion Division (2015); Data were collected June 17, 2015

With regard to the accounting systems issue, community enterprises face problems because they lack the necessary knowledge and skills in accounting practices. It is necessary to provide such enterprises with accounting knowledge and skills, so they can use accounting systems accurately and effectively, which will enable them to progressively manage their finance and accounting systems by themselves (Nambure, 2012). In addition, community enterprises often record their accounting by hand, which is inconvenient and increases the likelihood of entering mistakes that will not be corrected and makes it difficult to locate old data and accounting records when time has passed (Hanwiwat, 2011, p. 58). The low level of education and lack of knowledge and training opportunity is an obstacle for small businesses in Indonesia (Hamonangan Tambunan, 2011). Many community enterprises do not even use an accounting book, and they do not note payments received day to day. One reason they lack accounting processes is because the people involved assume it is difficult because it involves mathematics and most of them have little education (Sakolnakorn, 2013 p. 11).

Marketing is a very important management issue for running a business as it addresses future customer needs (Sidik, 2012). Marketing is related to production and

marketing information can be applied to product development (Sakolnakorn, 2009). Bradley *et al.* (2006) suggested that to expand the market channel internationally the domestic entrepreneur can use connections and relationships with large entrepreneurs to discover a new target market and export products to another country. In addition, product design is also important.

The one strategy for improving sales and marketing is increasing the value of handicraft products such as creating different designs and using different raw materials (Naidu *et al.* 2014). In addition, Saengthong (2010) stated that the weaknesses of community enterprises in terms of product design were to be found with the trademark, labeling, and packaging. An effective trademark should illustrate the identity of the product. In addition, Naipinit *et al.* (2014, p. 51) stated that community enterprises lack product designs and package designs that are attractive to customers. Sakolnakorn and Sungkharat (2013, p. 59) stated that most community enterprises do not design products in response to customer demand and customer behavior because they lack research studies before designing products. In addition, they do not have the money to hire another company to design and produce trademarks and design labels. However, the report of Dana (2001) explained that community enterprises should know the needs of customers because they can focus on the direction of groups of customers.

The costs and processes of production are obstacles for community enterprises because they use old machinery and the cost of labor is high (Sakolnakorn and Sungkharat, 2014). In addition, many community enterprises face problems securing raw materials for production, such as natural resources, and increasing raw material prices affect the cost of production (Painaree, 2011). To have a successful business, it is important to have not only skills, knowledge and abilities but also an individual attitude and motivation (Dawson, 2012). Human capital, including skills, technological knowledge and innovation, creates a competitive atmosphere wherein a nation can produce goods and services at a low cost but high quality and can then be competitive in the world market (Hoskisson *et al.*, 2004). Knowledge and local wisdom benefit people economically, culturally and spiritually (Muneename and Suwannattachote, 2012). Opportunities for workers to gain more knowledge through training will increase the knowledge, standards of work and overall skills of workers (Lee and Hsin, 2004). Some case studies in Thailand transfer knowledge from educational institutions to SMEs, for example, Kenan Institute Asia and Kasetsart University transfer knowledge related to marketing, production, networking and management to SMEs in vegetable and beef clusters. Thereafter, those SMEs have more capacity and can increase their income (Phinaitrup, 2012).

Community enterprises are not only for maximizing profit but also for maintaining their communities' cultures and traditions (Dana and Light, 2011). From the literature review, we found numerous issues related to community enterprise management, such as accounting, financials, marketing, production, packaging and product design, human capital and knowledge, which we have arranged in a conceptual framework as shown in Figure 1.

## Methodology

### *The location of this study*

The location of this study is in the upper northeast region of Thailand, which includes 11 provinces in northeast Thailand: Khon Kaen, Kalasin, Roi Et, Udon Thani, Nakhon

Phanom, Mukdahan, Nong Khai, Maha Sarakham, Loei, Bueng Kan and Nong Bua Lam Phu.

### *Sample*

The sample of this study is 25 entrepreneurs contained in a cross-section of community enterprises such as food and beverage, textile, handicraft products, agriculture products, fishery products, forestry and wood products and consumer products.

### *Methods*

To study the problems and challenges of community enterprises, researchers utilized a qualitative method using in-depth interviews of at least 30-60 min with 25 entrepreneurs, based on semi-structured questionnaires using accidental sampling and the snowball sampling technique. To learn about the entrepreneurship in the region, we used purposive sampling of data from the Provincial Agricultural Extension Office; chain sampling, that is, when surveyed, participants suggested other entrepreneurs for us to contact; and snowball sampling techniques, in addition to fieldwork that was conducted between November 2013 and January 2014. To devise a strategy for the management of community enterprises, researchers conducted a focus group in February 2014 by inviting 10 specialists – including academics, government officers, and entrepreneurs – to discuss how to develop the strategic management of community enterprises.

### *Data analysis*

For analyzing the data, researchers used SWOT content analysis and descriptive analysis.

## **Results**

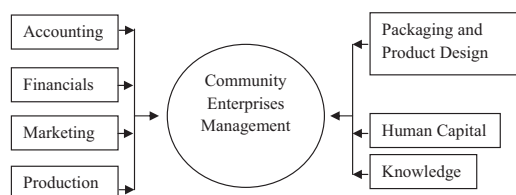
The results of this study are divided into three subtopics:

- (1) problems and challenges related to community enterprises;
- (2) strengths, weaknesses, opportunities and threats of community enterprises; and
- (3) guidelines for the strategic management of community enterprises.

### *Problems and challenges related to community enterprises*

From the study, we discovered the main problems are the next generation not wanting to work in community enterprises and marketing issues; therefore, we classified the problems of community enterprises as shown in [Table III](#).

As shown in [Table I](#), the highest number of problems reported in community enterprises are related to the fact that the next generation does not want to work in



**Figure 1.** Conceptual framework



**Table III.**  
Problems and  
challenges related to  
community  
enterprises

Problem	No. of community enterprises	Remarks
Next generation does not want to work in community enterprises	17	Members of the new generation have more education; they want to work in large factories and/or in business companies, and/or they want to live in cities rather than staying to work in their hometowns in rural area
Marketing	16	Lack of marketing management, marketing channels, marketing knowledge and strategies. In addition, political issues in Thailand in 2013-2014 affected customer demand, and the world economy has also been affected. Community enterprises could not extend their market channels because of low demand
Accounting and financials	9	Community enterprises do not use accounting books or declare their accounting and balance sheets. In addition, it is difficult to borrow money from financial institutions to invest in expanding their businesses
Production process	9	Lack of raw material for production, especially local materials from natural resources
Labor	6	No skilled labor and people want to work in factories rather than community enterprises. In addition, younger people do not join and participate in the community enterprises, so most workers are older people
Cost of production	6	Labor cost is high after government policy increased the minimum wage in 2013, from 150-250 Baht per day, depending on the area to 300 Baht (approximately US\$10) per day throughout Thailand. In addition, material costs also increased because the prices of raw materials have risen along with labor costs
Product design	6	Community enterprises do not conduct studies about customer needs or customer satisfaction before designing their product. In addition, they lack knowledge to design packaging and products
Quality control and product standards	4	Production in community enterprises is based on experience, so there is a lack of management control and standards. In addition, they have no standard certificate
Machines for production	3	They are using old machines for production, and they do not have money to buy new machinery

community enterprises because most of them have medium-to-high education (such as a vocational diploma, technical college training or a university degree) and work in factories or businesses, which constitutes social value in the rural areas of northeast Thailand. Marketing is the second-most reported problem that community enterprises face. Because many community enterprise workers are elders and lack marketing knowledge and skills, most of their businesses are set up without marketing strategies or plans. Further, as most of them lack financial and accounting qualifications or property to offer as a personal guarantee, the members of community enterprises will avoid giving a guarantee to someone else for financial loans.

Another problem, in the production process, is the lack of material. Many community enterprises do not use natural materials for production, but they can always buy the raw material from a business or factory; they cannot control the delivery time. When raw material prices increase, community enterprises may be unable to buy them. In addition, this issue relates to production costs because when raw material prices increase, this affects the cost of production. Product design and product standards are derived from the knowledge of a community enterprise's members, and they are using old machines

for production because they lack financial investment and support from government agencies. Therefore, they do not have the resources to buy new technology and innovate.

#### *The strengths, weaknesses, opportunities and threats of community enterprises*

As we presented in the subsection above, community enterprises face numerous problems. However, they also have strengths and opportunities, so within this subsection we explain the strengths, weaknesses, opportunities and threats of community enterprises that we analyzed from the data in this study, as shown in Table IV.

The government policy of 300 Baht/day as a minimum wage is a threat because it increases the worries of many community enterprises and is related to the costs of production and management because handicrafts require a long period of time to get the job done. Before this policy began in January 2013, the daily minimum wage in the northeast region was 150-250 Baht/day (US\$5-8/day), depending on the area and labor skill. Now, because unskilled labor receives 300 Baht/day (US\$10/day), skilled labor requires more than 300 Baht/day. Another obstacle for community enterprises is that many people join the groups because they want to receive some benefit from government support or bank loans, but they are not ready to seriously run the business; many of them think of the community enterprise as a second priority job – work they can do when they are free from the farm.

#### *Guidelines for the strategic management of community enterprises*

We invited ten specialists, such as academics, government officers and entrepreneurs, to discuss how to develop the strategic management of community enterprises, as shown in Table V.

Table III presents guidelines for eight strategies that can be used in the management of community enterprises. In addition, government support is very important because almost all community enterprises are run by people in rural areas who lack education and knowledge. Therefore, to support community enterprises, the Thai government should set up one unit/department to support them. In addition, the Bangsai Royal Folk Arts and Crafts Centre of H.M. Queen Sirikit of Thailand is a good practice model for the Thai government. For example, it has a training center for skills and knowledge training in crafts such as sewing, leather projects and glass sculptures, and farmers can come to train and study when they are free from the farm. The center also has a showroom for selling products and people can create products as they are ordered. This center guarantees the price and handles the marketing for any goods and products. In addition, it seems that many provinces in Thailand now have centers for village enterprises and community enterprises to support the market channel; however, they are not successful because local governments are not concerned or seriously supportive. Therefore, the royal Thai government should use the model of the Bangsai Royal Folk Arts and Crafts Centre of H.M. Queen Sirikit of Thailand as a model. The government should set up centers in many regions of Thailand with a single governmental department to manage them. The model of Bangsai Royal Folk Arts and Crafts Centre of H.M. Queen Sirikit of Thailand is shown in Figure 2.

In addition to the center in Bangsai, Ayutthaya province, the Royal Folk Arts and Crafts Centre of H.M. Queen Sirikit of Thailand has many branches in all regions of Thailand. So, the authors recommend the Thai government replicate the paradigm of

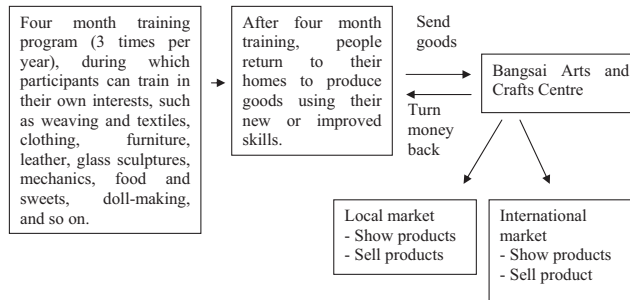
Strengths	Weaknesses
<p>Numerous government agencies are involved that support community enterprises</p> <p>Members possess local knowledge and local wisdom for production</p> <p>No cost of natural raw materials because they can use natural resources in the community area for production</p> <p>They have partners and a network for knowledge-sharing</p> <p>They have production skills and basic knowledge for production</p> <p>Community enterprises work in cooperation with government agencies that have training courses, guidelines and support for starting community enterprises</p> <p>The members of community enterprises work on farms together and spend free time producing goods for community enterprises to gain more income</p> <p>They have basic knowledge of marketing and most community enterprises sell their product in their community for compensate the goods from outside the community (factory goods)</p> <p>Opportunity</p> <p>Governmental support for bringing community enterprises to sell their goods and products at festivals with no rental costs for the space</p> <p>Community enterprises provide second jobs where residents can come to work or work at home to gain extra money</p> <p>The consumer trend of preference for hand-crafted goods and products</p>	<p>Lack of marketing management, inability to extend their goods to the general market and inability to compete with goods from factories</p> <p>Lack of production knowledge because many community enterprises rely on their members' experience and knowledge for production</p> <p>Using old machines</p> <p>Cannot increase the sales price when cost of production increases</p> <p>Residents work in community enterprises as part-time jobs because they work on farms as a first priority. This issue makes it difficult for community enterprises to develop</p> <p>Members and employees of community enterprises have a high turnover rate</p> <p>Production is not standardized; some community enterprises do not have standard certificates</p> <p>They are not producing goods and products in response to customer demand</p> <p>Threat</p> <p>High cost of production</p> <p>Prices of raw materials that are bought from outside vendors</p> <p>The place of production is far away from marketplaces</p> <p>Members do not set up the work tasks of community enterprises as their first priority</p> <p>It is difficult to borrow money from financial institutions</p> <p>The government has set a 300 Baht/day minimum wage</p> <p>Customer behavior and customer needs are rapidly changing</p> <p>The same goods may be available from another nearby community enterprise and from large factories</p>

**Table IV.**  
Strengths,  
weaknesses,  
opportunities and  
threats of community  
enterprises

Strategy	Management and operation
Marketing	<p>Think about the management of marketing before thinking about goods and products</p> <p>Develop the product base according to the requirements of consumers and marketing</p> <p>Conduct a few research studies about consumer behaviors in the target market</p> <p>Produce goods and products for local markets first; after that, spread to other markets</p>
Business transfer to next generation	<p>Let them know about the good aspects of community enterprises and the benefits of working from home</p> <p>Share an understanding with the next generation. They can spend some time gaining more income from working in community enterprises</p> <p>Offer an opportunity to youth residents to join, learn and work for extra income</p>
Financial	<p>Develop and manage the community enterprises, including investment of internal capital with money from members and community residents</p> <p>Extend the business step-by-step and use a sufficient economy concept</p> <p>Using accounting and financial systems to control costs, budgets and financial management</p> <p>Maintain the organizational cash flow at a suitable level</p>
Labor	<p>If a high number of purchase orders are secured from customers, outsource some production to another community enterprise or family business and household enterprise</p> <p>Give opportunities to youth residents to work as part-time employees</p>
Cost of production	<p>Reduce costs by paying per product (for example, US\$1 for 30 sewn shirt pockets) rather than minimum daily wage</p> <p>Design product using natural resources in the community area as raw materials</p> <p>Reduce the amount of raw materials being bought from outside the community and other vendors</p> <p>Use the outsourcing strategy when there are a high number of orders over manufacturing capacity</p>
Quality control and product standard	<p>Register the certificate of Thai community product standard</p> <p>On-the-job training and transfer of knowledge between members of the community and employees. In addition, some knowledgeable community enterprises can request help from governmental agencies</p>
Product design	<p>Work and design in collaboration with academic institutions, such as universities and technical colleges</p>
Machine	<p>Community enterprises produce handicrafts, so they should buy the new machines that are important to have</p>

**Table V.**  
Guidelines for the  
strategic  
management of  
community  
enterprises

**Figure 2.**  
The model of  
Bangsai royal folk  
arts and crafts centre  
of H.M. Queen Sirikit  
of Thailand



**Source:** The international market is managed by the Support Arts and Crafts International Center of Thailand, a public organization

the Royal Folk Arts and Crafts Centre because it is a good model for helping people with handicraft production in terms of training, standards and product sales in both local and international markets.

### Conclusion

This paper has shown that the development of community enterprises is not the duty of the members of those enterprises only because they generally lack education and knowledge. In addition, the culture and environment of the community need to change. The strategy that we recommend in this paper is composed of guidelines for the internal management and organization of community enterprises, marketing issues and the transfer of businesses to the next generation, all of which are very important, and community enterprises should adapt themselves for business survival. A factor that likely affects financing in family businesses is the cost-of-equity, including family culture and behaviors (Astrachan and Jaskiewicz, 2008). New businesses need external financing, which is offered by banks (Wieneke and Gries, 2011). The relationship between financial institutions and businesses is important because businesses often require credit loans from banks to expand and grow (De la Torre *et al.*, 2010). Therefore, government policy should ensure that government banks support groups of people who wish to set up community enterprises after they have passed a training program led by the Ministry of Agriculture and Cooperative.

When the government implemented of the Community Enterprise Act of 2005, it did not match what the communities needed (Uttamavatin, 2007). Community enterprises are the same type of family business as OTOP, which is a world-recognized SME. However, in Thailand, we have different names for these businesses depending on which government agencies support them. The objective of the Thai government is to support community enterprises and raise the income level in rural areas; however, because the government set up the policy more than 10 years ago, community enterprises have continued to face many problems and underdevelopment. The problems related to government policy concern the fact that government agencies, ministries, departments and units are working and supporting in different ways but lack collaboration. The Thai government should rethink how it engages with

community enterprises and should set up a single department to work with and support them.

The factors that have emerged as the most important determinants of success for community enterprises in Thailand are the members' drive for business ownership, systematic division of work, regular accounting records, intelligent marketing plans and the achievement of some kind of quality certification (Wongsurawat, 2010). In addition, increasing partners, alliances, networking and cooperation can improve their business success (Dana and Wright, 2009). Therefore, the government agencies that support community enterprises should be more concerned with training them in all aspects of management knowledge and should set up a center using the model of the Royal Folk Arts and Crafts Centre to support community enterprises in improving quality and standards. The center should also provide leadership on important issues such as marketing channels to guarantee that people who wish to set up community enterprises can earn revenue by sending their products to the center, where they will be sold and processed through marketing channels and the proceeds returned to the community enterprises.

### Recommendations for government agencies

Finally, the authors would like to make the following recommendations to the Department of Agricultural Extension, Ministry of Agriculture and Cooperative, Thailand:

- the Department of Agricultural Extension should assess, focus on and fully support community enterprises that have potential – and are ready for development – to improve and extend their businesses and promote SMEs;
- the Department of Agricultural Extension should analyze and collect data from community enterprises that face problems and go out of business; and
- when people and/or groups wish to start a community enterprise, government agencies should encourage the principles of self-reliance and self-sufficiency instead of the notion of getting something for free or requiring “help” from the government and/or politicians.

### References

- Astrachan, J.H. and Jaskiewicz, P. (2008), “Emotional returns and emotional costs in privately held family businesses: advancing traditional business valuation”, *Family Business Review*, Vol. 21 No. 2, pp. 139-149.
- Bradley, F., Meyer, R. and Gao, Y. (2006), “Use of supplier-customer relationships by SMEs to enter foreign markets”, *Industrial Marketing Management*, Vol. 35 No. 6, pp. 652-665.
- Community Enterprise Promotion Division (2015a), “Table the report number of registering to enterprise and network enterprise, so separated from type of community enterprise, the data at 17st June 2015”, available at: [http://smce.doae.go.th/smce1/report/report\\_smce\\_activity.php](http://smce.doae.go.th/smce1/report/report_smce_activity.php) (accessed 17 June 2015).
- Community Enterprise Promotion Division (2015b), “Table the report of number of community enterprise/network community enterprise and number of member community enterprise, separated form region. the data at 17st June 2015”, available at: [http://smce.doae.go.th/smce1/report/report\\_smce13.php?typeSmce=&levelSearch=1&region=&province=&amphur=&yy=2556](http://smce.doae.go.th/smce1/report/report_smce13.php?typeSmce=&levelSearch=1&region=&province=&amphur=&yy=2556) (accessed 17 June 2015).

- Dana, L.P. (2001), "The education and training of entrepreneurs in Asia", *Education & Training*, Vol. 43 Nos 8/9, pp. 405-416.
- Dana, L.P. (2011), "Entrepreneurship in Bolivia: an ethnographic enquiry", *International Journal of Business and Emerging Markets*, Vol. 3 No. 1, pp. 75-88.
- Dana, L.P. and Light, I. (2011), "Two forms of community entrepreneurship in Finland: are there differences between Finnish and Sa'mi reindeer husbandry entrepreneurs?", *Entrepreneurship & Regional Development*, Vol. 23 Nos 5/6, pp. 331-352.
- Dana, L.P. and Wright, R.W. (2009), "International entrepreneurship: research priorities for the future", *International Journal of Globalisation and Small Business*, Vol. 3 No. 1, pp. 90-134.
- Dawson, A. (2012), "Human capital in family businesses: focusing on the individual level", *Journal of Family Business Strategy*, Vol. 3 No. 1, pp. 3-11.
- De la Torre, A., Soledad Martinez Peria, M. and Schmukler, S.L. (2010), "Bank involvement with SMEs: beyond relationship lending", *Journal of Bank and Finance*, Vol. 34 No. 9, pp. 2280-2293.
- Department of Agricultural Extension (2010), "Data of community enterprises in Northeast of Thailand", available at: [www.nedoe.doe.go.th/smces.html](http://www.nedoe.doe.go.th/smces.html) (accessed 20 December 2014).
- Grisanaputi, W. (2012), "Management of community enterprises: learning from Thai silk and Thai cotton weaving groups in KhonKaen Province", *Humanities & Social Science*, Vol. 30 No. 1, pp. 165-188.
- Hamonangan Tambunan, T.T. (2011), "Development of small and medium enterprises in a developing country", *Journal of Enterprising Communities: People and Places in the Global Economy*, Vol. 5 No. 1, pp. 68-82.
- Hanwivat, W. (2011), *Problems and Obstacles in Conducting the Account of Local Enterprises in Nakhon Si Thammarat Province*, Rajamangala University of Technology Thanyaburi, Pathum Thani.
- Hoskisson, R.E., Yiu, D. and Kim, H. (2004), "Corporate governance systems: effects of capital and labor market congruency on corporate innovation and global competitiveness", *Journal of High Technology Management Research*, Vol. 15 No. 2, pp. 293-315.
- Lee, J.H. and Hsin, P.L. (2004), "Employee training and human capital in Taiwan", *Journal of World Business*, Vol. 39 No. 4, pp. 362-376.
- Muneename, U. and Suwannattachote, P. (2012), "Survey of local wisdom in the plant genetic conservation project under the royal initiative of her royal highness princess MahaChakriSirindhorn (RSPG) at Rajjaprabha Dam, Electricity Generating Authority of Thailand", *Kasetsart Journal (Social Sciences)*, Vol. 33 No. 2, pp. 286-296.
- Naidu, S., Chan, A. and Southgate, P. (2014), "Determinants of innovation in the handicraft industry of Fiji and Tonga: an empirical analysis from a tourism perspective", *Journal of Enterprising Communities: People and Places in the Global Economy*, Vol. 8 No. 4, pp. 318-330.
- Naipinit, A., Sakolnakorn, T.P.N. and Kroeksakul, P. (2014), *Strategic Development for Management of Community Enterprises in Upper Northeast*, Faculty of Management Science, Khon Kaen University, Khon Kaen.
- Nambure, N. (2012), "Development of accounting system for community enterprise in the three southern provinces of Thailand", *SKRU Academic Journal*, Vol. 5 No. 1, pp. 14-25.
- Owualah, S.I. (2002), "SMEs borrowing, constraints and banking relationship in Japan", *Japan and The World Economy*, Vol. 14 No. 1, pp. 87-100.

- Painaree, P. (2011), "Community enterprise management Kalasin province", *Proceeding of Bangkok University Research Conference*, October 27-28, Bangkok, pp. 393-402.
- Peredo, A.M. and Chrisman, J.J. (2006), "Toward a theory of community-based enterprise", *Academy of Management Review*, Vol. 31 No. 2, pp. 309-328.
- Phinaitrup, B. (2012), "Capability development of SMEs through cluster-based approach: vegetable and beef clusters", *NIDA Development Journal*, Vol. 52 No. 3, pp. 155-192.
- Pongpit, S. (2005), *Thinking Villages: A Vision for Development*, Jaroenwit Publishing, Bangkok.
- Pongpit, S. (2009), "Community enterprises", available at: [www.phongphit.com/2013/index.php/2012-12-06-11-52-11](http://www.phongphit.com/2013/index.php/2012-12-06-11-52-11) (accessed 28 May 2015).
- Purateera, T. Khamanarong, S., Phanarata, A. and Khamanarong, K. (2009), "Influence factors affecting management of small enterprises in Northeast Thailand", *International Business & Economic Research Journal*, Vol. 8 No. 2, pp. 41-46.
- Saengthong, P. (2010), "The guideline for marketing improvement of the community enterprise: the case study of Mae ban Kasettakorn's Kohyor hand-woven fabric, Tambon Kohyor, Mueang district, Songkhla province", *SKRU Academic Journal*, Vol. 3 No. 1, pp. 1-6.
- Sakolnakorn, T.P.N. (2009), "Organization development of textile industries in the Northeast of Thailand", *Master's Thesis*, Graduate School, KhonKaen University.
- Sakolnakorn, T.P.N. (2010), "The analysis of problems and threat of small and medium-sized enterprises in Northeast Thailand", *International Business & Economics Research Journal*, Vol. 9 No. 9, pp. 123-131.
- Sakolnakorn, T.P.N. (2013), *Management and Development of Community Enterprises*, Institute for Peace Studies, Prince of Songkla University, Songkla.
- Sakolnakorn, T.P.N., Aim-Im-Tham, S. and Khamanarong, S. (2009), "Management strategy for administration of textile industries in developing country: case study Thailand", *Journal of Business Case Studies*, Vol. 5 No. 3, pp. 37-44.
- Sakolnakorn, T.P.N. and Naipinit, A. (2013), "Guidelines for the management of community enterprises in the Songkhla Lake Basin of Thailand", *Asian Social Science*, Vol. 9 No. 11, pp. 166-173.
- Sakolnakorn, T.P.N. and Sungkharat, U. (2013), *Development Guidelines for Small and Micro Community Enterprises in Songkhla Lake Basin*, Faculty of Liberal Arts, Prince of Songkla University, Songkhla.
- Sakolnakorn, T.P.N. and Sungkharat, U. (2014), "Development guidelines for small and micro community enterprises in Songkhla Lake Basin", *Journal of Humanities and Social Sciences*, Vol. 10 No. 1, pp. 97-122.
- Secretariat Office of the Community Enterprise Promotion Board (2012), "Name of communities enterprises/communities enterprises network", available at: <http://smce.doae.go.th/ProductCategory/SmceCategory.php> (accessed 17 February 2014).
- Sidik, I.G. (2012), "Conceptual framework of factors affecting SME development: mediating factors on the relationship of entrepreneur traits and SME performance", *Procedia Economics and Finance*, Vol. 4, pp. 373-383.
- Tarway-Twalla, A.K. (2011), "The contribution of grassroots businesses to post-conflict development in Liberia", *Journal of Enterprising Communities: People and Places in the Global Economy*, Vol. 5 No. 1, pp. 58-67.
- Uttamavatin, K. (2007), "The Promotion of community economy toward sufficiency economy according to the implementation of Community Enterprise Promotion Act, BE 2548: case



studies of community enterprises in Chumphorn Province”, *Master’s Thesis*, Graduate School, Chulalongkorn University.

Wieneke, A. and Gries, T. (2011), “SME performance in transition economies: the financial regulation and firm-level corruption nexus”, *Journal of Comparative Economics*, Vol. 39 No. 2, pp. 221-229.

Wongsurawat, W. (2010), “Characteristics of successful small and micro community enterprises in rural Thailand”, *The Journal of Agricultural Education and Extension*, Vol. 16 No. 4, pp. 385-397.

#### **About the authors**

Aree Naipinit is an Assistant Professor in Management and a Lecturer at Faculty of Business Administration and Accountancy, Khon Kaen University, Thailand. She specializes in management, tourism management and SME management. Aree Naipinit is the corresponding author and can be contacted at: [areenaipinit@gmail.com](mailto:areenaipinit@gmail.com)

Thongphon Promsaka Na Sakolnakorn is an Assistant Professor in Organization Development at Institute for Peace Studies, Prince of Songkla University, Thailand. He specializes in outsourcing management, organization development, public policy, conflicts management and SME management.

Patarapong Kroeksakul is a Lecture in Faculty of Environmental Culture and Ecotourism at Srinakharinwirot University, Thailand. He specializes in system approaches in agriculture, human ecology and rural development.

---

For instructions on how to order reprints of this article, please visit our website:

[www.emeraldgroupublishing.com/licensing/reprints.htm](http://www.emeraldgroupublishing.com/licensing/reprints.htm)

Or contact us for further details: [permissions@emeraldinsight.com](mailto:permissions@emeraldinsight.com)

Reproduced with permission of copyright owner. Further reproduction prohibited without permission.