

## **Chapter 5 – Recommendations and Discussions**

The purpose of this chapter is to summarize and provide a conclusion to the study that was conducted. Included in this summary are a review of the purpose of the study, a restatement of the research questions, the research methodology used, and a summary of the study results, conclusions and discussion. Recommendations for further research and possible studies conclude this chapter.

### **5.1 Overview of Significant Findings**

The purpose of this study was to examine the barriers faced by SMEs in Lampong engaged in ceramic business when they wanted to export due to various reasons. This research investigates cooperation between different players in the cluster and how the role played by different barriers which hinders the SMEs to approach other markets. It also wants to understand the existing culture and cooperation between actors of the cluster. Factors which might affect the SMEs going international were found by reading many theories like Michael Porters Diamond Model along with Uppsala model was thoroughly studied. There can be some limitation as these models were for developed economy and might not be relevant for Lampong Region.

This research study employs mixed method approach for the research. Cooper and Schindler (2008, p. 186) remarked that qualitative research compensates for the weaknesses of the quantitative research. Hence, mixed method approach has been used to reconfirm the result derived from individual approaches. Snow ball technique was used for selecting respondents to do interviews, and the questions were asked to get

opinions and information from the respondents. For quantitative analysis survey questionnaires were sent to the target population. A total of 100 questionnaires were distributed to the table ware firms and 70 usable questionnaires were completed and returned.

## **5.2 Analysis and Interpretation of the findings**

This research has sought to provide answers to the research questions which was mentioned earlier, with the findings from quantitative and qualitative analysis.

Most of the respondent informed that there are many barriers to export along with collaboration and cooperation which are low trust, different visions of the firms in the cluster and low trust between the firms in the cluster. There are many imperfections; leaders move around partly in isolation, possessing limited knowledge of each other, and there is limited or no dialogue on how to move forward.

During the research it was found that finance among the SMEs plays a major role as a barrier to export as the SMEs in the ceramic cluster try to save money and don't try to invest in R&D or innovation in design. Hence, they use age old technology for production which has its own limitations and results in production errors resulting in losses.

Below are the research questions which were analyzed along with their qualitative finding:

### **5.2.1 Research Question one.**

- (a. Would language difference and social approaches would work as a barrier for Lampang SMEs to enter into foreign markets?)

#### **5.2.1.1 Analysis**

##### Qualitative Analysis

Most of the respondent agreed that language difference and social approaches works a barrier for SMEs who wants to enter into foreign markets through export. As one of the respondent who owns a large manufacturing firm,

*“Thai is our National Language, and the large population are not good in communicating in English Language. Moreover, it’s not easy to find or hire employees who are good in English or Chinese Language. Fresh graduates and young people who are efficient in English Language prefer to work at Bangkok or Chiangmai”*

During the research it was found that Social approaches to business is one of the main reason which works as a barrier to export. Language is an important barrier to export and most of the research respondents disagreed that Lampang SMEs get quality skilled staff with good command in Foreign Language. Ninety percent respondents agree and strongly agree that Language difference between Thailand and export country works as a barrier for Lampang SMEs to enter into foreign markets.

They informed that SMEs lacks goodwill among fresh graduates and hence attracts mostly casual workers who work on daily wage basis and have little motivation to work or acquire traits of the job.

### Quantitative Analysis

Respondents view point regarding the Language difference between home and host country would work as a barrier for Lampang SMEs to enter into foreign markets which can be confirmed by the data findings through quantitative method. Almost 93 percentage respondents agreed that language barrier plays an important role as a barrier for SMEs to go internationalization

Similarly, 90% of the respondents agreed that social approaches in domestic country act as a barrier to export for the SMEs. Most of the respondents disagreed that there is healthy competition between firms in the Lampang Ceramic cluster as there was little cooperation between firms and exchange of information between them.

#### **5.2.1.2 Interpretation**

Selling abroad is said to require specialized human resources and more resources than selling at home, and yet family firms are unwilling to recruit non-family managers with the required international skills. From the view point of the respondent on the social approaches and language barrier in the cluster we can conclude that Language and social approaches are a major barrier to export for SMEs in Lampang. It was found that the firms lack trust and faith, they don't have positive vibes among them. SME's

firms in Lampang in Ceramic cluster cannot attract new fresh graduates with new ideas and vision due to the lack of goodwill within the new generation. Many of the ceramic firms are the members of the Ceramic association but they don't share problems they try to solve on their own. They are more like bitter rivals rather than partners.

This causes weakness in the competitiveness of the cluster as the SME's lack expertise and knowledge which hinders their prospect to export to another country and have a competitive edge on the market.

Availability of low cost labour is seen as an advantage in Lampang Ceramic Cluster.

It was found during the research that most of the Labourers are low on skills and hence productivity tends to be low

## **5.2.2 Research Question two**

Would insufficient R&D investments work as a barrier for Lampang SMEs to enter into foreign markets?

### **5.2.2.1 Analysis**

#### Qualitative Analysis

All of the respondent agreed that the economic slowdown has had a big impact on the ceramic firms in the cluster and they have been hit hard, therefore they don't invest much into R&D. Lack of long term strategy and capital is one of the main reason for not focusing on research and development.

“We are going through a tough time, economic slowdown along with weak government has hit us hard, and we have low orders from Japan and European countries.” respondent who is an entrepreneur. Research and Development plays an important role for the success of a cluster and give a competitiveness to the related firms who are

associated in the cluster. It was found during the research that the ties between research and educational institution is quite low and there is low involvement in doing research or having new design to attract new markets or approach new economy.

“We are on the verge of extinction due to very low new concepts or design. Most of the SMEs are owned by family business and their social approach is to use old technology and are very slow or don't want to implement and adapt new technologies due to high cost and needed knowledge to adapt the new technologies ”, respondent answered.

### Quantitative Analysis

Research and development is an important element for firms to gain competitiveness and have an advantage over a long period of time. It was found during our research that there was a lack of research and development involvement by the firms in the Ceramic cluster. This can be confirmed as 80 % of the respondents disagreed that the firms in the cluster invest in research and development in the cluster. Almost 90% of the respondents agreed that the R&D is a major export barrier, which is quite common among family owned businesses.

#### **5.2.2.2 Interpretation**

With the availability of cheap labour, firms do not focus on innovation, hence it is commonly seen that the ceramic firms use old trade practices in manufacturing of the products. Though some big well known firms do some innovation on the production

and design of their product. 80% of the respondents disagreed that the firms invest in innovation to enhance product or production.

### **5.2.3 Research Question three**

(Would legal procedural complexity and lack of express service would work as a barrier for Lampang SMEs to enter into foreign countries?)

#### **5.2.3.1 Analysis**

##### Qualitative Analysis

SMEs in ceramic cluster in lampang find it tough to export as they see legal procedure to export quite complex and they have low knowledge regarding firms providing or assisting firms to go international and export in new market. During research it was found that the support system and related service providers were not proficient enough to provide assistance to the SMEs. One of the respondent who owned a Micro Enterprise said that, “export is admirable as it will generate good income for us and more important for firm like us as we employ underprivileged population. But it’s too complex and required lots of paper work to export and send to other countries”.

One of the respondent who owned a medium firm informed us that,

*“Although the international market is lucrative but there are lots of risk involved. Due to technology things have become a bit easier, but still Lampang lacks support systems to help small firms like us to be able to export and find relevant market”.*

### Quantitative Analysis

Involvement of the related industries is very low in the cluster who play a major role in the advancement of the cluster. Almost 60% of the respondents disagreed that there are qualified service providers who focus on the Ceramic Industry in the Lampang region and assist the firms to go international. Most of the respondent almost 60% did not agree that there is a quality business service provider for the clients in the cluster. Some of the smaller firms do not have technology or skills to complete the order received, hence they required assistance from service providers to go through the complex legal processes. Most of the SME firms find that the documentation related to export is not easy and complex which can be confirmed by the fact that 60% of the respondent agreed on this.

There are lack of support systems to assist the SMEs to go beyond the comfort zone, which can be confirmed that 60% respondent agreed that there is lack of express service in the SME cluster.

#### **5.2.3.2 Interpretation**

Most of the respondent agreed that relative industries which provide legal service as well as logistics need to play a major role in supporting SMEs. Respondents agreed that government has to work as a catalyst and form better policies to support the ceramic cluster. This is to support the Ceramic cluster to move on the path of innovation on process, product as well as design.



SME firms in Lampang Ceramic Cluster depends heavily on low cost labour, it is also seen as a competitive advantage by the firms in the region. But these skill deficits can hamper the innovation, up gradation, policy making of the cluster. UNIDO (2009), “Skill deficits are common among underperforming clusters and range from scarce technical competence and low levels of education of the workforce (i.e. industrial skills), through poor business management capacities (i.e. entrepreneurial skills), to weak capabilities of the staff of local institutions and policymakers (i.e. governance skills).

Majority of the employees who work in the firms are casual workers and hence they are not interested to get trained or learn new traits. Moreover, as most of the firms in the cluster lack finance, training and development takes a back seat in their agenda. It seems to be a kind of vicious circle which needs to be broken and the firms need to attract young population passing out educational institutes.

#### **5.2.4 Research Question four**

(d. What can assist the cluster to be competitive?)

##### **5.2.4.1 Analysis**

###### Qualitative Analysis

Most of the respondents informed that research and development, and assistance from the government can assist the cluster to be competitive. Research and development in design is seen as a key factor which can ensure the ceramic industry can survive. Most

of the respondent viewed that the cost of production was high as due to usage of old technology and the firms lack capital to be invested in acquiring new technology.

“Ceramic firms use outdated technology which is not only harmful for the employees creating bad work environment, but it also ensures that the productivity remains less. Innovation should not only be limited to design or product but also to the process which would create a better working environment and hence attract skilled labour”, as viewed by the dean of Business Faculty in a college in Lampung.

Respondent informed that government can play a key role in assisting the firms to be more productive by right kind of policies encouraging the firms gain competitiveness. “Government need to have some good policy for us. Government has implemented 300Baht wage/ day. It will surely kill us, you can see around most of the firms are closing. We are dependent on low cost labour, if the labour is expensive how can we survive? Government has to provide us with financial assistance to assist us to employ technologies to increase our production”.

### Quantitative Analysis

Most of the respondents feel that Government can play a vital role in cluster initiatives and development, 60% of the respondents agree that the government can act as a catalyst in helping the cluster to survive. SME’s in Lampung are finding it hard to adapt to the new policy, 52.9 % of the respondent disagree with the policies adapted by the government. Hence, most of the respondents around 81.4% disagreed that the

government is encouraging growth and the rest being neutral. There is also lack of good quality supplier of product and service; this hinders the growth of the cluster. Majority of the respondents, almost 90% disagree that there is quality of suppliers.

#### **5.2.4.2 Interpretation**

In developing economies Government has a huge role to play in supporting SME clusters. Cluster not only provides employment and income opportunities for the local population it can also become a driver of economic development in local communities. Government can act as a catalyst through favorable policy and also by encouraging active participation by the firms and other related industries in the cluster.

### **5.3 Conclusion**

Export barriers can be overcome if detected and managed in time. In case the SMEs can figure out the motivators which affect its export process it will enable SMEs with assistance from related industries to formulate a strategy to overcome the dangers of foreign markets and exposure. SMEs face many barriers while going international which can be attributed to the fact that social approaches vary in different regions and in Lampang it was found that SMEs have a low level of trust and faith between them. General population have a low level of English language skills and this acts as an important export barrier. SMEs lack capital and due to lack of cooperation they don't

have much say and hence Research and Development takes a back seat and the focus is on survival.

Related industries which provides legal support and logistics services are scattered with very few involvement and engagement with SMES. This act as barrier as the small firms lack the skill and knowledge to export. Corruption is also a barrier to export which effects the smaller firms and they perceive to get export license is not easy.,

Hence, through our quantitative analysis we found that all our hypothesis were accepted and the variables had weak or moderate positive relationship when statistically tested on Descriptive and Correlation statistics. So we can conclude that all the below hypothesis are accepted.

**Table 5.1: Research Hypothesis**

Hypothesis	Hypothesis Statement	Test Result
H1	Language difference between home and host country would work as a barrier for Lampang SMEs to enter into foreign markets.	Accepted.
H2	Difference in social approaches between home and host country would work as a barrier for Lampang SMEs to enter into foreign markets.	Accepted
H3	Insufficient R&D investments would work as a barrier for Lampang SMEs to enter into foreign markets.	Accepted
H4	Legal procedural complexity in the home country would work as a barrier for Lampang SMEs to enter into foreign countries.	Accepted
H5	Lack of express service within Lampang would work as a barrier for Lampang SMEs to enter into foreign markets	Accepted.
H6	Corruption in the home economy would work as a barrier for Lampang SMEs to enter into foreign markets.	Accepted.

## 5.4 Recommendations of This Study

Recommendations that came to light after the research are followings:

Recommendation that came to light after the research are followings:

1. Create shared value: Porter (2011), Solution lies in the principle of shared value, which involves creating economic value in a way that also created value for society by addressing its needs and challenges.
2. Education Program run by the SMEs association: Ceramic SMEs should encourage students to take up some projects in the ceramic industry. Ceramic cluster should provide some scholarship programs and encourage institution to have some vocational courses tailor made for the ceramic industry similar to the automotive industry.
3. Economic database: Have database of all the markets which are lucrative and should be shared to the SMEs which will enable them to make proper decision regarding export. Technical experts on knowledge management from educational institutions as well as industry should be invited or hired for the project.
4. Export center: Ceramic SMEs should come together along with government in having an export center along with a start multi lingual call center cell with

employees who can provide good customer support and also proficient in many language of the countries which attracts most business. This can work as a catalyst for the SME firms who are going through a tough time due to low demand in the domestic market.

5. Container freight station: In collaboration with related industries and related industries SMEs should initiate a container freight station similar to one stop service. It should have a customer office along with a customer officer handling export related documents.

### **5.5 Limitations of the study**

1. Uppsala Model and Porter Paradox: One of the well-known criticism of Uppsala model fails is that it fails to consider the specific market environment and industry characteristics in the target country. It fails to consider different factors such as economies of scale, research and development intensity and also government regulations.

Porter five forces also known as diamond model offers a perspective on competitiveness and clusters, but it is based on rivalry which plays a vital role in diamond model. Orjan Solvell (2009), “The diamond model – the driver of innovation and upgrading among a nation’s or region’s firms – is typically less understood by policymakers, whereas the cluster model became a central feature of industrial, innovation and regional policy”.

2. Researcher faced language barriers during the initial start of the study as the population in Lampang are not well versed in English Language which is the language of research. Researchers was accompanied by English Thai teacher from Kokha Community College teaching at vocational college.
3. Most of the secondary data were in Thai, and hence it had to be translated into English before using it. There are chances of error when data are translated into English language from Thai language.
4. Lack of cooperation from the ceramic firms was one of the major problems, as most of them don't want to discuss or give data to outsiders as they feel that their data would be given to their competitors. It was beyond the researcher's capacity to obtain some data.

### **5.6 Suggestions for future research**

There were many issues found during the research which can provide direction for further study. As this research is a case study of SME firms in the Lampang Ceramic industry, the results are not considered to represent SMEs in another industry. Hence, for further study researcher recommends to research in a other industries on the export barriers faced by the SMEs in Thailand.

There is scope to research on the quality of service providers and logistics companies in the SME cluster in Lampang, as they play a major role in assisting the SMEs to go beyond the borders and look at new market as a target market. Furthermore, getting data for the research was not so easy and the availability of secondary data is

rare. Most of the data available is in Thai language. Hence, a proper research can be done by someone who has good grasp on Thai and English language or collaborative research.



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## Appendix A

### CONSENT FORM – GENERAL

Project title:

Researcher's name: Janak Nandan Pandey

Supervisor's name:

- I have read the Participant Information Sheet and the nature and purpose of the research project has been explained to me. I understand and agree to take part.
- I understand the purpose of the research project and my involvement in it.
- I understand that I may withdraw from the research project at any stage and that this will not affect my status now or in the future.
- I understand that while information gained during the study may be published, I will not be identified and my personal results will remain confidential.
- I understand that I will be audio-taped (if allowed) during the interview.
- I understand that the tape will be retained and stored by the researcher. The tape will only be used for transcribing in a form of computer database by the research. Softcopies of transcript will be stored in the personal computer with password protected. All records (notes, tapes, and transcripts) will be stored in a locked file cabinet in a locked room. Only the researcher and supervisor will have access these materials.
- I understand that I will not have any payment for taking part in this project.

Name of participant: \_\_\_\_\_

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

I have provided information about the research to the research participant and believe that s/he understands what is involved.

Researcher's signature: \_\_\_\_\_ Date: \_\_\_\_\_

## Appendix B

### PARTICIPANT INFORMATION SHEET

Project Title

Researcher's Name and Contact Information

Janak Nandan Pandey ([janakcooldude@gmail.com](mailto:janakcooldude@gmail.com))

Dear Valued Participant,

You are being invited to take part in a research project. Before you decide to participate, it is important for you to understand why the research is being conducted and what it will involve.

Interviews will be last for about forty five minutes at a location of your choice. We will audio record this interview only with your permission. A copy of transcript can be sent to you to confirm the accuracy of our conversation. You will be given this information sheet to keep and be asked to sign a consent form prior to the interview.

Answering some questions about self-opinion might cause transitory discomfort. You are completely free to refuse to answer any question and have the right to stop tape recording at any point in the conversation. The researcher will comply with the regulation to protect the privacy and the rights of the research participants.

The data collected in this study will be retained in a safe environment according to the Official Information Act of Thailand (Official Information Act, B.E. 2540). Details can be found from Office of Official Information Commission (O.I.C.) (see [http://www.oic.go.th/content\\_eng/act.htm](http://www.oic.go.th/content_eng/act.htm) for details.) All interview responses will be anonymous and no information could lead to identification of any individual will be released. Only the researcher and supervisor will have access such material.

Should you be interested in receiving a copy of final results or thesis, please contact the researcher by the above email address.

Thank you very much for sharing your valuable time and your kind assistance

## Appendix C

### Questionnaires

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Language difference between Thailand and export country works as a barrier for Lampang SMEs to enter into foreign markets.					
Lampang SMEs get quality skilled staff with good command in Foreign Language.					
Is skilled labour a major issue in the Ceramic cluster?					
SMEs provide skills and training development to employee to improve their English Language skills					
There are quality of education and training providers in the cluster.					
Will social approaches between home and host country would work as a barrier for Lampang SMEs to enter into foreign markets					
Is there a healthy competition between firms in the cluster?					
Insufficient R&D investments would work as a barrier for Lampang SMEs to enter into foreign markets.					
Firms investing in new forms of knowledge, innovation and R&D?					
Legal procedural complexity in Thailand would work as a barrier for Lampang SMEs to enter into foreign countries.					
Getting documents for exporting to another countries is very complex and takes long duration to get approved.					
There is availability and quality of export services in cluster.					
Lack of express service within Lampang wouldn't work as a barrier for Lampang SMEs to enter into foreign markets					
There are competitive and high quality logistics service suppliers in the cluster.					



There are strong ties with research institutions.					
If the firms are more productive, will the cluster will become competitive?					
If the labour are well trained and skilled, cost of production will come down?					
Corruption in the Thailand works as a barrier for Lampang SMEs to enter into foreign markets.					
SMEs face corruption while exporting products to other market.					