

## THE STRATEGY DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES (SMEs) OF ACCOMMODATION AND FOOD SERVICE IN PHUKET

Anusara Sawangchai<sup>1\*</sup>, Hiran Prasarnkarn<sup>2</sup>, Noppadol Chanrawang<sup>3</sup>, Wanida Hancharoen<sup>4</sup>,  
Pipop Somwaythee<sup>5</sup>

<sup>1,2,3,4,5</sup>Management of Entrepreneurship Faculty of Management Science, Phuket Rajabhat Universit

\*Corresponding author; Email: dr.anusara@hotmail.com

### Abstract

This research aims to study the problematic conditions of small and medium enterprises, of hotels and food services, to provide a strategy for the development of small and medium enterprises, by providing hospitality and food services in Phuket by using integrated quantitative research which is divided into two phases. The first phase is a study of current problems of small and medium enterprises, accommodation and food services. The second phase is a strategy for the development of small and medium enterprises, accommodation and food services in Phuket by using qualitative research. Pieces of data were collected by the expert in-depth interview. Representatives from all sectors, local and national academics were to summarize information about strengths, weaknesses, opportunities and barriers to SWOT Analysis to find the right strategy and stage the forum. The participant were involved to present a draft strategy for the development of small and medium enterprises in Phuket accommodation and food service industry. The analysis of the data in the first phase of the questionnaire was using the statistical programme to distribute the frequency as a percentage value, average standard deviation and analysis of data in phase 2 by content analysis.

**Keywords:** Strategy development, small and medium enterprises (SMEs).

### Introduction

Small and medium-sized enterprises (SMEs) play an important role in the economic growth of different countries, such as the source of employment, making money for the country and creating good living for people in different countries. For ASEAN countries, the number of SMEs in ASEAN is accounted for 96 percent of the total number of enterprises. The economy of the ASEAN region contributes about 42 percent of the total economic value of the region, exporting 25 percent of total exports and employs 73 percent of all employment in the economy. When considering proportional statistics in the context of each member country, Indonesia has the highest number (196.9), followed by Thailand (43.94), Singapore (35.15), Brunei (23.99), and Malaysia (22.89) (Wongkhajohnkiat, 2017).

Small and medium enterprises (SMEs) in ASEAN are important for job creation and income generation. It is also an important economic pillar of ASEAN. In Thailand, small and medium enterprises (SMEs) are the main mechanisms for enhancing the country's economic progress. It is the main mechanism for strengthening the country's economic progress by creating income for the country. As to induce employment tackle poverty, it can play a role in the

foundation of economic development. It is also linked to large businesses, manufacturing, and trade as well as service sectors. The Thai government recognizes the importance of small and medium enterprises (SMEs) as it helps and develops small and medium enterprises (SMEs) continuously. In order to increase the capacity of small and medium enterprises (SMEs), the need for a strong hand can effectively compete through enhancing knowledge in improving the efficiency of the product development process and management within the organization in terms of restructuring of supporting mechanisms and the drive of small and medium enterprises (SMEs) into a system and a clear unity.

In terms of access to finance and investment services for small and medium enterprises (SMEs), development of products and services, marketing and investment opportunities have taken place abroad. According to the Office of Small and Medium Enterprises Promotion (OSMEP), in 2014, statistics show that Thailand had more than 2.74 million SMEs across the country; with the proportion of SMEs accounting for 99.74 percent of total enterprises, and 99.28 percent were small enterprises (SE) while medium enterprise (ME), was the only company with a GDP of just 12,778, or 0.47 percent. Therefore, major economic development must be developed for

SMEs to grow from small to medium size and medium to large. This increases the competitiveness. The country's economic potential has grown to become a high-income country. Thailand is the 51<sup>st</sup> largest in the world. The area is 513,115 square kilometers and is the 20<sup>th</sup> largest population in the world of about 67 million people. The main income is from the tourism industry and services. Thailand has world famous tourist attractions that generate income for the country, as well as exports, which play an important role in economic development with a GDP of around US \$ 334,026 million. Thailand's economy is the 32<sup>nd</sup> largest in the world. Thailand is also strategically located in the gateway to the heart of Asia, an important center of today's growing market economy (Siripattarasopon, 2016).

Phuket is a province of Thailand with natural attractions, cultural attractions as well as other attractions. The province is a major tourist destination of the country which is considered the world famous. Each year, there are many tourists visiting. The importance of Phuket is a province with a tourism potential that is full of tourism resources as a source of income to Thailand. Phuket also creates jobs for the people because of tourism growth. As a result, the number of small and medium-sized enterprises, especially the food service and accommodation businesses, has increased. Phuket's economic overview comes from the service or type of accommodation and food service. It accounts for 45 percent of the provincial value. And Phuket operates 31 percent of food and accommodation. It is part of the service sector. The expansion of the economy in the Andaman area as a whole in the past has an average growth rate of about 5.5 percent per year. The growth rate is higher than the national average of 4.6 percent per year. The average growth rate in the South is 3.3 percent per year. It is the type of accommodation and food service. The country's average growth rate was 6.6 percent per year. The southern and southern provinces in the western region were similarly growing at an average of 11.8 percent per year. With average annual up to 7 percent. It accounts for nearly 50 percent of the provincial value of food products and services or 54 percent and 80 percent of the value of products in the category of accommodation and food services of the South (Office of Strategy Management Andaman, 2016).

It is found that small and medium-sized enterprises and food service in Phuket trends to grow more. The benefits of the various provinces will be reflected in the implementation. However, problems arising from the operation of small and medium-sized enterprises, accommodation and food services are still

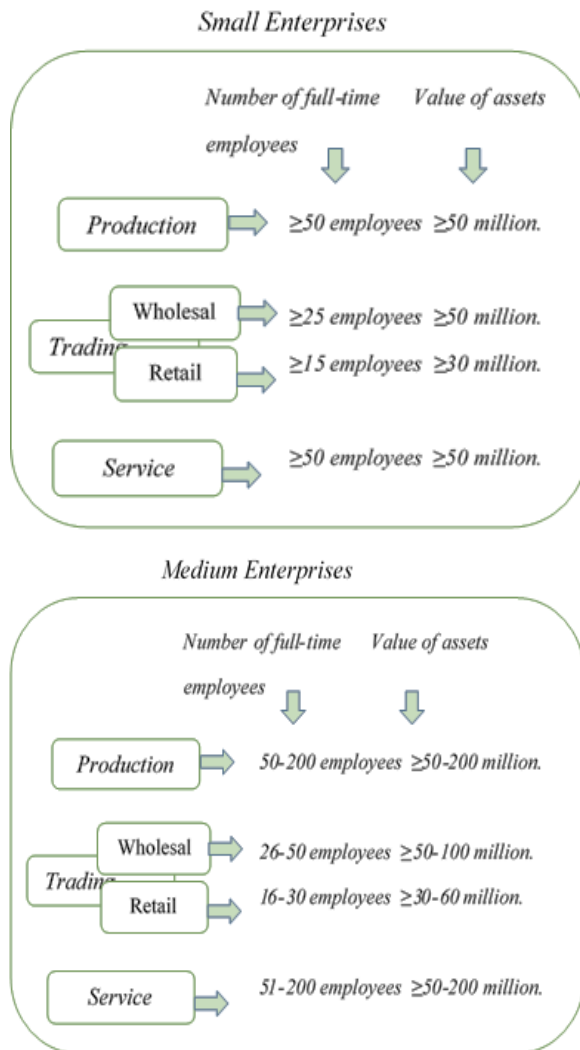
present, such as management of marketing, finance, accounting, government support, the development of knowledge and many more. Therefore, this research is focused on studying the problems of small and medium enterprises, accommodation and food services in Phuket. It also provides strategies for the development of small and medium enterprises, lodging and food services in Phuket to strengthen small and medium enterprises, accommodation and food services and the next extension to come. It is highly recommended to conduct research.

### *Management Strategy*

Strategy is the way of doing things that is expected to lead to organizational goals (Certo & Peter, 1991). Strategies will mean a plan, approach, or approach that will lead the organization to a result that is consistent with the mission and overall purpose of the organization. Researchers have identified the development strategy of small and medium enterprises (SMEs) of accommodation and food service in Phuket. This is a guideline or development method small and medium enterprises (SMEs) in Phuket to be effective. Wehrich (Suwan, 2011) that the acquisition of a strategy comes from analyzing the strengths, weaknesses, opportunities and threats to start thinking about the right strategy to making a list of the internal environment that is the primary strength by using the initials 'S'; making a list of the internal environment as the primary weakness by using the initials 'W'; writing the external environment entry as a primary opportunity by using the initials 'O'; writing the list of external environments that are barriers or primary threats by using the initials 'T'. In accordance with the matrix table - Main Opportunities (ST) - Main Strengths (ST) - Main Weaknesses (WO) - Core Weaknesses (WT) - Main Obstacles (WT) in each of the fields in the matrix table decided which strategy will be the most effective.

### *Small and Medium Enterprises*

Office of Small and Medium Enterprises Promotion (2015a) gave a definition and importance of SMEs in Thailand and legalized the ministerial regulations, number of employment and fixed assets of small and medium enterprises on year 2002, authorized under the small and medium enterprise promotion act on year 2000. By requiring the enterprise to display, the image is shown in small and medium enterprises based on the meaning of each business.



**Figure 1. Definition of small and medium enterprises (smes) in Thailand**

Source: Office of Small and Medium Enterprises Promotion (2015a)

Characteristics of Small and Medium Enterprises (SMEs) Any occupation will vary depending on the nature of the process. Small and medium businesses (SMEs) have the following features (Manchaiam, 2014): 1. Getting into business is easy. There are not many capital and facilities, and when it comes to the problem of loss, the chances of recovery are much easier than for large enterprises. 2. Flexibility in management. Operators can control the company thoroughly and closely. 3. Conduct business regardless of production. Distribution or service is highly flexible. In line with the era of production and trade, which requires rapid response. As well as production and trade aimed at a variety of forms or services rather than quantitative targeting. 4. Can create specialized skills to achieve efficiency.

## Research Method

This research uses a mixed methodology (Mixed Method). Quantitative Research Qualitative is divided into two phases. Here are the details:

Phase 1: Current status of small and medium enterprises, accommodation and food services in Phuket.

1. Research population consists of entrepreneurs or representatives of small and medium enterprises (SMEs). The type of accommodation and food service is registered with the corporate entity until the year 2015 with the provincial commercial office. And it's still up to date. Operated area in Phuket was 1,868 (Office of Small and Medium Enterprises Promotion, 2015b), using sampling technique at 95 percent with confidence level. The error rate of  $\pm$  five percent is based on the Taro Yamane formula. (Chatarasuwan & Buaotuan, 2013) The sample is 400 entrepreneurs in Phuket area.
2. The tools used in the study is the questionnaire.
3. Quality of tool development by providing three experts in tool inspection according to content validation of tools.
4. Qualitative data analysis is through the use of the software package.

Phase 2: Strategies for small and medium enterprises development, accommodation, and food Services in Phuket.

Step 1. Strategic analysis.

1. Research population consists of Expert is representatives from all sectors, local and national academics included 10 interviews (Representative from: Office of the National Economic and Social Development Board, Office of Small and Medium Enterprises Promotion (OSMEP), Department of Industrial Promotion Ministry of industry, Department of Business Development Ministry of Commerce, Chulalongkorn University, University of the Thai Chamber of Commerce, Khonkaen University, Phuket hotel and restaurant owners, Southern Thai Hotels Association and Phuket Tourism Association.
2. The tools used in the study is the In-dept interview and using SWOT analysis to find out about strengths, weaknesses, opportunities and threats.
3. The research instrument was a structured interview. Improving tool quality by offering expert in tool inspection.
4. Data collection: The researcher contacted and made a letter to the information provider. To apply for a self-interview with a lead letter.

5. Checking and analyzing strategies. The researcher investigated the accuracy and reliability of triangular data. Triangulation is the verification of information in the field of data sources. Time source of data and personal sources Strategic Analysis by SWOT Analysis and Matrix Development by Wehrich (1982) to Get Strategy for Small and Medium Enterprise Development, Accommodation and Food Services in Phuket.

Step2: Organize a forum for public and private stakeholders. Phuket Hotels and Resorts are to confirm the draft strategy for the development of small and medium enterprises, accommodation and food services in Phuket and also presented to the national qualifications for the final draft.

### Result and Discussion

Small and Medium Enterprises (SMEs) status, accommodation and food services in Phuket have high potential in the tourism industry. It is known and popular with tourists around the world for a long time. Considering the number of small and medium enterprises, accommodation and food services, it was registered as a juristic person, found that most of them were the business owners of about 47.0 percent of the total number of regular employees was less than 10 persons, representing 34.0 percent. And the logo of the business of 85.8 percent have their own website. The majority of fixed assets (including land) are more than 10,000,000 Baht or 27.0 percent. The average annual sales are more than 2,000,000 Baht or 27.0 percent.

When considering the business management situation, it was found that the business itself was interested in financial planning and accounting the most, accounted at 60.80 percent, followed by management of 46.8 percent of the human resources management that is planned before the opening of the business at 70.5 percent. The criteria for selecting employees are based on knowledge at 79.5 percent, and personality issue respectively, accounted for 75.0 percent. The factor used to determine the compensation for work is the measurement of the ability to be the majority of 75.0 percent with monthly payment of 67.1 percent of the control. Every entrepreneur places importance on financial/accounting control 86.6 percent. And the performance or production accounted for 56.3 percent. When considering marketing, most of them are surveying the needs or popularity of customers regarding the services of the business by 67.78 percent. Most businesses have pricing methods based on cost, accounted competitively for 55.8 per-

cent. The competitive price was 23.5 percent mostly using price strategy. However, prices are cut sharply for sale, especially off season (Low Season). Most entrepreneurs focus on marketing promotion activities. The most commonly used marketing promotion tools were advertising (72.0 percent), followed by sales staff accounted for 38.3 percent. In terms of production, the average number of customers per day was 21–50, accounting for 42.1 percent. Most of the investment comes from three sources, business owners and partners. Most of the capital comes from the owners themselves by 67.0 percent with loans from financial institutions accounted for 27.5 percent. Most entrepreneurs, if they need a loan, interest rate will be considered for 79.5 percent plus the cost of borrowing accounted for 66.8 percent. Most of the entrepreneurs have debt of more than 1,000,000 Baht or 22.0 percent. As far as preparation of financial statements was concerned, it was found that all operators had to make a profit statement by 62.0 percent. Accounting and financial matters were recorded by financial and accounting staff accounted for 64.8 percent. In terms of liquidity, all businesses have adequate cash reserves and the reserve of cash used in the business per day is mostly 50,000–100,000 Baht or 29.8 percent.

Strategic plan for small and medium enterprises development Phuket hotels and food services for the purpose of this research divided into four strategies and 19 measures, comprised of Strategy 1: Strengthen the difference to attract consumers as a global travel destination, Strategy 2: Promotes cluster integration of accommodation and food services SMEs, Strategy 3: Adjusting funding measures to support economic growth, Strategy 4: Promote SMEs entrepreneurs to the global market.

According to the current study, the status of small and medium enterprises (SMEs) of accommodation and food services in Phuket has high potential in the tourism industry. It is known and popular with tourists around the world for a long time. Considering the number of small and medium enterprises, accommodation and food services, registered as a juristic person, discovered that most of the private owners have less than 10 employees, annual net profits are no more than 5–10 percent. Most enterprises have a business logo and have their own website. Most businesses have fixed assets (including land) of more than 10,000,000 Baht or 27.0 percent. The average annual sales are more than 2,000,000 Baht or 27.0 percent.

According to Sawangchai, Prasarnkarn, Chanrawang, Somwaythee, and Tسانون (2015) which studied on the status of small and medium enterprises

(SMEs) in Andaman Province (Phuket, Phang Nga, Krabi), the results showed that SMEs in the triangle Province of Andaman were very diverse (Heterogeneous group), which composed of various types of business. Most of the businesses were owned by an individual and involved with service business. The average number of employees in each business was less than 10 people and earned about 1–5 million Baht per year. The average permanent assets of each business was found to be 1–5 million Baht and over, with the average net profit of 5–10 percent per year.

In terms of the financial management status, it was found that most of the enterprises had their financial plans. Regarding their investment, most of the enterprises had their own money and borrowed some from the funding units. In terms of human resource management, the SMEs had their human resource plans and followed the regulations of salary payment of their staff. The staff of SMEs had been given clear explanations before assigning them to their jobs. Regarding production and services, the SMEs had surveyed the customers' demand before production and providing services.

However, the most important internal factor which affected their businesses was found to be the ability of the administrators and the staff. The most important external factor which affected their businesses was found to be the number of competitors in the market. When considering the state of business management, it was found that the business was interested in financial planning mostly in accounting and human resource management that is planned before the opening of the business. The criteria for selecting employees are based on knowledge the personality. The factor used to determine the compensation for work is the measure of competence. There are monthly payments involved and controlled by every entrepreneur that places importance on financial/accounting.

When considering marketing, most of them are surveying the needs or popularity of customers regarding the services of the business. Most businesses have pricing methods based on costs competitively. Prices are cut sharply for sale, especially off season (Low Season). When it comes to marketing promotion, most entrepreneurs focus on marketing promotion activities. The most commonly used marketing promotional tool is advertising.

Considering the manufacturing aspect, the majority of clients is 21–50 on average. Most of the investment comes from three sources: from business owners and partners. Most of the capital comes from the owners themselves including loan from financial institution for investment. Most entrepreneurs, if they

need a loan, it will be considered with interest rate and the cost of recovery. Most entrepreneurs have liabilities of more than 1,000,000 Baht. As for preparation of financial statements, it was found that all operators had to make a profit statement by financial and accounting officers who act as accountants. In terms of liquidity all businesses have adequate cash reserves. And the reserve of cash used in the business per day is mostly 50,000–100,000 Baht.

According to Rangsungnern (2013) the study that indicated that today small businesses face the following challenges: 1) Market management issues because of the size of the small market in Nongkhai, the sustainability of the business is small. Nevertheless, the business has tried to plan its annual sales and has improved its sales plan to fit the situation. 2) Financial management has been managed on the financial plan. But the problem with the debt to financial institutions are some of the interests, recovery period and loan approval. 3) As for personal business management, businesses have a personalized management plan by recruiting employees from both internal and external sources. Businesses are also lacking in training to enhance their workforce, consideration of promotion based on employee competence. 4) Manufacturing and/or service management of the business: the business is trying to produce products and services on time.

Small and medium enterprise development strategy is based on Phuket accommodations and food service business strategic development for small and medium enterprises in hospitality and food services in Phuket. It is in line with Certo and Peter (1991) that strategy is the way of doing things is expected to lead to organizational objectives and consistent with Wehrich (Suwan, 2011), that the acquisition of a strategy comes from analyzing the strengths, weaknesses, opportunities and threats. To start thinking about the right strategy via making a key list of internal strengths by using the initials 'S'; making a key list of internal environment (key internal weakness) 'W'; writing the key external opportunities list using the 'O' letter; to write a list of external environment that is a barrier or key external threats, using the initials 'T'; Writing into the matrix table, and then pair up between the main strengths - the main opportunity (SO), the main strengths-primary obstacle (ST), primary weaknesses (WO), primary weaknesses (WT).

Based on all the strategies in each square in the matrix, decide on the most effective strategy to be the core strategy and support measures. Strategy 1: "Strengthen the distinction to attract consumers to serve as a global tourist destination." Strategy 2: "Encourage cluster integration, SME entrepreneurship, accommodation and food services".

According to Siriyong (2012) study on the model and strategy of small and medium sized businesses in Thailand to enhance their capacity and competitiveness in a sustainable manner. The study indicated that small and medium businesses of the four SMEs finalists in the 2011 will be formally engaged in both wholesale and retail trade, production services, and implementation strategies. The business consists of cost leadership, strategy to make a difference market development strategy product development. Strategy pricing strategy is specifically focusing on strategy to maintain customer base specific service strategies as a fast response strategy like networking strategies or business partner strategy of the old pledge, i.e. strategies to increase distribution channels, strategy for adding advertising and strategy to penetrate the furniture market. The problems and obstacles found in the business are floods, labor shortages and impact of the opening of the ASEAN Community. The problem is not finding the product at some time and the problem of lacking of government promotion.

Strategy 3: "Adjusting the source of funds in the system to support economic growth". According to Srisom (2010), this may hinder the progress of the business as well as weaken the entrepreneurial spirit. This can happen from all directions. The external environment that affects business and the potential limits of the business itself. Small and medium sized businesses in Thailand are experiencing many problems. The problem that is often encountered is the shortage of funds. Small and medium sized enterprises often have problems borrowing money from financial institutions to invest or expand their investment or working capital. This is because there is no systematic accounting and lack of collateral loan. They have to rely on informal loans and pay high interest rates.

Strategy 4: "Promote SME entrepreneurs to the international market". SME entrepreneurship strategies for foreign entrepreneurship focus on the strategy of entering the international market. Marketing program development and the concept of entering the international market. However, the development of the Thai economy and dynamics of the global economy, as a result, affected SMEs in Thailand to have to adapt themselves to compete in the global market by having a strategy that can enter the efficient international market. It focuses on strategies to keep pace with the global market. This is the strategy of Porter's competition, which will result in the Thai SMEs to compete in the global market."

### Conclusion

The SMEs of accommodation and food services in Phuket has high potential in the tourism industry. It

is known and popular with tourists around the world for a long time.

### Recommendation

Local organizations should play a role in laying down rules and regulating the balance between resource users and local people, such as tourist attractions. The government should address domestic political problems and security issues by giving confidence to both investors and tourists. Government support should be integrated seriously by clearing data and policy and getting easy access. It should promote cultural heritage in order for older generation to gain knowledge and create value for businesses in the community and SMEs.

### Limitation

This research was affected by the data obtained from the questionnaire. The general manager is 54.3 percent. Only 29.0 percent of the respondents were surveyed. It is believed that the research could be used as a strategic proposal for the purpose of the research. Organizing forum comment of stakeholders who are attending the forum is still lacking with interest from the management of each agency. Some are merely delegates to those who do not have the authority to make policy decisions. Criticism is not clear in the policy either.

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