

Authentic Evaluation and Management Approach of OTOP Herbal Product of SMEs Entrepreneur in Western Region of Thailand

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Abstract—The purposes of this study are to provide authentic evaluation, guideline for OTOP herbal product management, problems and obstacles in OTOP herbal product business management in the western region of Thailand, to study the overall performance and potential of OTOP business development, and to develop business management guideline for OTOP herbal product entrepreneurs in the western region of Thailand. The samples were 100 staffs related to OTOP herbal product business and 22 OTOP herbal product entrepreneurs as the research used a mixed method, consisting of qualitative research and quantitative research. Concerning the external factors, including competitive rivalry, bargaining power of suppliers, bargaining power of customers, threat of new entrants and threat of substitute products or services, the study has found that competitive rivalry is firstly related to bargaining power of suppliers, while bargaining power of suppliers is secondly connected with bargaining power of customers, and competitive rivalry is thirdly associated with bargaining power of customers. Therefore, community enterprises should work together to set standard prices without cutting prices to lower bargaining power of customers. Together, they should also bargain with suppliers for standard decent prices of supplies in order to reduce bargaining power of suppliers.

Index Terms—authentic evaluation, herbal product, OTOP

I. INTRODUCTION

In the midst of the country's economic crisis and the people's problems, one of the problems that grassroots people who are the majority in the country have been faced with is poverty. Therefore, the government has declared war on poverty with a policy proposal to the parliament to launch One Tambon One Product (OTOP) policy which helps promote the use of local wisdom in product development while the government provides support in the form of new knowledge and management to link local products to both domestic and international markets by the system of stores, networks and internet. This is to promote and support local development process and to build strong self-sufficient community so that people can take part in generating income by making use of local resources and local wisdom in product and

service development and adding strength and value desired by both domestic and international markets. The government formulated the Prime Minister Office Regulation on One Tambon One Product National Steering Committee B.E.2554 (2011) on September 7, 2001. The Prime Minister then assigned Pongpol Adireksarn to be the committee chairman and the committee is responsible for formulating policy, strategies and model scheme for One Tambon One Product project operation, selection standards and criteria and Star OTOP product registration and effectively supporting the operation according to the policy, strategies and model scheme [1].

One Tambon One Product (OTOP) project was one of the government's urgent policies that aimed to encourage each community to utilize their local wisdom in product development as the government provided support in the form of new knowledge and management to connect local products to both domestic and international markets by the system of stores, networks and internet. The project was also intended to promote and support local development process and to build strong self-sufficient community so that people can take part in generating income by making use of resources and local wisdom in product and service development and adding strength and value desired by both domestic and international markets conforming to local culture and way of life [2].

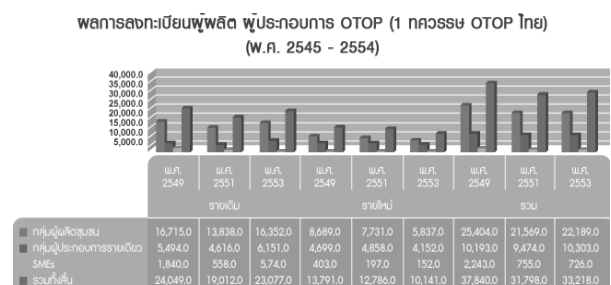


Figure 1. Statistics on OTOP product registration of local producers and SMEs entrepreneurs (Community Development Department)

OTOP entrepreneurs are local traders who work as effective steering mechanism of grassroots economic system. The Fig. 1 explains statistics conducted by the Community Development Department, Ministry of Interior. It shows that there are 33,218 registered OTOP

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entrepreneurs and 85,173 registered products in 2010. Most entrepreneurs have had problems with managerial skills and knowledge. The image of the product is old-fashioned with no identity, or else the production is either not line with market needs or is missing cooperation. Therefore, OTOP entrepreneurs should be given opportunities to develop their managerial skills, so that they are able to compete with other competitors in the market and respond to not only local needs but also international needs while local identity and connection still exist [3].

Another source of motivation to develop OTOP business management and to leverage the business to be on par with international standards is the establishment of ASEAN Economic Community (AEC) consisting of 10 ASEAN countries which will be complete in 2015. AEC will be another context for Thai SMEs. As OTOP products are cultural products, it is impossible for OTOP product producers to avoid the free-trade impacts. In the midst of current fierce business competition, every country is placing the attention on building community capacity and using community strengths in terms of local culture, way of life and wisdom to make a connection between the production and services in order to create identity and marketing opportunities. Therefore, OTOP product producers, especially the products used in daily life, may be affected by competitors and increasingly intense competition in the market as low quality products require small capital and there are more substitute products in Thailand from which consumers can choose with more bargaining power that leads to price squeezing. The entrepreneurs, therefore, have to be prepared for the more intense competition and there will also be adjustment cost [4].

As OTOP enterprises are small community business, OTOP entrepreneurs need to be well-prepared in all aspects with thorough knowledge and understanding about regulations and agreements concerning SMEs, including an overall picture of AEC and the studies of opportunities and impacts on their business. Under a high level of AEC free-trade agreements and fiercely competitive opportunities, OTOP products are to be developed by SMEs entrepreneurs and SMCEs which are considered small business units formed by members of small communities. However, a number of products have not been developed due to a variety of problematic aspects, such as production, marketing, finance and management [5]. Therefore, one of the ways that can maintain stable business continuity in the increasingly competitive economy is to study the current operating situation in order to understand the problem conditions and to be able to overcome weaknesses and find guidelines for potential development to establish the standards and to be accepted in the international level.

In addition, most of OTOP products in the western region of Thailand are herbal products, earthenware and artificial flowers and one of the problems that happen with OTOP products in this region is disorganized management and functional discontinuity. This is because there is no group leader or a person who can work daily

as the OTOP project members consider this business as their extra or part-time job which they can only work on when they have free time. As a result, the operating system is ineffective. Therefore, the researcher is interested in the OTOP business management model used in the western region with an emphasis on herbal products. This is because Thailand is one of the countries that have most agricultural land of which it herbs can be used in various advantageous ways and the products are actively supported by the government as stated in the 11th National Economic and Social Development Plan (2012 – 2016) and the 8th National Research Policy and Strategies (2012-2016). It is clear that the emphasis is on making a connection between large scale industry and local industry and developing business potential to create sustainable business. This also includes herbal products which are worth keeping an eye on for both business entrepreneurs and consumers. This research aims to study authentic evaluation, problems and obstacles in OTOP herbal product business management in the western region of Thailand, to study the overall performance and potential of OTOP business development to be in line with international standard.

II. OBJECTIVES

- 1) To provide authentic evaluation, problems and obstacles in OTOP herbal product business management in the western region of Thailand.
- 2) To study the overall performance including internal factors, external factors and the management of OTOP herbal product.
- 3) To develop business management guideline for OTOP herbal product entrepreneurs in the western region of Thailand.

III. CONCEPTUAL FRAMEWORK

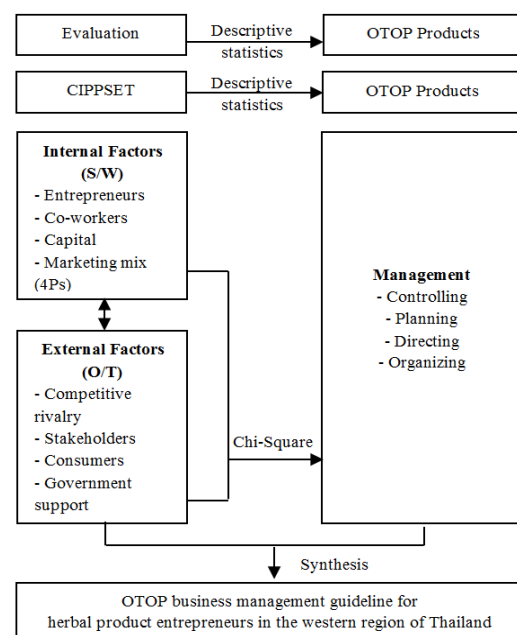


Figure 2. Conceptual framework

The conceptual framework shown in Fig. 2 includes evaluation method (CIPPSET), internal and external factors of business which are required to analyze actual management approach of the OTOP business.

IV. RESEARCH METHODOLOGY

This research used a mixed research method between quantitative research and qualitative research consisting of the following procedures.

A. Population and Samples

The data was collected from 2 groups of key informants.

- 1) 100 staffs related to OTOP herbal product business
- 2) 22 OTOP herbal product entrepreneurs

B. Research Instruments

In this is an action research, the researcher had adopted a mixed research method, combining quantitative and qualitative research instruments, detailed as follows.

1) In terms of the quantitative research section, the field data was collected using a questionnaire consisting of 5 parts.

a) Basic demographic information: gender, age and hometown

b) Project evaluations (CIPPSET): context, input, process, products, society, economy and technology [6].

c) Internal factors: strengths and weaknesses of entrepreneurs, co-workers, capital and marketing mix

4)Ps - Product/Service, Price, Place and Promotion), and sales promotion

d) External factors: business opportunities and obstacles occurred to competitive rivalry, stakeholders, consumers and government support

e) Managerial suggestions and recommendations from the staff who work in the OTOP herbal product business

The researcher has validated the questionnaire using Cronbach's Alpha coefficient to ensure the internal consistency and reliability of the questions before collecting the data.

2) As for the exploratory qualitative research section used to support the qualitative study, the researcher conducted an in-depth interview with the key informants, 22 OTOP herbal product entrepreneurs, about the business management concerning controlling, planning, directing and organizing.

C. Data Collection and Sources

The data collection had been divided into 2 aspects as follows:

1) Primary data was collected from key informants by using the questionnaire with 100 staffs related to OTOP herbal business and conducting the in-depth interview with 22 OTOP herbal product entrepreneurs.

2) Secondary data was obtained from crucial documents, including books, magazines and electronic documents provided by government and private sectors as well as other related documents.

D. Data Analysis

1) Quantitative data

The researcher entered the information obtained from the questionnaire into SPSS statistical software using descriptive statistics, including frequency, percentage, mean, standard deviation and Chi-square statistics, to find variable correlations.

2) Qualitative data

Content analysis was carried out after the qualitative data survey. The researcher gathered the information and divided it into major categories according to the research framework.

V. RESEARCH RESULTS

A. Part 1 General Information

Most of the samples are female, aged 51-60, and half of them have the average personal income of 8,000 – 10,000 baht per month with primary school degree and over 10 years of experience in OTOP business. In addition, more than half of them are originally from Nakhon Pathom Province.

B. Project Evaluations (CIPPSET)

According to the project evaluation (CIPPSET), the ratings on products, society and economy are at the high level as the overall ratings on context, input and process are at the moderate level and technology is rated at the low level.

C. Part 3 Internal Factors

From this study, more than half of the samples who completed the questionnaire have neither a yearly operational plan nor a production plan. However, they have a product marketing plan in which most of them distribute their products across Thailand and abroad. They also have a product development plan and allow all members to participate in the operation. Most of them unofficially coordinate one another in the form of a network and they officially gather into a group which was legally established and registered. The group has a leader and/or a coordinator with a responsible assignment matrix for each project. However, the total capital for the business is lower than 100,000 baht which was contributed by the group members. All samples have developed their products in response to customer needs. The prices are varied and a variety of distribution channels allows the products to be conveniently purchased. There are advertisements/product presentations and new product recommendations, while the customers can also be reached via social networks.

D. Part 4 External Factors

The researcher has found that the overall rating of external factors including competitive rivalry, bargaining power of suppliers, bargaining power of customers and threat of new entrants was at the moderate level. The competitors tend to cut prices and keep selling on long credit to boost sales. Entrepreneurs are able to bargain for decent prices with suppliers and are able to return materials with defects. Government support regularly

brings about new entrants and there are always new entrants due to low business capital requirement.

E. Hypothesis Testing

H_0 : internal and external factors with no impact on the OTOP herbal product management of entrepreneurs in the western region of Thailand

H_1 : internal and external factors with impacts on the OTOP herbal product management of entrepreneurs in the western region of Thailand

TABLE I. CHI-SQUARE STATISTICS OF INTERNAL AND EXTERNAL FACTORS WITH IMPACTS ON THE OTOP HERBAL PRODUCT MANAGEMENT OF ENTREPRENEURS IN THE WESTERN REGION OF THAILAND

Hypothesis	Sig	Result
Internal and external factors with impacts on the OTOP herbal product management of entrepreneurs in the western region of Thailand	0.000	✓

Remarks: ✓ indicates hypothesis acceptance [Sig. < Alpha (0.05)]
✗ indicates hypothesis rejection [Sig. > Alpha (0.05)]

According to Table I, the Chi-square statistics, the researcher has found that there are internal and external factors that have impacts on the OTOP herbal product management of entrepreneurs in the western region of Thailand.

VI. DISCUSSION

Regarding the project evaluation (CIPPSET), the ratings of production, society and economy were at high level since there are quality control and product development to meet customer needs, while the overall ratings of context, input and process were at the moderate level. In the aspect of context, the entrepreneurs should pay attention to convenient location, such as an easy-to-access location which is close to the main road. The use of local wisdom in new product development should be encouraged. In terms of input, local resources and labor-and time-saving machinery should be used in the production. As for the process, the organization or unit should be well-organized with, for example, a responsibility assignment matrix and the operation should be more effective. For instance, operating procedures and production process are clear written down. The technology was rated at low level as it was barely supported and old people do not have good command of the technology. The results are good reflections of the organizations which will bring about effective solutions to the problems. This is in line with the study of Yaowadee Rangchaikul Wibulsri [7] which has pointed at the advantages of project evaluation. The evaluation works as a quality certification tool and informs the financial supporters of problems or obstacles in the project operation. It also provides related organizations or units with valuable information which helps arranging the projects in order according to their importance. The evaluation also collects feedbacks from end users, so that the entrepreneurs are informed of limitations and

problems in the operation as well as desirable and undesirable issues about the products.

The business management guideline for OTOP herbal product entrepreneurs in the western region of Thailand can be categorized into 4 aspects: controlling, planning, directing, and organizing, as shown in Fig. 3. In terms of the external factors, including competitive rivalry, bargaining power of suppliers, bargaining power of customers, threat of new entrants and threat of substitute products or services, the samples have neutral opinion in all aspects. This indicates that the pressure from the external factors still creates difficulties in the operation as the competitors are able to cut their prices and sell on long credit to generate better sales. Therefore, the entrepreneurs should increase their bargain power with suppliers to lower the capital, so that the products can be sold at lower prices. The customers also have high bargaining power because they have a number of options; therefore, the entrepreneurs, as a group, can set the standard prices together to lower the bargaining power of customers. The government support for OTOP project and herbal products require low capital always attract new entrants. In addition, as herbal products can be substituted with various products with the same functions which might be cheaper, the products should be developed continuously to achieve higher quality to attract customers. This is in line with the work of Sumeth Deuisres [8] which states that incentive refers to motivation that encourages human to do activities or to show behaviors that lead to a goal and the incentive creates responses to the needs to survive and the become the strongest.

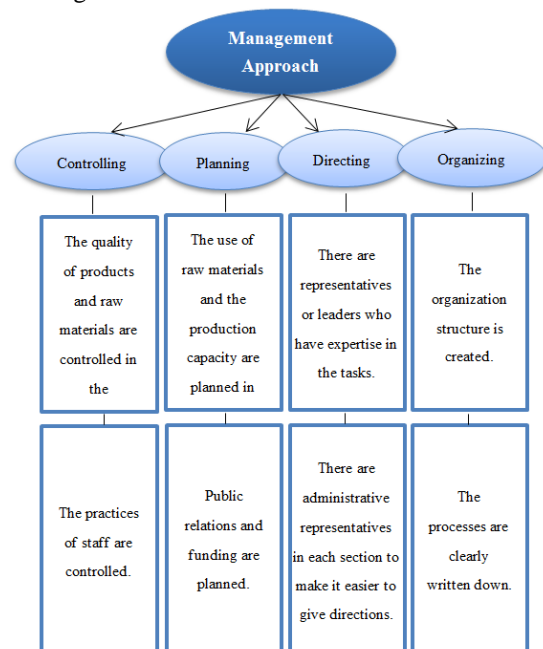


Figure 3. Business management guideline for OTOP herbal product entrepreneurs in the western region of Thailand

Considering the external factors, including competitive rivalry, bargaining power of suppliers, bargaining power of customers, threat of new entrants and threat of substitute products or services, the researcher has found

that competitive rivalry is firstly related to bargaining power of suppliers, while bargaining power of suppliers is secondly connected with bargaining power of customers, and competitive rivalry is thirdly associated with bargaining power of customers. Therefore, community enterprises should work together to set prices without cutting prices to lower bargaining power of customers. Together, they should also bargain with suppliers for standard decent prices of supplies in order to reduce bargaining power of suppliers. This is in accordance with the study of Sujinda Chemsriping [9] on Traditional Trade (Grocery): Problems and Solutions which has found that, for the business to survive, retailers should build up a network of traditional traders to create bargaining power in the competition with hypermarkets in order to maintain existing customers.

VII. SUGGESTIONS AND RECOMMENDATIONS

This research shows that the herbal product is in an oligopoly market where there are a small number of competitors. However, the disadvantage is that this business requires small capital which constantly allows new entrants and among a small number of competitors there is intense rivalry, such as cutting prices and selling on credit. This gives the customers the greater bargaining power because they have options to purchase the same quality products at lower prices. Therefore, the herbal product entrepreneurs should form an association to set standard decent prices, so that the customers have less bargaining power as all options are sold at the standard price. In addition, when the entrepreneurs get together, they can increase their bargaining power for reasonable prices with suppliers as the total order is large and the price gets lower, while the suppliers have less bargaining power because they have fewer options.

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