The Effect of Human Resource Management and Creative Corporate Culture on Small- and Medium-Sized Export Enterprises in Upper Northern Thailand

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The purpose of this article is to study the performance of small- and medium-sized exporters in the upper Northern region of Thailand. The focus is on the effect of human resource management, the creative corporate culture and the transformational leadership on the performance of these companies. The performance of the organizations was classified by the type of enterprise, working experiences, location and theories relating to the workings of export-orientated SMEs. Given current competition among exporting business and the opening of the ASEAN Economic Community, a flood of imported duty-free commodities has influenced Thai SME exporters to develop products with a level of quality to match market demand. This is with the use of human resource management through the transformational leadership mechanisms of entrepreneurs, in particular that with an effect on the productivity and the competitive advantage of industrial business over the long term. This research employed both quantitative and the qualitative aspects. The main population of this research was 403 small and medium enterprises exporters in the upper Northern region of Thailand. These were in 8 provinces, namely Chiang Rai, Chiang Mai, Nan, Phayao, Phrae, Maehongson, Lampang and Lamphun. A census survey was distributed via electronic and physical mail. Analysis of data was carried out with structural equation modeling, while the qualitative data (in-depth interview) was utilized via 3-dimensional data analysis of time consumption, location usage and key subject contents in order to find correlations of factors.

JEL Codes: 423

1. Introduction

The rapid changes in the modern economy and society have affected the operations of small and medium-sized enterprises. In order to survive as well as to gain competitive advantage, entrepreneurs must be able to apply human resource management and corporate creativity to increase employment, and maximize use of tools, experience and resources. These require marketing capabilities and innovation in order to create competitive advantage. (Lee and Hsieh, 2010, p. 416).

In Thailand, SMEs form the largest single group of enterprises and they play an important role in Thailand’s economy and employment. For the past 10 years, the government has given priority to the promotion and development of SMEs in many ways but although the government has spent an enormous amount of money and made changes to laws and regulations to facilitate SME business operations, there are still problems and obstacles preventing the effective performance of SMEs. This is especially true with regard to problems with personnel. (Sophon Polprasit, 2013)
According to Suchana Chucherd (2013), the world is changing rapidly and markets are becoming competitive, it is essential for entrepreneurs to rethink their strategies and focus more on human resource development to build human capital and so create advantages in leadership. The organizations that survive are the ones that can adapt to the changes. However, this requires that the organizations anticipate and adapt to changes in advance. To be an organization of excellence, the organization must be able to predict changes, respond to them, foresee the direction of changes and become leaders in these changes. (Napawan Kananurak, 2009).

In 2013, the volatility of the market and economy had a tremendous impact on the trade confidence index and investment in SMEs prompting entrepreneurs, businesses and services to respond to these changes. (Office of Information and Research, Office of Small and Medium Enterprises, 2013). These instabilities required entrepreneurs and export business executives to manage their teams effectively with the vision to bring the organization forward and to use technical management to help organizations when facing theses changes. (Anderson and Jack, 2008; Gupta, MacMillan, and Surie, 2004; Swiercz and Lydon, 2002) In addition, government policies need to be implemented to reduce trade barriers and help entrepreneurs to adapt to and compete with other countries, and this will ultimately lead to a sustainable economy. (Watcharee Vimooktayon, 2013).

Business management involves the performance of manufacturing management, financial management and, most importantly, human resource management. (Manorot Kusonsak, 2013) Unfortunately, many SME entrepreneurs monopolize power through the authority of the owner. They do not have a plan for business risks and do not prepare for a business successor. This means that the survival of the business is tied to a single person. This risk is often overlooked since hiring a third party to manage the business may make the owner anxious and afraid of losing the company’s confidence. As a result, many companies do not have a successor to continue the business or a successor is not willing to take care of business (Ampol Navawongsatian, 2009). There is evidence that some small and medium enterprises have had to discontinue or be sold off when the owner faced health problems or passed away. In some cases, business owners were very old but still had to work very hard and did not or could not retire or transfer the business to a younger generation. As a result, owners had to quit or sell the business that they had built (Korrawit Tonsorn, 2013).

Human capital is essential to the development of both organizations and the country. Jeera Hongladarom (2012) emphasized the importance of human resource management and that it is necessary to invest in human resources for the development of the country as well as for the integration of the ASEAN community because human resources are a key factor in developing the country. Human resources can enhance the production and productivity of the organization in the long term (Boselie, et al. 2005). A country with good human resources may gain advantages in terms of economic and social development. Moreover, Gilani, et al. (2012) state that human resource management strategies approved by people in the organization play a key role in creating competitive advantage.

Usually, the management of SME export enterprises and organizations involves transferring work experience from generation to generation, resulting in a corporate culture, work values, and relationships among colleagues and staff that supports the reaching of these goals. (Cook and Lafferty, 1989) Corporate culture is a key factor in creating staff confidence and devotion to the organization (Schein, 1992). This also affects staff performance and the performance of the organization (Smircich, 1983). Corporate
culture is also positively related to cooperation and the operation of the organization (Patrick, Robert and Yvette, 2013).

Since most Thai SME export entrepreneurs inherited their businesses, this has led to a monopoly of family businesses. Most operations have a problem with the leadership of the organization because only the leaders or entrepreneurs will be responsible for recruiting the employees into the development process to form an effective team (Moden, 1997, p. 522).

As most SMEs in Thailand developed out of family businesses, they were cumbersome and slow to change or improve their structure when compared to non-family enterprises. SMEs show a lack of knowledge in management and systematic administration as a result of their tendency to run their business on the basis of trial and error. In addition, the workforce of SMEs are mainly drawn from the extended family and this may well lead to prejudice and a lack of loyalty from employees who are not members of the family or relatives. On the other hand, close ties among family members may have benefits to medium-sized businesses as family members may help the monitoring and running of the business. (Boonthawan Wingwon and Montri Piriyakul, 2009).

However, when the business is expanding but its management system has not improved, there is a good chance that problems will occur. Common problems are the inability of SMEs to keep pace with changes from several related factors and to delegate work and responsibilities. As a consequence, staff are less likely to participate. There is also a lack of team work and coordination between different departments within the organization. (Office of Small and Medium Enterprises, 2007).

Another limitation of the management in SMEs characterized by family-run businesses is the rapid turnover of the labor force. This is because skilled and experienced laborers often move into bigger businesses or industries in search of better-pay and better opportunities. Hence, SMEs need to develop skilled labor at all times. The problem of seniority is also evident in SMEs due to a gap in age, attitude, working style and mutual acceptance and therefore entrepreneurs need to help employees of different ages work together by increasing internal communication and reducing the existing organizational problems. (Office of Small and Medium Enterprises, 2011).

The export outlook of the upper North of Thailand in 2012 showed that there are barriers to exports for SMEs, in particular, the ability to access markets and restrictions on funds. It is impossible to conduct proactive marketing activities in potential markets and there is a lack of access to in-depth market information regarding both competitors’ and consumers’ behavior. SMEs in Lamphun are currently experiencing a lack of knowledge in business administration and while business has becomes more complex and diverse, with different demands and changes in consumption trends, there is clearly a lack of commercial agents or distributors of products both for domestic trade and export. (Interview Anurak Napawan 2014), There is also a lack of product distribution channels and exhibition centres. Products and services from SMEs are not well-received in the market, are unable to establish brand identity and are unable to attract customers. SMEs in Chiang Rai are also experiencing problems; for example, a lack of knowledge in the tea business so it is impossible to produce good quality tea. (University of Technology Lanna, Northern Campus, Chiang Mai, 2007, page 43) There is also a lack of knowledge and understanding of electronic transactions and marketing plans. The inability of SMEs to
gain access to government support (for example marketing activities) can also cause some problems. (Office of Small and Medium Enterprises, 2011).

In addition, SMEs in the upper northern part of Thailand experience a lack of skilled workers and so the workers they do have are low-skilled. There is also a language barrier, a lack of standard systems to increase the workers’ skills, a lack of a good welfare system and a lack of personnel investment. In the mean time, the government and education system are unable to produce staff to meet the demands of the labor sector, particularly in certain fields. Despite the development of facilities, there is no continuity in improving workers’ skills. (Office of Small and Medium Enterprises, 2011).

Another important issue is that most Thai SMEs produce their products at customers’ orders and there are only a small number of enterprises that can design their own products at an advanced level, such as designing prototypes of products. The lack of cultural identity, innovation and technology to develop original products has led to problems with imitation and price wars. (Office of Small and Medium Enterprises, 2011). The situation of SMEs in Phrae revealed that there are only a few product designs available on the market and so it is difficult to seek new markets and increase the value of the products. (Rajamangala University of Technology Lanna. Northern Campus, 2007, page 24).

A challenge facing most SMEs is their inability to lead change and a lack of strategic plans. The fact that they still adhere to the traditions of the family business prevents them from growing. These restrictions may be either in terms of policy making or business operations as the power to make decisions is limited to only a few people. This inevitably leads to a lack of business transparency, a lack of planning, poor cost and accounting management, a lack of monitoring systems, a lack of vision, and an inability to see the importance of merging or expanding into other related businesses. (Office of Small and Medium Enterprises, 2011). In addition, most entrepreneurs do not recognize or do not understand the economic changes that affect businesses. These may be due to international trade agreements, the integration of the ASEAN community, financial crises, or critical shortages of energy and food resources. As a result, they cannot adapt to situations which could lead to the failure or loss of business. (Office of Small and Medium Enterprises, 2011).

Currently the level of economic activity in the upper Northern provinces is relatively low and the value of agriculture is equally low due to limits on the level of production technology and a lack of inputs. This is at least in part a direct result of trade liberalization with China which has disrupted production of fruit and vegetable and fruit, along with certain other agricultural products. Industrial exports from the upper Northern provinces have also fallen due to the global financial crisis, particularly as it has affected Europe and America but also other countries which have been through a recession. (Office of Strategy Management, Upper Northern Provinces 1, 2014, page 13).

From the above, the researchers conclude that the key factors influencing the export performance of SMEs include the management of human resources and the creation of a creative corporate culture through transformational leadership to increase SMEs’ ability to export. With the development of a strategic plan to create a strengthened regional network of SMEs, it is clear that there needs to be an increase in funding for operations and expansion overseas. SMEs will be developed by improving regulations, supporting
businesses, promoting regional networks and developing information systems to enhance the human capital is necessary for SMEs.

This information and the problems identified above provide the groundwork for this research in terms of human resource management, creative corporate culture and transformational leadership. These are examined and investigated for the presence (or absence) of relationships.

2. Objectives of the Research

1. To study the performance of small- and medium-sized export enterprises in the north of Thailand.
2. To study the influence of human resource management, creative corporate culture and leadership on the operations of the export-oriented SMEs in the north of Thailand.
3. To examine the operations of the organizations, classified by the type of enterprise, working experience, and location.
4. To investigate theories concerning export-oriented SMEs in the north of Thailand.

3. Scope of the Research

The study of human resource management and creative corporate culture in export-oriented SMEs in upper Northern Thailand. The main population of this research was 403 such enterprises in the eight provinces of Chiang Rai, Chiang Mai, Nan, Phayao, Phrae, Maehongson, Lampang and Lamphun. (Office of Small and Medium Enterprises. 2013 page 6)

4. Literature Review

Context of Small- and Medium-Sized Enterprises in Northern Thailand

Currently economic size in upper Northern provinces is quite small. The value of agriculture is relatively low. There are limits on the standard, production technology and not enough inputs. They have been directly affected by the liberalization of trade with China, which causes turbulence of vegetable and fruit and affected some of agricultural products. It has been driven by the impact of the global recession. There is the shrinking purchasing power of different countries who suffered from depression.

SMEs in the upper North still rely on natural resources, cultural wisdom and effective labor. Trade issues are also dependent on exports but there is insufficient technology, investment, innovation, and modern management. Trade competition between many operators is still based on price and there is a consequent failure in the development of added value in products. This is the result of a lack of long-term competitive advantage in exporting goods to foreign countries, as shown in Table 1.
Table 1: Number and size of enterprises by province.

<table>
<thead>
<tr>
<th>Provinces</th>
<th>SE</th>
<th>ME</th>
<th>SMEs</th>
<th>LE</th>
<th>N/A</th>
<th>Total</th>
<th>SMEs (Export)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chiang Mai</td>
<td>92,931</td>
<td>304</td>
<td>93,235</td>
<td>118</td>
<td>1,585</td>
<td>94,938</td>
<td>301</td>
</tr>
<tr>
<td>Lamphun</td>
<td>25,565</td>
<td>81</td>
<td>25,646</td>
<td>39</td>
<td>649</td>
<td>26,334</td>
<td>28</td>
</tr>
<tr>
<td>Lampang</td>
<td>29,329</td>
<td>59</td>
<td>29,388</td>
<td>21</td>
<td>451</td>
<td>29,860</td>
<td>41</td>
</tr>
<tr>
<td>Mae Hong Son</td>
<td>6,728</td>
<td>13</td>
<td>6,741</td>
<td>4</td>
<td>153</td>
<td>6,898</td>
<td>1</td>
</tr>
<tr>
<td>Chiang Rai</td>
<td>46,811</td>
<td>137</td>
<td>46,948</td>
<td>36</td>
<td>1,039</td>
<td>48,023</td>
<td>18</td>
</tr>
<tr>
<td>Phrao</td>
<td>21,303</td>
<td>80</td>
<td>21,383</td>
<td>9</td>
<td>484</td>
<td>21,876</td>
<td>4</td>
</tr>
<tr>
<td>Phrae</td>
<td>35,184</td>
<td>58</td>
<td>35,242</td>
<td>4</td>
<td>827</td>
<td>36,073</td>
<td>10</td>
</tr>
<tr>
<td>Nan</td>
<td>24,546</td>
<td>52</td>
<td>24,598</td>
<td>7</td>
<td>551</td>
<td>25,156</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>282,397</td>
<td>784</td>
<td>283,181</td>
<td>238</td>
<td>5,739</td>
<td>289,158</td>
<td>403</td>
</tr>
</tbody>
</table>


As can be seen, the province with the most export SMEs is Chiang Mai, at 301, followed by Lampang, at 41, and Lamphun, at 28. There is some degree of correlation between the number of export SMEs and the size and total number of SMES in the same province.

4.1 Human Resource Management

Human resource management is a process caused the leadership after the development process. This is consistent with Dubrin (1998). Wipada Kooptanont (2001, 237) found that developing leadership can help individuals have the ability to continue to progress and achieve organizational goals by exerting influence over the attitudes and actions of others and so convince those in an organization to achieve its goals. (Bass, 1985). Entrepreneurs must therefore manage company activities and staff, develop the company’s vision, mission statement, and corporate management structure and have an effective policy for systematic management with a focus on communication. They should also maintain a creative corporate culture and develop creative management for the sustainable growth of the organization (Rawat Findy et al. 2010). This leads to hypothesis H1: human resource management influences transformational leadership.

Human resource management plays an important role in the organization as a whole because the success and failure of an organization is based on human-resource management. Particularly in the present era of globalization, those who work in human resources management must show strategic talent and ability in developing strategy in cooperation with the executives of the organization, as well as applying information technology to human resources information systems to be used as a source of decision making for the organization’s human resources manager, acting in response to the organization’s business plan. Katou (2008) found that human resource management, whether in terms of recruitment, development, compensation and incentives, or participation, affects the performance of organizations through the skills, attitudes and behavior of staff. Later Katou and Budhwar (2010) showed that human resource management policies influence the performance of the organization depending on the skills, attitudes and behaviors of its employees. Building motivation to work and so ensure that the performance of the organization is maintained and developed leads to hypothesis H2: human resource management influences the performance of the organization.
Human resource plays an important role in the creation and development of corporate culture since the behavior of employees is a way of developing the performance of the organization (Wright and McMahan, 1992: 303 - 305). Organizations need to take advantage of and to control the values and behaviors of employees and this is done through the management of human resources; human resource management is a tool to build and develop corporate culture (Schein, 1992) or support the corporate culture with a variety of methods used to convey and develop the organization’s culture. (Lalida Kasemnate, 2007), and so hypotheses H3: human resource management influences creative corporate culture.

According to the literature, nine factors contribute to successful human resource management: (1) cooperation in the management of people in the organization, (2) human resource planning, (3) training (4) relations (5) increasing motivation (6). compensation and benefits (7) engagement (8) evaluation and (9) employee retention (Ivancevich and Matteson, 2001; Dessler, 2005; Katou and Budhwar, 2008; Natthaphon Kejornnant, 2002; Tseng and Lee, 2009; Beig, Karbasian and Ghorbanzad, 2012; DeCenzo, et al., 2013; Cascio, 2013).

4.2 Creative Corporate Culture

Corporate culture influences the roles and work of staff in an organization because an important feature of the organization is its collection of individuals working together to achieve organizational and their own objectives. Corporate culture is important to the success of the organization since it influences changes within the organization. To be successful, the staff must cooperate, and share values a culture that leads to practices beneficial to the organization (Sanond Anantanont, Saratit Skoolku et al. 2010: page1) and this leads to hypothesis H7: creative corporate culture influences the performance of the organization.

Corporate culture ties employees to the organization and it may help their performance improve. (Panagopoulos and Dimitriadis, 2009) If the employees feel greater job satisfaction, this may result in having a positive orientation toward the organization. Motivate the perception that the organization has the power to work with greater self (Steinke, et al., 2008) with greater ties to the organization (Lee, Nam, Park and Lee, 2006; Mukherjee and Malhotra, 2006; Wang, 2007; Yang, 2010). Because the staff are more committed to the organization, they may be willing to work harder (Lee, Tan and Javalgi, 2010) so if the organization is to see better results, this must come from its staff. If each employer performs well, this will make a great contribution to the organization. Thus hypothesis H4: creative corporate culture influences human resource management.

The literature review shows that creative corporate culture can be divided into six elements: (1) Increasing ability by focusing on results and customers. (2) Planning and managing the organization within a changing environment. (3) Focusing on cooperation between departments by working as a team. (4) Focusing on human resources through the mechanism of human resource management by providing policy stability, a striking feature of human resources and regulations. (5) Corporate vision that is comprehensive and consistent with the results of the organization, and (6) Moral conscience, ethical and social responsibility, and democracy (Boevink, 2009; Sanond Anantanant, et al, 2010; Somjintana Koompai, 2010; Cameron and Quinn, 1999; Delobbe, et al., 2002; Ahmad, 2012; William et al., 2005).
4.3 Transformational Leadership

Contemporary organizational management is faced with an environment that changes over time. It is imperative that organizations must be prepared to be flexible and adapt if they are to become strong organizations, ready to face new challenges and leadership is a critical first factor in this. (Somyot Cheejang, 2009) Organizations should have leaders with transformational leadership qualities and who provide important capabilities to enterprises. This leader should be qualified and unique. The leader should also make time for decision making, develop practices to suit different situations, develop staff potential, has the ability to motivate and inspire, and pay attention to details and management. (Napawan Kananurak, 2009). The leader is the life, energy and culture of the organization and group, team or organizational work may be successful because of the leadership. Moreover, leadership is a key factor in the effectiveness of the organization (Ivancevich, Konopaske and Matteson, 2008). This leads to hypotheses H6: Transformational leadership influences creative corporate culture.

A transformational leader can help the organization achieve its objectives more effectively by linking performance to valuable rewards and by ensuring that employees have the necessary resources for their work (Zhu, Chew and Spangler, 2005). Leaders with a vision create a strategic vision for the future by setting a vision with the framing of vision and mission. And acting consistently to make a commitment to the vision (Avolio, 1999; McShane and Von Glinow, 2000) A study by Zhu et al. (2005) found that the vision of the leader is critically important although commitment, trust and motivation affect the operating environment of the organization, too. Hypothesis H5: Transformational leadership influences the performance of the organization.

The literature review here found that the characteristics of transformational leadership that can be measured include: (1) Emphasizing the individual. (2) Encouraging the use of wisdom (3) Having features of the faith (4) Having behavior of the faith (5) Being inspirational (Hoper, et al, 2012; Hoffman, et al., 2011; Cavazotte, et al., 2012; Morales et al., 2012; Singh and Lokotsch, 2005; Katou, 2009; Beigi, et al., 2010; Tseng, 2009; Campbell, 1977; Parsons, 1964).

4.4 Organizational Performance

It is now known that the evaluation of the performance of an organization is essential for the future of the organization. The result of operation of the organization is a result of the action. (Porter, 1990) The performance of the organization refers to its ability to achieve the goals which it has set. In the view of Drucker (1986), the performance of the organization is a result of professional management by the organization’s leader, which must be carried out properly and in a timely manner (Kotze, 2006). As well as the concept of Singer and Edmondson (2008) noted that the performance of the organization is to achieve the goals of the organization.

The results of the operations of the organization by a summary of the concept of Santos and Brito, (2012); Ahimbisibwe and Abaho, (2013); Ayse and Akehurst, (2003); Okpara, (2009); Aaby and Slater, (1989); Leonodou and Katsikeas, (1996) found that elements of the operation are classified as two dimensions: 1) monetary dimensional metrics and 2) non-monetary dimensional metrics. The monetary dimensional metrics are as follow; (1) The profits and sales (2) the fund or stocks (3) market share, (4) the continuous growth of
the business, and (5) the leadership in sales. The non-monetary dimensional metrics are: (1) products and services with outstanding features (2) innovation which is different from competitors (3) the ability to compete (4) the overall satisfaction of employees and customers, (5) the risks management of aboard business network, and (6) the involvement of all stakeholders. The outcome can be summary as a measure of the performance of the export enterprise.

5. The Methodology and Model

This study is a mixed methods research. It is 2 kind of research which are (1) quantitative research. The procedures are the development of measurements with questionnaires, Descriptive statistical processing, and the structural equation model of the Second Order SEM, discuss the findings, conclude and give the recommendations from the research. The data is from the closed-end questionnaires. The model of the research is (Taylor and Wright (2003) and Haycock (1991) (2) qualitative study using semi-structured in-depth interviews. The researchers examine the completeness of the data by the triangulation (Denzin, 1970) and (Yin, 2011) by bringing the results to be discussed, concluded and give the recommendations from the research data as Figure 1

6. The Conceptual Frame Work

![Conceptual Frame Work](image)

Figure 1 Model of human resource management and creative corporate culture towards the performance of small and medium export enterprises in the upper-northern Thailand.

7. Summary and Conclusions

The good and durable performance of the organization will assembly many factors especially the good and effective human resources because people in the organization are the mechanisms of the organization. If the executives of the organization have good
potential in human resources management, that organization will succeed. Including the atmosphere in the workplace, the shared values and the creative culture of the workplace is the key factor in encouraging people to work. The leaders in every level must have the quality that aimed at the achievement and encourage making changes in a good and creative ways. The human resource management, the creative organization culture, the leadership of the leaders at every levels definitely influence the actions of an organization of excellence and sustainability.

End Notes

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Appendix