Upgrading Employees Skills in Thai SMEs Sustainably

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Abstract
Sustainably upgrading employee skills in SMEs is a continuous process involving improving the ability of employees. It is an attempt to improve their current and future performance and employers should keep a track on their performance after receiving reports on training so as to enable assessment. The systematic process of adjusting the behaviour of employees should be one of the goals of any organization in a volatile environment. A training plan is an effort by employer to provide opportunities for employees to acquire job-related skills, attitudes and knowledge. In order to meet growing and changing demand, SMEs have to be dynamic and pro-active with respect to the environment in order to achieve success. Consequently, many if not most SMEs implement training and development plans at the time of orientation, promotion and in other situations. This research paper makes an attempt to study how Thai SMEs try to upgrade their employees' skills sustainably and the impact of this in generating greater efficiency of the employees concerned.

Keywords: Thai SMEs, Employees' skills, principles of Buddhism, Sufficiency economy.

Introduction
SMEs in Thailand are very important to economic growth and significantly essential to generate employment as in many other developing countries. The Thai economy as it accounts for 99% of the overall enterprise number causing them to be an essential foundation of the sustainable development and a key mechanism to promote economic revitalizing, to reinforce economic progress, and to eradicate poverty. The results of development efforts under the past SMEs promotion goals could be deemed to fall short of the expected accomplishments in some aspects. As a result, Thai SMEs were still not fully competitive; their production and management structures were weak; they lacked marketing capabilities and product and service development; they had low quality labor and used technologies that were not up-to-date; their accounting systems were not standardized enough for the access to funds; and they lacked consumer and environmental accountability, as well as, the cooperation and network building among themselves in conducting business operations. At the same time, Thailand faced external problems arising from global economic, social and environmental changes such as the formation of multilateral, regional and bilateral levels; the liberalization of trade, investment and service; the market liberalization and market entry of emerging countries with cheaper resources and labor; regulations and conditions on finance, trade and investment; the rapid change in technologies; and the changes in consumer behavior; and many more. These factors had significant adverse effects on Thai SMEs. Furthermore, SMEs promotion in Thailand in the past was not implemented in unity and lacked a powerful and systematic driving force from the policy level to the operational level. Thus, SME promotion was not at its most efficient and effective level possible (OSMEP, 2007). In the past, Thai industry’s competitiveness was based on labor and natural resources advantage rather than technological strength or qualified human resources. Now many Thai business segments are stuck between countries with higher price competitiveness, such as China, Vietnam and Indonesia, and countries who are leaders in creating differentiation and value added to their products and services; who are strong with plenty of skilled labors, high productivity and great capability to produce high quality goods and services, such as Italy, Japan, South Korea and Taiwan. Currently, Thai SMEs are facing important problems and obstacles in competitiveness upgrading.

Table 1: Number and Proportion of SMEs in 2008

<table>
<thead>
<tr>
<th>Size</th>
<th>Number</th>
<th>Ratio to Total Enterprises</th>
<th>Ratio to Total SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>SE</td>
<td>2,815,560</td>
<td>99.3</td>
<td>99.6</td>
</tr>
<tr>
<td>ME</td>
<td>12,073</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>LE</td>
<td>4,586</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>N/A</td>
<td>4,158</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>SMEs</td>
<td>2,827,633</td>
<td>99.7</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,836,377</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from The Office of Small and Medium Enterprises Promotion (OSMEP, 2008).
Total number of all enterprises in Thailand was 2,836,377 in 2008 with 2,827,633 small and medium enterprises (SMEs) or a combination of 2,815,560 small enterprises (SE) and 12,073 medium enterprises (ME). As for large enterprises, the number was 4,586. In terms of proportion, SMEs accounted for 99.8% of the overall and 99.6% of the total SMEs while 0.4% of the total SMEs were the ME (OSMEP, 2008). However, SMEs growth rate is still at a low level. There are external and internal factors impeding the growth of SMEs in Thailand. In terms of internal factors, there are also important constrains impeding their growth such as poor management competences, lack of skilled labor, little efforts on Research and Development (R&D), lack of new technology and low awareness concerning Corporate Social Responsibility (CSR) are identified as some of the most important obstacles.

**Human resource is a key success factor:** Everyone has been important since people first formed organizations to achieve tasks too big to be performed by individuals working alone and everyone will continue to be a challenge as long as people work together. The form each takes is always developing to appropriate changing circumstances, but every once in a while, major shifts occur which significantly change what is required in each of the key areas. According to Industry Thailand, planning for and providing training within SMEs is a complicated business, made complex by such factors as recruitment levels; lack of in-house capabilities to plan and carry-out official training; lack of time to carry out proper training; limited knowledge about external training opportunities; partially related to small numbers of trainees; spreading of SME’s, in particular those in rural areas; requiring self-motivated learners. The new aim of job design and work organization is to enable employees to exercise more discretion and decision making, leading to greater flexibility and more rapid response to the changing requirements of the marketplace (Malcolm Baldrige National Quality Award Criteria, 1995). Pfeffer (1998) identified seven basic people management practices that contribute to firms’ competitive advantage: employment security, selective hiring, self-managed teams and decentralization, extensive training, reduction of status difference, sharing information, and high and contingent compensation. Small and medium-sized companies as convincing as the arguments for high performance may seem, companies are slow to adopt them, especially small companies. Typically, they do not have the knowledge, tools or resources for implementing these systems. Plus, their priorities are understandably focused on meeting payroll, no longer term issues such as worker training. Organizations experience a harmonizing need for control and innovation, thus, the performance requirements in today's workplace can often be separated into two categories. One category is concerned about maintaining the existing system. The second has to do with improving the system.

**Figure 1: Catalogue of Performance**

Source: Adapted from Swanson, 1994.
The catalogue of performance and its five levels provides additional understanding into performance requirements for these two different categories and the role HRD can participate in improving performance.

Literature Review

SMEs role: The SMEs role in society has always been a topic of discussion, the opinions and ideas of what commitments and responsibilities, it should take on have changed over time. The family-owned or family-controlled characteristic of SMEs, especially small enterprises, makes the owner also act as the manager. The enterprise is usually driven by the owner’s initiative and be affected by the owner’s values and ambitions (Verhees, 2005). The owner manager is responsible for many tasks and performs a central role in the decision making process. They obligate to their responsibility in the business as a life-long duty and have a direct relationship to all employees, customers and suppliers. They possess a complete overview to their own business, process all technical, administrative and organizational procedures in the enterprise. Owners-managers of SMEs usually are not willing to empower and authority, because they do want to control most things regarding the enterprise (Adams, 1982). This goes faster the decision making process, but also lead to the risk that all views may not be examined. The management structure in SMEs is often lacking specific sections and employees have multifunctional roles, working in many different situations and less clear assigned duty. SMEs have many limitations in substantial resources such as human resource, capital source and manufacturing equipment. This prevents SMEs from investing in machines, information system and other infrastructures in order to enhance product’s quality and efficient management. Furthermore, Covello & McAuley (1999) claimed that the restrictions in human resources and knowledge possession also lead SMEs to higher capital and transaction costs and lacking economies of experiences. Inadequate resources and lack of know-how in some technology areas are also the reason that SMEs can’t achieve research and development activities by themselves.

Human capital: Human capital can be defined as the attitudes, knowledge, values, experience, education, capability, skills and abilities that help the entrepreneur in the jobs of starting, running and growing a business, to learn more about how to do so and to make owners more efficient in how they achievement in running their enterprise and in performing complicated jobs. A considerable amount of research suggests that the human capital of the entrepreneur is the central overwhelming force necessary to the development and survival of the business and the competitiveness of his or her venture. Many research show that there is a positive relationship between the business’s success and the SME’s human resources. One of the aspects of new/small businesses that make them more prone to failure is that they may not be sufficiently endowed with the requisite human resources to execute their strategy (Thornhill & Amit, 2003). The human capital factors that influence the success or failure of new ventures involve the background of the entrepreneur, the actions of entrepreneurs, the decisions they make; the strategies they develop and the style of leadership they exercise (Baron, 2004). These are related to the entrepreneurs’ motivations, their attitudes, their abilities and the team of managers and employees they gather (Glancey, 1998). Human resources in SMEs prove that size is related to the formalization of HRM practices. However, there are other factors affecting HRM in smaller organization. Within small companies the dominant coalition is concentrated upon a smaller number of people. Therefore, from within the company the board of directors, the CEO and the HR staff are often one or very few people. Influence of works councils or unions has much less effect due to a small number of employees. Therefore, the owner or manager of the company has relatively more power on HRM than a manager in a large scale enterprise. HRM in SMEs becomes increasingly dependent upon the values, attitudes and long-term objectives of the owner (De Kok, 2003).

Competency management: A complete competency management strategy incorporates an organization’s principles, its recruitment strategy, employee training and development, performance management, rewards and human capital metrics to actively support the business. The full benefits of competency management can only be achieved if they are fully integrated. Small companies which tend to have informal human resource management usually do not have right follow up after the training of their employees and thus, gains are diminished. Employees seek recognition and support for their work and, if there are no proper HRD practices implemented, measuring the effect of training and performance of employees becomes very hard. However, looking at smaller companies, where number of employees and trustworthy figures is smaller, and implementation of integrated competency management should go smoother and easier. Therefore, there is no reason why rather small companies cannot have complicated competency management processes. Competent management skills are a prerequisite for the success of SMEs (OECD, 2002). Management competence (know-how, capacity, abilities and skills) are a set of factors associated with successful businesses, as they give the entrepreneur the ability to perform a role successfully and the power to act effectively in a particular range of possible future circumstance (Ibrahim & Soufani, 2002). These skills include being able to identify and evaluate market opportunities, to set up realistic and measurable goals, to develop business plans, to secure resources required and set up a new venture; to produce and service the market; to
manage conflict effectively; and to achieve the overall industrial efficiency as well as effectiveness that lead to the growing of the business (Gundry & Welsch, 2001).

**Employee value plan:** It is influenced by organization’s business, culture, brands, values, and leadership. It is much harder for smaller companies to compete with employment packages from larger companies. Salary and bonus packages, together with added benefits make large companies so much more attractive as an employer. Therefore, smaller companies must try to provide the full package of benefits and incentives that they can offer rather than salary alone in order to attract and retain top executors they have an advantage of being able to provide to individual needs, which encourages motivation and can be a selling point to the future employees (Dearlove & Crainer, 2009). This can be partly recognized to constantly changing nature of work and required skills. It is also hard to keep competency framework up to date all the time. Therefore, although job descriptions and competency frameworks help to map out desired behaviors and roles against which an employee can be evaluated, thus aiding the identification of training needs, they can also be seen as limiting, especially in SMEs. They reduce flexibility and control over employees, which in most cases is sought after in SMEs. Unfortunately, whilst managers are struggling to control these issues, employees see job descriptions as nothing more than a type of contract, which does not add any real value (Keogh & Stewart, 2001). In all companies there is a problem of trust in employees. SMEs can be particularly sensitive to this, since managers of the company are often the owners. Therefore, decentralizing and relinquishing power to someone else can be particularly tough due to high personal involvement with success of the business. If the manager does not trust anyone else to do the job as well as he or she does, then they will be slow in developing proper training and succession planning practices. This is especially a big issue in family owned businesses. Mostly only family members get enough training and are viewed as long term committed and trustworthy employees. The managers view training as an expense, not an investment (Metlay, 2002). The career improvement is a key driver of appointment, which in itself has a direct impact on how employees achieve and add to bottom-line results. However, at the moment due to hard economic situation, the belief problem rests not only with employees, but also with employers. They do not feel that they are safe with their jobs and they are eager to surrender career growth for job security. Confidence in leadership and management is all-time low and, as mentioned earlier, employees tend to leave the management rather than the company. It is important to attract the best people, but the most significant is what you do with the people inside your company. This way the dreaded “brain drain” can be avoided (Wraight, 2010).

**Management experience and Leadership style:** In SMEs, where owner has most control over the business having at least some management experience is significant. Having human resource management knowledge or a human resource expert within the company makes it easier not only to attract and manage employees, but also to retain them. It is important to recognize that there is a difference in perceptions between managers and employees of what are the most important things in working environment. This is where SMEs have an advantage due to the ability to develop closer relationship between the employee and the manager. According to employees the main reasons are base pay, stress and career development opportunities, whereas employers think that base pay, career development and promotion opportunities are most important (Hathaway, 2008). According to leadership theory Y and theory X developed by Douglas McGregor, managers adopt either hard management or soft management according to the way they view their staff (McGregor, 1960). If they see their employees as naturally lazy, disliking work, responsibility and seeking direction, they are less likely to develop integrated talent management. On the other hand, if they see people as motivated to work and self-directed, then it is expected that they will want to decentralize and develop their staff. Thus, naturally talent management must be present. As already mentioned earlier, management has to recognize that talent management is an investment into the future and a source of building sustainable competitive advantage, rather than a source of cost saving.

**Training requirements:** Educational requirements often are the nearest means of ensuring that a person is ready to continue practicing a profession. In addition, attitudes about the value, necessity and significance of training have evolved as well. Some trades required apprenticeships, which were a form of job training and provided entry into that particular trade. The perceived role for colleges and universities expanded as their student bodies grew in both scope and numbers. In meaning, the higher education system was being called upon to produce and transmit knowledge at an extraordinary rate, in an unprecedented number of fields, and with a view to civic, national, and even international benefits. People who continued their education beyond high school found and retained better jobs and consequently, higher standards of living, than those who did not (Cremin, 1988). The application of knowledge to work is what has transformed our productivity since World War II, allowing people to be far more productive than they had been in the centuries before (Drucker, 1993). Therefore, reasoned, knowledge has become the resource, replacing the traditional resources of labor, capitol and land. As a result, Ducker called for a new kind of education in which all institutions of employment, including businesses, governments, and non-profit organizations, must become.
institutions of learning and teaching. The role of leadership in an organization as enhancing the capacity of all people to work productively toward common goals. There remains a gap between the current concept of training and the belief that there should be a new compact between employers and their employees, whereby employees have the responsibility for making their place of employment as productive as possible, and the employers have the responsibility for making their employees as valuable as possible (Marshall & Tucker, 1992). The necessity for helping employees to form expectations about how the organization operates in order to help them to be better contributors to organizational accomplishment.

**Research Methodology**

This study used a depth - interview method was conducted with 30 SMEs entrepreneurs in Thailand. I have selected 10 of each section from manufacturer of production, wholesale and retail and services & support production because they are types of SME groups. My interview method was conducted on a face-to-face and telephone basis using a semi-structured interview agenda designed to permit the conversation to flow into areas of interest, rather than being forced into subjects that possibly represent the untimely biases of the interviewee. Additional interviews were conducted with SMEs were selected to reflect different sectors of economic activity, size, and occupational classification. Particular attention was also paid to obtaining a mix of SMEs that had and did not have a designated HR department and the information gained supplemented by observation of relevant collections over a period of several months. Finally, the research was informed by study of secondary data, including SMEs promotion plan No.2 (OSMEP, 2007), Situation and Economic Indicators of SMEs in 2008 and Trends of 2009 (OSMEP, 2008). Qualitative research methods are less structured and more powerful than questionnaire based interviews. There is longer and more flexible relationship with the respondent so that the resulting data gives the researcher a bigger vision and assessments. Interview transcripts (translated from the original Thai) and research observations, together with the secondary literature, were subjected to a process of content analysis according to recognized educational procedures (Kondracki & Wellman, 2002). The data obtained were processed, condensed, structured and arranged for analysis (Schilling, 2006). In common with the qualitative research approach in general, this research project placed the data first and center from immersion in the data, it is hoped that theory will ultimately emerge. The framework was operationalized by considering five key areas:

- Management problem / Entrepreneurs still.
- Employee’s problem.
- Skills and potential of employees
- Thai SMEs are stand-alone / major problems to creating new entrepreneurs.

**Findings and Analysis**

**Philosophy or ideology of Human resource development (HRD) in Buddhism**

The way to success of HRD that must be a guiding philosophy or ideology. There are different from Buddhist philosophy and capitalism. Buddhism explains to make useful and benefit of others, not so selfish while the capitalism want to make highest competitive and production. Thus, the poor and disadvantaged in Thailand, is suffering because the impact of capitalism.

**Management problem:** Most entrepreneurs still lack of business knowledge, modern technology know-how, management, product development and packaging design improvement, and good vision of development. Some SMEs do not possess the knowledge and characteristics of good entrepreneurs such as being a risk-taker, enthusiastic, eager to learn and ability to manage.

**Employees’ problem:** Most SMEs employ low-educated workforces and are unable to recruit or retain skilled workers and mid-level technicians. Thus, workforce development is interrupted and that affects the quality of goods and services.

**Skills and potential of employees:** The potential of labor and human resource in SMEs has been capped by a lot of limitations. Problems that cause quite serious hindrances to SMEs business include low education of Thai labor in average, shortage of competent technicians, absence of technician development in response to entrepreneurs’ needs of value creation, and difficulties in qualitatively creating new entrepreneurs with no interruption.

**Thai SMEs are stand-alone:** Most of SME entrepreneurs’ lack of access to capital in their business. They couldn’t be able to compete alone as a capitalist. They are also satisfied and do not see the merits of investment in factors that will yield long-term benefits such as HRD, technology upgrades and knowledge management systems. In addition, the public sector’s efforts to promote new entrepreneur creation also involve the lack of financial supporting mechanisms, and helpful infrastructure with efficiency and adequacy.

**The theory developed in line with the philosophy of Buddhism.**

The HRD for effective and sustainable should have supported by the theory. To study the relationship of various factors this related. It can be seen that scenario what to do and what the picture will be happened. Upgrading employees’ skills in SMEs is focusing on mind and ability for prosperity themselves and others. Moreover the developments have consistent for long-term integrity of the
human as well. It isn’t only for satisfy human needs but the Buddhism is the religion of enlightenment in dharma and practice.

1. Sikkha: It is trained, develop and improve their needs.

2. Non careless: keep develop and learn all the time that can be adjusted globalization in trends and achieve the goal.

**The HRD in Thai’ SMEs for sustainability as follow:**

Development for sustainability along the principles of Buddhism:In the past, the development has been destroyed or degraded environment. It is a cause of inequality in economic, social, cultural, political. Therefore, there are many parties correction or reduce the impact of the unsustainable development to sustainable development consistent with the principles of Buddhism.

HRD is a key element in current organizations and determines their future to a significant point. This is especially in the SMEs, which has been changing and developing according to occurring trends such as the problems of insufficiency and the unfair allocation of SMEs. Further, morality and ethical issues in the SMEs are also of great concern at the present. However, this is not always the case and, in the HRD aspect, it remains necessary to develop the attitudes minds, and perceptions of SMEs entrepreneurs to be ready to serve others. For Buddhists therefore, ethical behavior in business and society more generally is the responsibility of individuals rather than organizations, also that individual meritmaking can turn into bargaining.

However, it was found that increasing numbers of businesses are including Buddhism principles and that acts of giving are lauded to the social. The tradition no doubt is a strong factor supporting socially responsible practices in the private sector in Thailand.

Sufficiency economy along with royal project of the King: Sufficiency economy is a philosophy that emphasizes the middle path as the significant attitude for appropriate conduct by the population at all levels. This submit an application to conduct at the level of the individual and communities, at the same time, the alternative of a balanced development strategy for the country to modernize in line with the changes of globalization while protecting against unavoidable shockwaves and excesses that stand up. Sufficiency economic means moderation and due consideration in all modes of conduct, as well as the need for sufficient protection from internal and external shockwaves. All at once, it is necessary to strengthen the moral line of the country, so that SMEs and public sectors stick on first and leading to the principle of integrity, honesty and sufficiency. Moreover, a balanced approach combining endurance, wisdom and judgment is required to deal with appropriately with significant challenges arising from extensive and rapid environmental, socio-economic and cultural changes occurring as a result of globalization. To accomplish this, the application of knowledge with good sense is necessary for upgrading employees in SMEs.

**Conclusion and Recommendation**

Conclusion: There are many dimensions to SMEs and we should not desire to satisfy all the different requirements and the entrepreneurship in SMEs is both an art and a science. The major problems appeared to be the entrepreneurs still lacked of awareness, knowledge and understanding to conduct businesses with competence and good governance. Most of the enterprises employed labor with low levels of education, had low levels of skills and regulations in modern work methods, and had high levels of job hopping. They also lacked middle and high-level labor due to lack of career improvement opportunities, quite unattractive work environments in SMEs’ workplace, and lack of skills training. More specifically, the study has confirmed some findings, including the following comments:

1. Increasing skills in the labor force is viewed as strategically important as a significant driver of productivity growth.

2. Individual training institutions have an important role in providing training that is reachable to SMEs.

3. A significant section of SMEs with training plans report that they have continued to afford at planned levels of formal and informal training despite the downturn.

5. Many firms have positive views of the role of industry training organizations in facilitating formal vocational education and training activities, while other SMEs continue to have a preference for organizing their own training in line with their specific business need skills.

At the same time, the entrepreneurs should keep in mind the training must consistent with the principles of Buddhism and sufficiency economy.

**Recommendation:** The findings suggest achievable implications for further skills improvement of employee in SME organization and employee retention. It is also beneficial to those who have the desire to start up a small and medium size business in Thailand with the changes of globalization. Upgrading employees’ skills in SMEs for sustainability must be training along the principles of Buddhism and sufficiency economy. The concept below depicts steps toward the developments within organization.
STEP 1 Orientation period: The owners should be supportive, introducing employee to the work, such as the organization, creating a sense of ownership and assignment that match their abilities. The orientation period should be done in the first six months.

STEP 2 Motivation period: Create motivation to attract people by functionality, authorization and reinforcement. There are many ways to keep people motivated, for example, promoting success stories of entrepreneurs, providing information on business prospects, various types of supports to the outstanding in various activities. These step periods should be done during the sixth to twenty forth month.

STEP 3 Challenge period: Considering the SME life cycle, which have different problems and a variety of needs for adjustment. To improve the competency of SMEs employees in this period can be done by thinking outside the framework, be innovation and advanced career path. This step is to be in during the second and third year.

STEP 4 Maturity period: the activities in the step of maturity are the changes in position, jobs in other organizations and keep people learning new things. These step periods should be done after the third year.

References


