A proposed model of Development Competencies for Thai-Malaysian border trade entrepreneurs to Support the ASEAN Economic Community

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Abstract

This paper presents documentary research based on secondary data literature has been reviewed regarding the correlation structures of the causal factors involved in the Thai-Malaysian border trade by entrepreneurs under the ASEAN Economic Community (AEC). The theoretical framework is based on theories of resource base and entrepreneur competencies which are used to develop a conceptual framework for the research. The research finds that the factors which directly and indirectly influence to Development Competencies for of Thai-Malaysian border trade entrepreneurs to Support the ASEAN Economic Community include contingency management factors, entrepreneurship factors, Thailand national SMEs plan factors and AEC blueprint factors.

Keyword: Entrepreneurs, Competency, Border trade, ASEAN Economic Community.
Background

Border trade is an economic activity that is very important to the overall economy of Thailand. Thailand has borders with four neighbor countries; Myanmar, Laos, Cambodia and Malaysia. In 2011, Thailand in border trade was valued at 899,783 million baht (Ministry of Foreign Affairs, 2011). Thailand exports products to Malaysia worth 379,364 million baht and imports products from Malaysia valued at 181,291 million baht. The trade surplus 198,073 million baht (Ministry of Commerce, 2011).

The economies of the five southern border provinces need to develop a network of special areas to improve linkages with international maritime transport. The southern border provinces have the advantage of proximity to the Gulf of Thailand and Andaman Sea and are thus able to transport via land, rail and sea. There is a great opportunity to develop cooperation with Malaysia, particularly in the Northern Corridor Economic Region (NCER), East Coast Economic Region (ECER) and in the 10th National development plan of Malaysia for the years 2011-2015 (Board of Investment of Thailand and Malaysia border, 2011).

With the economic liberalization in the ASEAN Economic Community due to begin in 2015, the trade between Thai - Malaysian entrepreneurs will have to contend with border competition (Office of the Strategic Southern Border Provinces, 2011). The liberalization of trade in services in ASEAN under the ASEAN Framework Agreement on Services (AFAS) will reduce and remove regulations that impede trade in services between all sectors of ASEAN, under what is called the AEC blueprint. It has an impact on Thai-Malaysian border trade in terms of logistics management, consulting services, transportation, and trade through local businesses in all in members of ASEAN. The situation will change according to conditions and the trade of the ASEAN Economic Community (AEC). Thai-Malaysian border trade entrepreneurs have to understand and learn how to adapt to the AEC Blueprint to create a competitive advantage. It is therefore necessary to develop the capacity of entrepreneurs to be ready for change (Export-Import Bank of Thailand, 2011). The problem needs a solution and the most effective way to develop the competencies necessary for the Thai-Malaysian border trade is to enhance the knowledge, skills and attributes necessary for the management of enterprises. That will lead to improved competency (The Board of Investment of Thailand's border with Malaysia, 2012). This is added urgency because the trade along the Thai - Malaysian border will be opened up fully in the year 2015.
Objectives

The objective of this research is to identify the key factors that will impact on the trade along the Thailand – Malaysia border under the AEC. And to identify the causal structure of the elements that influence and impact both directly and indirectly on the development of border trade performance on the Malaysia - Thailand border region of the AEC.

Research Methodology

The research approach is Documentary Research using secondary data of documents and studies related to the question, to analyze and synthesize the information to identify the structural causal elements that influence and impact directly and indirectly on the development of border trade competency of Thai-Malaysian entrepreneurs.

Findings and Discussion

The research aim to build a conceptual framework is based on the theory of the concept of the entrepreneur. The border trade entrepreneurs have to be talented and need smart leadership (Lewin, 1939) for their people to manage their own affairs in order to bring businesses into the circumstances of intense competition in the future (Likert, 1973) when they are open to free trade within ASEAN in the year 2015.

The concepts of leadership, motivation and communication interact and influence decision making, quality control and performance goals. Blake and Mouton (1964) found the quality and the relationship of leadership influence people and production factors. On the other hand, Fiedler (1978) has shown that leadership can be effective or ineffective depending on the situation, the relationship between the leader and followers, and the structure of the work. Leaders should have a way to motivate their followers to achieve the expected outcomes (Burns, 1978) by setting clear requirements and providing rewards in exchange for trying to achieve business goals. This exchange will foster staff satisfaction in working together to achieve the goals of the work (Bass, 1985). Leadership-oriented goals enable a high-performance environment that is relatively stable. Tate (2009) studied how the owner can change the environment for small business in England, and found that the characteristics of leaders, including individual personality was key. Thai - Malaysian
entrepreneurs have to learn and develop leadership skills (Singh et al, 2009) to communicate, interact with colleagues, customers and partners, leadership skills which include the ability to make decisions for the right target, quality control, performance goals and the ability to adapt the environment within the organization to support external factors (Dess et al, 1998).

Competency characteristics are hidden within the individual. Leadership can encourage competency in the individual (McClelland, 1973). The criteria are set out in an individual’s job responsibilities namely the elements of the competency of skills, knowledge, attitudes, values and opinions about their own image. Knowledge involves power, motivation, habits and self-image. The role of social skills within the individual drives people to work effectively (Boyatzis, 1982). A strong employer-employees relationship is the criterion for maximum operational efficiency (Spencer & Spencer, 1993). Competency characteristics of the individual, knowledge, motivation, habit, self-image, social roles and skills can lead to the growth and survival of the business (Bird, 1995). Competency skills include understanding the competency concept, competency of the organization, competency strategies and organizational commitment (Mulder, et al., 2007). The entrepreneur needs competency to create opportunities, relationships, performance and organizational competency strategies, as well as competency in human resource management. Izquierdo and Deschoolmeester (2005) have researched the competency of operators in the view of scholars and entrepreneurs. Man T.W.Y.; Lau T.; Chan K.F.(2002) made conceptual model developed to link the characteristics of small and medium-sized enterprises' (SMEs') owner-managers and their firms' performance together. The model consists of four constructs of competitive scope, organizational capabilities, entrepreneurial competencies and performance.

Competency is related to entrepreneurship (Li et al, 2009), namely the ability to create business opportunities, competency evaluation of business opportunities, competency of the network business, ability to identify and resolve problems, and the ability to communicate. Hellriegel, Jackson & Slocum (2008) claim that managers should have competency in management capabilities, including communications, planning and performance management, ability to work as a team, tactical missions, cultural competency and understanding between nations, and self-control. Mitchelmore & Rowley (2010) measure competency by taking into account competency on an individual level, competency as a trader, business intelligence and competency management, competency skills and relationships. Ahmad et al (2010) undertake a competency analysis to study the background of entrepreneur personal characteristics, including appearance, attitude, people in their own image, and social role.
Contingency theories are a class of behavioral theory that contend that there is no one best way of organizing / leading and that an organizational / leadership style that is effective in some situations may not be successful in others (Fiedler, 1964). In other words: The optimal organization / leadership style is contingent upon various internal and external constraints. Four important ideas of Contingency Theory are; 1. There is no universal or one best way to manage; 2. The design of an organization and its subsystems must 'fit' with the environment; 3. Effective organizations not only have a proper 'fit' with the environment but also between its subsystems and 4. The needs of an organization are better satisfied when it is properly designed and the management style is appropriate both to the tasks undertaken and the nature of the work group.

There are also contingency theories that relate to decision making (Vroom and Yetton, 1973). According to these models, the effectiveness of a decision procedure depends upon a number of aspects of the situation: the importance of the decision quality and acceptance; the amount of relevant information possessed by the leader and subordinates; the likelihood that subordinates will accept an autocratic decision or cooperate in trying to make a good decision if allowed to participate; the amount of disagreement among subordinates with respect to their preferred alternatives.

Border trade in Europe has had to adapt to multiple national cultures by decreasing the influence of different environments to develop competency skills, understanding the behaviour of consumers from different countries to create opportunities and increase the commercial value of the border trade (Muzychenko, 2008). The cross-border trade should improve competencies to fit the environment, and management of different institutions throughout the European Union (Perkmann & Markus, 2005). Border trade in the United States needs to create a single market like Europe by increased cooperation with foreign partners (Meunier, et al., 2005). Akin Fadahunsi & Peter Rosa (2002) have learnt to profitably live with illegality, but nonetheless, would still prefer to trade in a less stressful and impartial legal system. Illegality on balance is more harmful than beneficial for economic development.

Following the integration of the member countries of ASEAN, like the EU (Ahmad, 2007), economic cooperation including trade along the Thai – Malaysia border should be adjusted in the same way as the border trade within the EU to be ready to face increased cooperation with foreign partners (Meunier et al, 2005), and to improve knowledge, in the context of understanding the diversity of cultures and the needs of consumers in both countries. Some may have to cooperate with partners from those countries. Ministry of
labour, Department of Employment (2005) study the effect of Japan-Thailand economic partnership agreement; JTEPA by the result can conclude into three area 1) effect on Industrial sector 2) direct effect on transportation and logistic sector 3) effect on employment and quality of thai worker.

Mitchell et al (1970) analyze the situation from a management-oriented approach to the theory. Administrative procedures or methods are best. This selection is used to fit the situation. Strube and Garcia (1981) analyze a situation-oriented leadership and management efficiency. The application of the theory is attributed to experience. Ayman et al (1995) provide a model of leadership as characterising a person who learns how to delegate his power to employees. According to a review by the Blue House (Luthans,1973), the traditional management system has been replaced with a behavioural management system and procedures. In actual practice, not just any theory can be applied to every organization and management problem. Management should be flexible and adaptable to situations. Fernadez and Saberwal (2001) have studied knowledge management by the administration of the situation. It can be concluded that the trade along the Thai - Malaysia border can be managed by the operator’s application of knowledge and has ability to work flexibly, and to adapt to the situation of unrest in three southern provinces. Liberalization of trade under competitive conditions ensures that the rules of AEC will be followed.

Small and Medium Enterprises Promotion Plan No. 3 (2012-2016) aims to promote entrepreneurship, by increasing the number of small and medium enterprises registered as legal persons by 250,000 in 2016 to build capacity, of depth to the AEC. For small and medium-sized enterprises, a target of 30,000 by the year 2016 aims to develop small and medium enterprises with annual improvement and environmental factors in the business to facilitate the implementation of small and medium-sized enterprises(Office of Small and Medium Enterprises, 2011). Management and promotion of small and medium enterprises has to be more efficient for functional integration for AEC (ASEAN Strategic Action Plan for SME Development (2010-2015)). According to the Office of the Strategic Southern Border Provinces (Copyright 2010-2013, revised in 2011), there are plans to develop the southern border provinces, which covers the five provinces of Pattani, Yala, Narathiwat, Songkhla and Satun. It explains there are strategic issues that must be examined urgently, which include supporting the manufacturing sector to entitle it to operate normally (Tseng, 2012), by trying to reduce the unrest in the area to less than five percent to improve the security and safety of the product, promote tourism, and border trade (Man et al, 2002). The market needs development of production technology, and capacity management, both internally and for
export (Indarti and Langenberg, 2004). The aim of management should be to effectively reach the market. It needs knowledge to create value-added products, such as Halal food standards, in recognition of the global market. International transport links and the development of process technology are needed to create value-added rubber for the creation of rubber production in the southern border provinces (Possion et al, 2002). Promotion, management, marketing and transportation are also necessary (Islam et al, 2011).

The performance of border trade requires an analysis of the situation. According to the Small and Medium Enterprises Promotion Plan No. 3 (2012-2016), it is the correlation structure of all these causal factors that influence and impact both directly and indirectly on the performance of the trade along the Thai - Malaysian border for the ASEAN Economic Community.

The result of this research is a conceptual framework to study the correlation structure of the causal factors that influence and impact both directly and indirectly on the competency of the trade along the Thai - Malaysia border for the ASEAN Economic Community. This hypothesis can be summarized as follows:

1) Entrepreneurship encourages contingency management and influences Competencies development for Thai-Malaysian border trade entrepreneurs.

2) Thailand national SMEs Plan No. 3 (2012-2016) encourages Contingency management and influences Competencies development for Thai-Malaysian border trade entrepreneurs.

3) The AEC blueprint promotes Contingency management influences to Competencies development for Thai-Malaysian border trade entrepreneurs.

4) Contingency management influences Competencies development for Thai-Malaysian border trade entrepreneurs.

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**Figure 1:** Conceptual Framework
Recommendations

The study of this research is expected to be useful to scholars and other researchers to understand the concept, principles and elements of competencies development for Thai-Malaysian border trade entrepreneurs under the AEC blueprint. It emphasizes that the performance of trade along the Thai - Malaysian border to AEC should increase with improved competencies by these entrepreneurs.

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