

[DOI: 10.20472/IAC.2015.016.039](https://doi.org/10.20472/IAC.2015.016.039)

ASSISTANT PROFESSOR ISAREE KARNREUNGSIRI

Srinakharinwirot University, Thailand

NATTAYA PRADITSUWAN

Srinakharinwirot University, Thailand

PREPAREDNESS OF THAI ENTREPRENEURS FOR ASEAN ECONOMIC COMMUNITY (AEC): A CASE STUDY OF SMALL AND MEDIUM RESTAURANT BUSINESSES

Abstract:

The research on “Preparedness of Thai entrepreneurs for ASEAN Economic Community (AEC): A Case Study of Small and Medium Restaurant Businesses” was aimed at surveying demographic data and business operations of Thai entrepreneurs, who were in small and medium restaurant businesses. The survey also included their perception as well as their preparedness toward AEC. The convenience sampling and self-administered questionnaire were used in collecting and gathering data from 200 entrepreneurs who operated small and medium restaurants in Bangkok, Thailand. Descriptive statistic, including percentage, mean, and standard deviations were utilized when analyzing the data. Hypothesis tests were conducted by using statistical techniques T-Test and F-test.

□The research results revealed that more than 70 percent of the respondents perceived some information about AEC. For examples, the number of AEC member countries; the objectives of AEC establishment; advantages of AEC towards trading, services, capital, and labor mobilization; impacts of AEC toward restaurant businesses; opportunities for development due to an increase in number of tourists; and a higher competition due to free trades and investment in the businesses. Approximately, 55 to 69 percent of the respondents perceived the information of opportunities to be supported for new sources of capital and business innovation, and for higher opportunities of labor mobilization. Less than 50 percent of the respondents perceived the information of establishment of government supervisory center for restaurant businesses and new regulations for restaurant businesses.

□On the final part of the survey, most of the respondents rated overall activities towards AEC at the moderate degree of preparedness. In regard to the details, it was found that the respondents rated only one activity at high degree of preparedness. The activity was a renovation of restaurants for cleanliness and international modernist style. Besides, they rated many activities at moderate degree of preparedness. Those activities were an improvement on knowledge about AEC; adjustments for a wide variety and international dishes; design an attractive food menu with multiple languages; changes in food and dressing containers for modernization and beauty; developments on new channels of distribution; developments of training programs for staff; developments of promotion strategies; and adjustments of surroundings, landscapes and facilities.

□Lastly, the activities that the respondents rated at low degree of preparedness were the planning of conduct research on demand of customers, the necessary of quoting food price in inter currency, and an expansion of new branches or offices in tourist areas.

Keywords:

Thai Entrepreneurs, AEC, Restaurant businesses

JEL Classification: A12

Introduction

Since its inception in 1967, the Association of Southeast Asian Nation (ASEAN) has made a number of achievement towards regional peace, stability, and prosperity. Thailand is one of the founding members of ASEAN, together with Indonesia, Malaysia, Philippines and Singapore. Over the years, ASEAN has gradually evolved and expanded to include Brunei Darussalam (1984), Vietnam (1995), Lao PDR and Myanmar (1997), and Cambodia (1999) (The Ministry of Foreign Affair, 2015).

In 2009, the ASEAN Charter entered into force and transformed ASEAN into a truly rules based organization. Thailand is thus fully committed to the effective implementation of the ASEAN charter, which is vital to the ASEAN community building process. The roadmap for an ASEAN community (2009-2015) lays down a series of action to guide ASEAN community building effort in all three pillars, namely the ASEAN Political-Security community, the ASEAN Socio-Cultural community and the ASEAN Economic Community (AEC). This led to the agreement that AEC will be established by 2015 (The Asian Secretariat, 2009).

The AEC is not merely about trade liberalization. In fact, the AEC involves the economic integration of ASEAN countries. It also covers the facilitation of capital movement, labor movement, the harmonization of customs regulations, standards for goods, and economic policies among ASEAN countries. These factors make the AEC more than just a free trade agreement that Thailand has with more than 10 countries (Economic Intelligence Center, 2011).

Next up in the AEC is the liberalization of trade in services which will affect Thai services primarily in two aspects; an increase in shares held by foreigners, and free mobility of the professional workforce. Ownership limits are raised to 70% for ASEAN investors. The four priority sectors earmarked for such liberalization in 2010 include ICT, tourism, healthcare, and air transport. The AEC also makes the usual calls for greater economic cooperation in such areas as joint research and SME networking (Economic Intelligence Center, 2011).

SMEs play an important role in ASEAN economic integration, as shown by the 95 to 99 percent of firms that in the ASEAN Member States (AMS) are SMEs. They create high employment and strong contribution to the GNP as well (Intal and et al, 2014). Therefore, development of SMEs is a crucial step in achieving a strong outcome when the AEC is implemented.

The ASEAN Policy Blueprint for SME Development (APBSD) 2004-2014 outlines the framework for SME development in the ASEAN region. It comprises strategic work programs, policy measures and indicative outputs. Its objectives are to: (a) Accelerate the pace of SME development, optimizing on the diversities of ASEAN Member Countries;

(b) Enhance the competitiveness and dynamism of ASEAN SMEs by facilitating their access to information, market, human resource development and skills, finance as well as technology; (c) Strengthen the resilience of ASEAN SMEs to better withstand adverse macroeconomic and financial difficulties, as well as the challenges of a more liberalized trading environment; and (d) Increase the contribution of SMEs to the overall economic growth and development of ASEAN as a region (The Asian Secretariat, 2008).

Most of the restaurant businesses in Thailand are SMEs, operated in tourism industry. The implementation of ASEAN integration will definitely result in both positive and negative affects e.g. increase in ASEAN tourists, increase in ASEAN food consumption and change in ASEAN customers' demand, etc. Therefore, it is important that restaurant entrepreneurs would be ready to not only cope the new ASEAN market but also capitalize on the growth effects of the impending liberalization brought about by the AEC integration.

Based on the above interest, the author focused the survey on perception and preparedness of Thai SMEs restaurant entrepreneurs in order to develop the guidelines for them to be able to confront greater challenges from the AEC which will be put in to action in the near future.

Research Methodology

The samples of this research were 200 SMEs restaurant entrepreneurs in Thailand. The research covered business functions of restaurant businesses, the perception of the sample towards the AEC information and the preparedness towards the AEC.

In collecting data, the convenience sampling method was used along with self-administered questionnaire. Descriptive statistic including percentage, mean and standard deviation were utilized to analyze the data. Hypothesis tests were conducted by using statistical techniques T-Test and F-test.

Research Results

The main research results were illustrated as follow;

1. Perception of respondents towards the AEC information

The percentage of respondents that perceive the AEC information is classified according to each information as below;

AEC information	Percent of perception
The AEC is aimed on regional economic integration.	93.00
The members of Association of Southeast Asian Nations (ASEAN) are Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Cambodia, Laos, Myanmar (Burma), and Vietnam.	92.50
There will be high competition in restaurant business due to liberalization in investment.	88.50
Restaurant business will increase in growth rate due to expanding in tourism market.	84.00

Restaurant business is service business which will be confronted both positive and negative effects resulted from the implementation of the AEC.	76.00
There will be increase in skill labor mobilization in restaurant business.	66.50
Restaurant business will be provided opportunity to access capital and develop innovation.	56.00
Government will reduce procedures and regulations to encourage restaurant business.	44.50
Government will establish ASEAN center for supporting restaurant business in producing good quality and standard food.	33.50

2. Preparedness towards the AEC

In researching preparedness of the respondents towards the AEC, it was found that the respondents rated overall activities of preparedness at the moderate degree ($\bar{X} = 2.90$). Details were shown below;

Activities of preparedness	\bar{X}	S.D	Level of preparedness
1) Improvement on knowledge about AEC	2.77	0.877	moderate
2) Planning of conduct research on demand of customers	2.51	0.981	low
3) Adjustments for a wide variety and international dishes	3.03	1.014	moderate
4) Design an attractive food menu with multiple languages	3.23	1.087	moderate
5) Changes in food and dressing containers for modernization and beauty	2.86	0.912	moderate
6) Quoting food price in inter currency	2.26	0.950	low

Activities of preparedness	\bar{X}	S.D	Level of preparedness
7) Expansion of new branches or offices in tourist areas.	2.57	1.170	low
8) Developments on new channels of distribution; direct sales, wholesales, etc.	2.83	1.248	moderate
9) Developments of training programs for staff	3.31	1.132	moderate
10) Developments of promotion strategies	2.86	1.089	moderate
11) Renovation of restaurants for cleanliness and international modernist style	3.49	1.095	high
12) Adjustments of surroundings, landscapes and facilities	3.14	1.167	moderate
Total	2.90	0.715	moderate

3. Test of Hypothesis

In testing the hypotheses, when classifying the respondents according to gender and age, the means of the level of preparedness toward activities of developments of promotion strategies ($p=0.039$) were different at a significant statistical level of 0.05. By which the mean of female respondents ($\bar{X} = 3.22$) was higher than that of the male ($\bar{X} = 2.47$). Whereas, testing the hypotheses toward other activities were not different.

Discussion

The survey of the International Trade Studies Center (2014) found that just 36.9 percent, or less than 189,000 of Thailand's 512,000 SMEs, thought they were adequately prepared to meet the challenges of a common ASEAN market. This is in line with the research results as the respondents in restaurant business had prepared for the AEC at an overall level of moderate degree.

Restaurant business is a famous SMEs of Thailand due to its competitive advantage. Over the past several years, Thai food has a good reputation of delicious taste and premium brand, which can be sold at a relative high price. Foreigners regards Thai food differently from food of other nations. The good image of Thai food has brought a very high opportunity for restaurant entrepreneurs to expand their businesses in ASEAN region and global markets. A positive trend in this business has been shown continuously, with an average rate of growth at 3 percent (AEC Information Center, 2013). This trend is realized by the respondents of this research as they have tried to adopted several activities in preparing to catch up new opportunity.

The research results showed that the respondents have prepared themselves toward the AEC at an overall rating of moderate degree. In details of activities, they have tried to keep up on AEC news and information in order to gain more knowledge and adapt to changing situations in time. This complied with the results of the research "Media Exposure, Knowledge, Attitude and Behavior Trend towards ASEAN Economic Community (AEC) (Somrak, 2012), which found that most of Thai working people followed the AEC information via television at the average rate of three times per week, followed by newspaper and internet, which were once per week. In addition, the respondents plan to conduct a research on demand of customers. Although this plan was at a low level of preparedness, it is a crucial action as Praditbongkot (2012) found in his research, "Adaptation Strategies to Support the Trade Liberalization ASEAN Economic Community for the Outbound Tourism Entrepreneurs in Bangkok Metropolis," that motivation in demand of customers would be kept into account in order to develop strategies plan for business.

Furthermore, the research found that about half of the respondents were discerned that the AEC would provide them a chance and the other were not realized of the chance, particularly the accessibility to a variety source of capital. This complied with the results of the survey done by Office of Small and Medium Enterprise Promotion (2013), which found that Thai SMEs traditionally lacked organized system and the experience in operating business which caused their business plan to be unclear and unreliable. This was the main obstacle to access to low cost capital of financial institutes.

The respondents rated activities about training staff to have good personality, good personal appearance, high skill of quick response, and using multi languages at moderate level of preparedness. They recognized that staffs were a crucial factor in maintaining customer relationship and loyalty. This complies with the research "Factors Influence Foreign Tourists on Selecting Restaurants in Pattaya" of Pienprasert (2006), which found that foreigners had problem with staff in restaurants. Therefore, in order to maintain the same customer satisfaction, restaurant entrepreneurs would need to upgrade the staff personality and skill.

In addition, as restaurant and tourism businesses belong to the hospitality industry, the two businesses are related with the same target of tourists. Their workers are mobilized between each other businesses. Currently, competency standards for restaurants are being developed by ASEAN (ASEAN Secretariat, 2014). Moreover, the ministry of Thai tourism and Sports (2013) has signed a mutual agreement in recognition of ASEAN tourism professionals (MRA: ASEAN Mutual Recognition Arrangement on Tourism Professionals). The agreement has the primary purposes of facilitating moving professional personnel in tourism branch in ASEAN and helping to develop education and to train professional personnel in the ASEAN member countries in order to be standardly accepted in the group of member countries.

In the end of 2015, when the free ASEAN community is opened, the certified qualification and certified tourism professional standards personnel has the right to travel to work within the ASEAN member countries. Meanwhile, the skilled workers can move to get higher paid and foreign workers can compete in Thailand's tourism sector. Therefore, it is necessary to upgrade the knowledge and skills of Thai professional personnel to the standards of ASEAN.

Consequently, the fact that Thai restaurant entrepreneurs have tried to adopt many activities in order to move towards AEC is a good step in adjusting to the new community. Any entrepreneurs that are ready to adjust themselves ahead of their competitors will have a higher chance of meeting the demand of ASEAN customers, which will then bring about a greater opportunity to succeed in ASEAN market in the future.

Conclusion

By 2015 that the AEC will be implemented, Thai Government would be well-prepared to help Thai entrepreneurs grasp the opportunity to develop in ASEAN market.

1. They would allocate enough funds, and assign each Ministry to have good preparation and effective implementation of action plans.

2. Thai government would collaborate with ASEAN organization to create awareness and disseminate information about AEC. Invite them to share their knowledge via seminars or short courses to Thai entrepreneurs. By this way, they would understand more about ASEAN and have an inspiration to find new opportunities in the new set up.

3. Thai government would collaborate with educational institution to improve ASEAN knowledge for teachers and instructors. Encourage them to enhance their knowledge on culture and life styles of ASEAN people so that they will be well prepared for the AEC. Moreover, the government would encourage entrepreneurs to work together with the educational institutes in order to revamp curriculum and produce more qualified workers for the AEC.

4. Thai government would collaborate with research institutions and organizations to establish a business research center and information databank. The center will help restaurant entrepreneurs in carrying out researches to find possible opportunities and trend of ASEAN market.

5. Restaurant entrepreneurs would assess themselves to find strong points (high qualified ingredient, traditional taste, and hospitality-minded staff, etc.) in order to develop competitive advantages and differentiate their services from their competitors. They would improve services by focusing on a vast demand of customers, received by conducting researches.

6. Restaurant entrepreneurs would develop skills of their workers. Workers would be trained to have good understanding of the AEC, high qualified skill, and the ability of communicating in multi-language, especially in English, fluently. They would be provided with information of ASEAN minimum competency standards for restaurant business professionals so that they will recognize the benefits and opportunity of the AEC.

7. Restaurant entrepreneurs would collaborate with travel agents to develop a market for ASEAN tourists. Their collaboration will bring about new creative tour packages with combining restaurants as a part of packages.

8. Restaurant entrepreneurs would acknowledge and adopt ASEAN restaurant business standards, focusing on quality of management. They would develop many market

strategies, including adjusting a wide variety and international dishes, designing an attractive food menus with multiple languages, changing in food and dressing containers for modernization and beauty, quoting food prices in inter currency, expanding new branches or offices into tourist areas, renovating restaurants for cleanliness and international modernist style, and adjusting of the surroundings, landscapes and facilities.

9. Develop slogan for restaurant business, such as “Thailand is a land of ASEAN food”. Slogan can encourage people to recognize the business, remember the business for future reference. Generally, slogan is a short tagline which tells potential customers the benefits they can expect when choosing products or services. Most slogans are catchy and include declarative phrases. In most cases, slogans do not mention the company’s or product’s name, and instead focus on what the company or product does and how it is different from other companies or products in the market. This helps customers to remember the company when they are shopping for products or services.

Reference

- AEC Information Center. 2013. **Thai Restaurants go Aboard opening AEC**. Department of Trade Negotiations. Ministry of Commerce.
- The Asian Secretariat. 2008. **The Asian Economic Blueprint**. Association of Southeast Asian Nations. Indonesia
- The Asian Secretariat. 2009. **Roadmap for an ASEAN Community**. Association of Southeast Asian Nations. Indonesia
- The Asian Secretariat. 2014. **ASEAN Economic Community**. Association of Southeast Asian Nations. Indonesia
- Economic Intelligence Center. 2011. **Moving forward with the AEC**. Siam Commercial Bank, Bangkok, Thailand
- Intal, Ponciano Jr. and et al. 2014. **ASEAN Rising: ASEAN and AEC Beyond 2015**. Economic Research Institute for ASEAN and East Asia (ERIA).
- International Trade Studies Center. 2014. **Seven Years not Enough Time for Thailand SMEs (and Government) to Ready for AEC**. The Establishment Post, Thailand.
- Ministry of Thai tourism and Sports. 2013. **Developing the Performance of Thai Workers**. Bangkok
- Office of Small and Medium Enterprise Promotion. 2013. **Capital Accesibility of SMEs**. Bangkok, Thailand
- Pienprasert, Sirichai. 2006. **Factors Influence Foreign Tourists on Selecting Restaurants in Pattaya**. Faculty of Social Sciences. Srinakharinwirot University.
- Praditbongkot, Somsak. 2012. **Adaptation Strategies to Support the Trade Liberalization ASEAN Economic Community for the Outbound Tourism Entrepreneurs in Bangkok Metropolis**. Srinakharinwirot Business Journal. Faculty of Social Sciences. Srinakharinwirot University.
- Somrak, Kanokwan. 2012. **Media Exposure, Knowledge, Attitude and Behavior Trend towards ASEAN Economic Community (AEC)**. Faculty of Journalism and Mass Communication. Thammasart University
- The Ministry of Foreign Affair. 2015. **Thailand and ASEAN**. Bangkok, Thailand