

# INNOVATION AS COMPETITIVE ADVANTAGE IN THE ARTISAN ENTERPRISES IN TONALÁ, JALISCO

*José G. Vargas- Hernández<sup>1</sup>*

<sup>1</sup>Fernando de Jesús Salcedo-Medina

University Center for Economic and Managerial Sciences, University of Guadalajara  
Av. Periférico Norte N° 799, Edif. G-201-7.

<sup>2</sup>Núcleo Universitario Los Belenes, C.P.45100 Zapopan, Jalisco, México  
Tel. +523337703340 Ext. 25685

[jvargas2006@gmail.com](mailto:jvargas2006@gmail.com), [jgvh0811@yahoo.com](mailto:jgvh0811@yahoo.com), josevargas@cucea.udg.mx

## ABSTRACT

Handicraft is the main attraction of the town of Tonalá, Jalisco, emphasizing making pottery and ceramics in different pieces like plates, platters, jugs, pitchers, bowls, pots, planters, vases, miniatures, decorative figurines, etc... Unfortunately today it is more common selling a wide range of products imported mainly from China at low prices but of poor quality, the sale of pirated products is also one of the issues that have caused controversy. This causes extreme competitiveness and becomes necessary to transform production processes as well as the products themselves. The aim of this work is to use innovation as a competitive strategy of small businesses to stay in the market.

**Keywords:** Handicrafts, Tonalá, innovation, competitiveness.

**JEL:** L1, R11, D13, D83, D92, H32

## INTRODUCTION

In Mexico, the crafts reflect the cultural diversity and rich creativity of people and their ancestors. Tonalá is a Nahuatl word that comes from Tonallan (of tonalli, meaning sun, and lan, which means place). This is a population of indigenous origin, historically associated with the artisan tradition, activity that until today it confers a nationally and internationally recognized expertise because of the thin and finest ceramic pieces which are produced there (Cabrales, 2000).

Tonalá is a municipality and a city in Jalisco that is known for producing handicrafts of the region. This activity is organized in small family workshops dealing only with the manual and traditional techniques, which allow the processed products to contain high cultural, artistic and touristic values. The major activities include pottery craft, paper mache figures made of wrought iron, blown glass, furniture, paintings etc. All these techniques are recognized internationally as all these pieces represent Mexican art worldwide. This is one of the most important means to project this culture which is the main reason why people visit this beautiful town. It is very important to note that Tonalá exports handicrafts throughout the world as the United States, Canada, Europe, Australia and Latin America.

On the current reality, competition and survival of organizations are becoming more demanding because the world becomes more narrow and small due to the globalization of business, as this facilitates the exchange of technologies and information. Local small businesses are required to design and propose new factors to differentiate local from foreign companies and at the end to contribute to leverage them to obtain competitive advantages.

These competitive advantages must be grounded or based on organizational components and products, quality, processes, market and individuals subject to constant change and update, as a result of the implementation of innovation processes. In this situation, small businesses are required to establish management mechanisms for strengthening the organizational innovation process.

This paper aims to present theoretical reasons and arguments sufficient to justify innovation as a key factor in achieving competitive advantage in small and medium enterprises that produce handicrafts in Tonalá.

## LITERATURE REVIEW

Crafts companies in Jalisco have great experience such as potters of Tonalá leading to sell their handicrafts to Guadalajara loading them on donkeys. Their goods were packed in *barcinas* and loaded onto the animal's back carrying their merchandise to the market San Juan de Dios in Guadalajara where they sold their very nice products (Mateos, 2007).. Market days were Sundays and Mondays were the most appreciated handicrafts jugs, pots, dishes, pots and also bottles for holding water. Some of these products are manufactured in a very small scale today (Moctezuma, 2002). However, other styles have been successfully preserved and developed over time, as burnished pots and tableware *petatillo* style.

To relate these craft enterprises with the innovation concept is by no means a far-fetched idea, on the contrary. Innovation is an element that is essentially to make them competitive companies, whether large or small (López and Cota, 2007). When it comes to small businesses, the need for innovation becomes more pressing given the characteristics of these businesses. That is why according to (Arias, 2000), in trying to craft producers, they should not be exempted from the application of the concept of innovation.

In fact, changes in the craft activities have always been present in Tonalá in many different ways. For example, the indigenous pottery elaborated before the Conquest experienced its first change with the arrival of the Spanish, who introduced the glaze on the pottery and *winch*. The glaze was quickly assimilated by the Tonaltecas, because it allowed greater consistency and durability to the utilitarian vessels.

The 1960s was the era in which appeared workshops focused on manufacturing manual products with different and varied raw materials such as leather, yarn, iron, brass, wood, paper mache, pasta, blown glass and plaster. According to (Arias, 2000), the manual skill of the people of the Tonalá's town influenced this early diversification of craft and at the same time, recreated the Tonaltecas ability to adapt to the varied demands of domestic markets and later also international markets that require and promote incessant changes in the business environment.

The previous evidence make it clear that, in one way or another, innovations have been present in the field of production of crafts of Tonalá. And they have not lost in any way the traditional character that defines them as such. This brings now consider a type of distinction needed to raise the handling of crafts, namely, a categorization of the crafts that divided them into traditional and emerging.

### Definition of the problem

The crafts in Mexico and a more specifically, speaking in this case of Tonalá Jalisco, crafts reflect the cultural and creative wealth of the country and ancestors.

Craft production represents an economic resource for the millions of artisans around the world living in it and through cooperatives and companies, exports their products. In the case of Tonalá, crafters export to countries of the European Union, Canada, the United States, to name a few. According to INI-CONAPO records, there are a total of 33. 730 210 million are of Indian background in Mexico. The 43.6% of the population of indigenous artisans receive daily revenue of approximately 2 minimum wages, while the rest of the population is below the 2 minimum wages.

Of the total Indian population, 9, 348.109 (28.7%) devote their lives to the secondary sector activities, so craft production in Mexico represents a small portion of the global economy. This is due to the reality of the artisanal sector. Now the possibilities of access to education are low for these people and the lack of mechanisms innovation in production, distribution and life vision artisans slow the growth of the manufacturing sector.

Currently various public institutions whether federal, state or municipal are immersed in this issue to encourage, promote and organize the craft activities. To meet the demands of the craft sector in Mexico, there are some institutional dependencies such as SEDESOL (Social Development Secretary), SEDECO /Economics Secretary), FONART (Art National Fund), among others, these institutions provide support to the artisanal sector to place their products, or advice on how to go abroad to promote their products. Also, there are conducted seminars, forums, meetings, conferences, exhibitions by the Arts and Crafts Commission (Comisión de Artesanías), with the aim to promote the sale of Mexican handicrafts.

The main causes for the artisanal sector that has maintained a low profile and increasingly declined are:

- A. Lack of a well-defined government policy on traditional crafts matters,
- B. Lack of innovation,
- C. Lack of investment,
- D. Absence of appropriate criteria production
- E. Lack of fiscal stimulus,
- F. There is no craft production model that can reproduce itself and in different conditions.

It is worth to recall that the working conditions and raw materials are different in different regions of the country.

#### Justification

The Artisanal Census Tonalá Directory features a roster of 897 registered companies. However, a large proportion of them are small family workshops that do not have more than 10 people working, so that most of these companies are small businesses (Ward, 1994). These small family businesses are at risk of greatly diminished by the fact that there are fewer people interested in continuing this tradition because low retributions and economic gains they receive (Aragón, 2003). For example, the municipality of Tonalá currently exports four to five containers of crafts a week, only 10% of what they exported 12 years ago.

This is a big problem for the industry and economic sectors of the municipality and of the state of Jalisco, as it is a source of employment and income for the population. Some innovations must be implemented as a competitive strategy to adapt the craft sector to the market requirements.

The region and the niche market in which operates all the major activities of the companies are certainly effective conditions for creation of the so-called competitive advantage. Moreover, the business development itself has an enormous inward impact on the benefits that the company can build to maintain its position in the market. Companies that do not build within their organization the capabilities to anticipate changes and take opportunities lost to their competitors who do (Best, 1990).

The success or failure of a company is, then, to have a competitive advantage that can be sustained over time and in relation to potential rivals, leading the company to manage its competitiveness in the environment in which it operates. This advantage may be based on costs at best and more rational use of the resources that the company has available or in obtaining a differentiated product that meets a specific demand of consumers. This strategy is the backbone of any business

activity and is very necessary in the manufacturing sector that is populated as any other of small and medium enterprises (Mintzberg and Quinn, 1995).

### Hypothesis

Identifying the potential of small businesses and especially those factors that differentiate it from the rest of businesses can provide what is known as a competitive advantage. Through competitive advantage, the company can achieve superior performance and can cope with competition.

### Theoretical framework

To start with innovation, it is defined as the establishment of a new production function. The economy and society change when factors of production are combined in a novel way. This suggests that inventions and innovations are the key to economic growth and those implementing the change in a practical way are entrepreneurs. As has been indicated before, over time there have been many definitions of innovation and even with variations as perceived by the author in question, a situation that has made a difference in terms of the innovation process. The main component of innovation is the knowledge. The innovation process is considered continuous in nature and the organization plays a leading role in the rate and technological progress.

Using the theory of resources and capabilities to identify the strengths and weaknesses of an organization and based on them can exploit opportunities and neutralize threats. These are a source of competitive advantage. It is to be noted the generation of innovation of distinctive capabilities in areas to achieve sustainable competitive advantage.

The creation of innovation as a competitive advantage is always accompanied and motivated by some kind of change in the present situation of the industry structure in which the company operates. However, this change may be caused by changes that occur constantly in the business environment. The term competitive advantage is understood as the characteristics or attributes possessed by a product or brand that gives it certain superiority over immediate competitors (Lambin, 1995). Through the resources and capabilities, then the organization can create innovation in production area to adjust their strategies (Carrión and Ortiz, 2000). Through the strategy, the company seeks to proactively understand and anticipate such an environment, so that it can adapt to changes that occur in it, while seeking to innovate and create value for their customers and social agents.

Competition in an industry is rooted in fundamental economic and competitive forces that go beyond the established combatants in a particular industry. Customers, suppliers, potential entrants and substitute products are all more or less prominent or active depending on the industry. Once the strategists evaluate forces affecting competition in their industry and their root causes, can identify their company's strengths and weaknesses.

Knowledge of the ability of the company and the causes of competitive forces will highlight the areas where companies can face competition and where to avoid it.

### A. Innovation

Innovation is one of the essential elements for making businesses competitive. The presence of innovation in production processes and in the products themselves is necessary in any manufacturing sector and handicraft production is no exception to the use of this.

In a traditional industry such as making handicrafts, it is very difficult to talk about innovation, as the main enemy of innovation, of course, is the fear, the fear of change. Since in the business world it is believed that only large companies have the ability to develop innovations and this leaves smaller companies with the fear to implement an innovation. That is why, to treat small craft producers, they should not be exempted from the application of the concept of innovation.

The national and international recognition of the crafts Tonaltecas is precisely because of its variety and quality of manufacture, in addition to his great utilitarian qualities and beautiful decorations as mentioned. No doubt this tradition, since the arrival of the Spanish to this day, continues to experience changes in the way of production, technique and, perhaps, also in the decorative elements, influenced by other cultures (Núñez, 2000a; Núñez, 2000b).

This tradition also responds and adapts to the changing environment of today, as demand increased technical expertise and infrastructure backed innovations of the time, but without losing its essence and emotion with which it was conceived. Therefore, it is clear that changes in the way we produce and understand traditional crafts, as well as the increasing complexity of the production landscape, have been reflecting and responding to social and economic changes (Moctezuma, 2001).

### Contextual framework

The town of Tonalá represents 0.21% of the total area of Jalisco. The municipality of Tonalá is bordered on the North by the municipality of Ixtlahuacán del Río, East with Zapotlanejo, South with the municipalities of Juanacatlán and El Salto and West by the municipalities of El Salto, Tlaquepaque and Guadalajara. It has a population of 337.149 inhabitants.

The economic subsector related to the field of pottery and ceramics is representing 12.59% of all economic units in the manufacturing industry in Jalisco, while this industry represents 38.29% of all economic units in the State. Regarding personnel employed constitutes 25.95%. In economic units, the industry ranks first against other subsector, while the employed personnel is just below the sector of manufacture of cement, lime and other products, with the 35.44% of subtotal in this category (Table 1).

Tonalá has the 58.02% of the manufacturing sub-sector economic units corresponding to non-metallic mineral products in the Guadalajara metropolitan area (GMA), providing employment to 41.58% of all people employed in the subsector (Table 2). This leaves to light the economic weight of the municipality over others that make up the GMA, in regard to the manufacture of non-metallic mineral products, for the abundance of affordable units in this area, including handicrafts, which obviously have a leading role

Table 1.  
Production of goods base on non-metallic minerals in Jalisco

Industry	Economic units	Personnel employed
Pottery and ceramics	1.339	5.314
Manufacturing of clay materials for construction	1.259	3.783
Glass manufacturing	179	4.123
Manufacture of cement, lime, gypsum and other nonmetallic minerals	720	7.258
Total	3.497	20.478
Manufacturing industry of Jalisco	27.784	325.616

Source: INEGI (2010)

Table 2.  
Non-metallic mineral products

Municipalities GMA	Economic units	Personnel employed
Guadalajara	2,210	238
Zapopan	275	2,496
Tonala	1,327	5,410
Tlaquepaque	447	2,894
Total	2,287	13,010

Source: INEGI (2010)

In Tonalá, manufacturing industry has the 9.40% of economic units with respect to the state total. Of the sub-sectors, the non-metallic mineral products have the highest specific weight within the industry, having the 50.80% of the economic units of industry and with 49.13% of the employed personnel at the municipal level (Table 3).

Table 3  
Manufacturing industry in Tonalá, Jalisco

Industry	Economic units	Employed personnel
Food beverages and tobacco	402	1,566
Textiles, clothing and leather industries	110	815
Wood and wood products	257	1,215
Paper, paper products, printing and publishing	57	239
Chemicals derived from petroleum, rubber and plastic	54	197
Nonmetallic mineral products	1,327	5,410
Basic metal industry	13	54
Metal products, machinery and equipment	354	1,307
Other manufacturing industries	38	209
Total	2,612	11,012

Source: INEGI (2010)

It is evident, thus, the importance of the production of these goods in the industry in the region.

## METHODS

The research process carried out on craft industries of Tonalá is under the analytical method because the object of study departs from information already available. Thus in this type of research, it cannot manipulate variables, so they are only analyzed in the natural way in which they are found.

## RESULTS

When artisans, who submitted and informed about innovations, were asked on what have been the factors that have helped their ability to develop the same, the answers were: The need to maintain quality in the production of the goods sold, the creativity of the artisan in the management of new designs in the production line, the lack of sales of the product, forcing with it to introduce new products, customer acceptance through recognition in the market, the acquisition of new machinery, training staff to innovate, the economic situation, adapting to the needs of the environment demands,



and the need to keep up with customer demands

In contrast, the most common obstacles presented that have been faced in the development of innovations: The lack of training, quality of materials, which are very poor and prevent the proper development of the product, lack of resources, the high cost of machinery and equipment, import of raw materials and the lack of promotion of handicrafts tonalteca. It can be said that many companies use technological innovation as a source of investment, which expect and receive a return that is reflected in their sales and profits through cost reduction, improved productivity, increased production and lower number of process failures.

## CONCLUSIONS

The success of an organization depends largely on the use of knowledge and skills, the innovative creativity and motivation of both its staff and its allies such as suppliers, employees or citizens themselves, customers and users of the products and also organizational learning, all circumscribed in the value chain of the organization.

All this arises when considering companies as learning organizations. Organizations manage information and generate knowledge that is embodied in products and new or improved production processes, in other words, in innovations. In this situation, an organization to stay competitive requires innovation that can lead the market segment in which it is immersed and then expand to new markets. It is appropriate to implement a process of continuous improvement, leveraging learning and innovation.

The problem is that the artisans do not want to take risks with investments made for the development of new technologies and the development of new products launched in the market because they have the fear of change and fear of failure. As a result of these changes artisans prefer to continue working as they believe is right because that's how their parents grew economically.

The innovations of most artisans are focused mainly on products rather than production processes. Such innovations turn out to be incremental, i.e. the adaptation and continuous improvement of existing products. Those who perform radical innovations in products basically do by designs that are made based on requests made by customers or fashion characters cartoons or movies.

It is obvious, then, that that development and continuous improvement in the product line, as well as offering customized designs for customers and meet new markets, constitute conditions that serve craft enterprises analyzed to maintain their competitiveness in the market. In other words, innovation is presented as strategic competitive factor in these businesses. The artisans are aware that maintaining the tradition of the production of their goods is a need that must be met to preserve the crafts as a legacy they have received from their ancestors and for so long, this legacy has placed in a privileged Tonalá both nationally and internationally.

However, there is also a huge need to be at the forefront in market requirements due to the changes that introduced the world to globalization. So the aspect of innovation inevitably constitutes a strategic factor that will help them adapt their production processes and to modify their production lines according to market demand, bordering with it to maintain its competitiveness in the environment in which they operate.

## REFERENCES

1. Aragón C. (2003). Maestros en empresa familiar. Publicaciones de la universidad de Deusto.
2. Arias, P. (2000). De villa alfarera a ciudad dividida. En Miranda Beatriz Núñez (coord.), Tonalá, una aproximación a su estudio. El Colegio de Jalisco, México.
3. Best, M. (1990). Theoretical Perspectives on the Firm. The New Competition: Institutions of

- industrial restructuring. Harvard University Press, Cambridge, Massachusetts.
4. Cabrales, L. F. (2000). Proceso de metropolización y segregación social tonalteca. En Miranda Núñez, B. (coord.). Tonalá, una aproximación a su estudio. El Colegio de Jalisco, México. p. 65-90.
  5. Carrión J. and Ortiz M. (2000). La Teoría de Recursos y Capacidades y la Gestión del Conocimiento. Recuperado de [http://www.gestiondelconocimiento.com/documentos2/juan\\_carrión\\_maroto/artículo\\_acad\\_recursosycapc.htm](http://www.gestiondelconocimiento.com/documentos2/juan_carrión_maroto/artículo_acad_recursosycapc.htm).
  6. INEGI. (2010). Censos 2010. Instituto Nacional de Economía, Geografía e Informática. México.
  7. Lambin, J.J. (1995). Marketing estratégico. McGraw-Hill. 3ra edición.p.19-34.
  8. López C. and Cota R. (2007). la presencia de innovación como factor estratégico de competitividad en el caso de las empresas que producen artesanías.
  9. Mateos, G. (2007). Tonalá de ayer. San Juan de Dios Mercado Alfarero. Amate Editorial. México.
  10. Moctezuma Y. P. (2002). Artesanos y artesanías frente a la globalización: Zipiajo, Patamban y Tonalá. El Colegio de San Luis y El Colegio de Michoacán, FONCA, México.
  11. Moctezuma Y. P. (2001). La subversión de lo indígena en las fronteras de la tradición popular. En Tonalá: Artesanía y tradición, Estudios Jaliscienses, No. 44:18-39.
  12. Mintzberg, H. Quinn, J.(1995). Análisis de estrategia. El proceso estratégico. Prentice Hall Inc. 2da edición.
  13. Núñez, B. (2000), "Permanencia y heterogeneidad cultural", El Colegio de Jalisco, México.
  14. Núñez, B. (2000), Tonalá, una aproximación a su estudio. El Colegio de Jalisco, México. P.129-152.
  15. Schumpeter, J. A. (1996). Capitalismo, Socialismo y Democracia. Ediciones Folio, Biblioteca de Economía. España, 1996.
  16. Schumpeter, J. A. (1978). Teoría del desenvolvimiento económico. FCE. México.
  17. Ward, J. (1994). Investigando sobre el crecimiento de la empresa familiar.



# INFLUENCING FACTOR TO COMPETITIVE ADVANTAGE OF THAI PALM OIL INDUSTRY

*Chayanan Kerdpitak*

Faculty of Management Science, Suan Dusit Rajabhat University

Email: [chayananmail@yahoo.com](mailto:chayananmail@yahoo.com)

## ABSTRACT

The research was to investigate actual factors affecting Marketing effectiveness in the Thai palm oil industry. The conceptual framework was developed from the Competitive advantage theory, Resource-based theory of industrial organizations, and other contemporaneous research in marketing effectiveness. Accordingly, the researcher considers the importance of the factors of Supply chain strategy, Low costs strategy and differentiation strategy.

In this the researcher employed both qualitative and quantitative research approaches. The instruments of research were two steps: interviews and a questionnaire. Data were collected from administrators of four groups of palm oil processing factories. Data collected were analyzed using the path modeling and on the basis of observing the actual marketing effectiveness of the organizations studied through all operational links in the supply chain.

Findings are as follows: Applications of Supply chain Strategy, Low costs strategy and differentiation strategy were explanatory of the variance in Marketing effectiveness at 30.2 percent ( $R^2=0.302$ ). The application of Supply chain Strategy was explanatory of all variances in Differentiate strategy at 70.6 percent ( $R^2=0.706$ ) and The application of Supply chain strategy was explanatory of all variances in Low costs strategy at 68.3 percent ( $R^2=0.683$ )

**Keyword** Marketing effectiveness, Competitive advantage, Path model

## INTRODUCTION

Palm oil industry is important not only to the world economy [1] but also to the economy of Thailand.[1,3] Palm oil is used in the food industry, and it is also a major source of alternative energy. Palm oil market has a high potential to be expanded in both domestic and global levels due to its certain qualities that are different from other crops and is not replaceable.[23] However, the palm oil business is facing several problems. For example, the quality of the palm tree species in Thailand and the production capacity per unit are not good compared to those of the competitors.[3] Furthermore, Thailand has a higher production cost than that of other competitors like Malaysia and Indonesia. In addition, the raw material quality cannot be well controlled while the production process is facing a lot of problems, as the production of palm oil requires a very high technology.[2,3] As the palm oil production is rare, experts cannot be easily found, leading to losses in production. The palm oil business has been done by people using personal relationships. For example, high quality raw materials have been sold to people who are close, damaging other businesses. According to the supply chain effectiveness study, the palm oil industry still has a lot of non value added activities needed to be corrected to ensure the high market potential.[1,2,3]

The palm oil industry plays such a significant role in the Thai economy; however, the industry is still experiencing problems. Therefore, solutions are needed to enable palm oil operators to have a higher marketing potential to compete with their competitors. By these reasons, varieties of the business strategy are utilized as alternative solutions to overcome the business operators obstacles.

Therefore, this research aims to identify factors affecting marketing effectiveness in the Thai palm oil industry

This research questions: Are there factors affecting to Marketing effectiveness in the Thai palm oil industry of Thailand

## REVIEW OF THE LITERATURE

**Competitive Theory:** Competitive has proposed two forms of competitiveness that enable the industry to have advantages as follows [16]

**1) Cost Advantage** means the business must have lower costs than other business entities in terms of production capacity, product innovation as well as quicker delivery. Besides, customers will receive a higher added value from low costs.

**2) Differentiation Advantage** means the creation of the product unique value in terms of quality, style and after sale service. These differences are so unique for the product that makes it far beyond their competitors, enabling the business to have a higher advantage.

**Strategic Plan of Competitive Advantage** This strategy has set up the strategic plan of the competitive advantage in line with the decision making at the policy level called Strategic Decision Making in Policy, consisting of planning, plan development and control, by relating to the supply chain system for the movement of raw materials, production and resources to support the production capacity of businesses. These strategies comprise 1) low costs 2) speed service 3) accuracy customers requirements 4) product flexibility in terms of quantity and quality. The product must be adjustable for customers' requirement levels. 5) Technology is utilized to support business activities including communication, delivery and quick and correct material and equipment storing. 6) appropriate location of production. [15]

**Low-Cost Leadership Strategy : LCS** This strategy requires the business potential to produce products and services with lower costs than those of the competitors. Meanwhile, customers' satisfaction remains the same. Although the products are sold at the same prices, the profits from sales remain unchanged.[17] The Low-Cost Leadership Strategy focuses on three factors including 1) lower logistic costs for all activities 2) lower raw material costs by acting as a major sales distributor 3) lower location costs by locating near sources of raw materials called just-in-time cost reduction.[10,16,17]

H3 : Low cost strategy affects Marketing effectiveness positively

**Differentiation Strategy : DIS** This strategy focuses on the competition effectiveness of successful businesses. The differences consist of product quality and response to customers' different needs. Delivery and service activities must be able to compete with competitors.[21] Unfortunately, the palm oil business has insignificantly focused on this service activity.

The competitive advantage of product quality differences will focus both on the style and the benefit that must differ from competitors.[12] Moreover, the services include the credit policy, the delivery policy, the sales policy and the sales promotion different from competitors.[5] Palm oil will only differ in terms of its low or high acidity of the raw oil. The low or high acidity will significantly affect the palm oil production.[7]

H5: Differentiate strategy affects Marketing effectiveness positively

**Supply Chain Strategy : SCS** Successful businesses focus on the following marketing effectiveness:

**1) Good Relationships** Good relationships are a beginning of trust between customers and businesses.[4] In the supply chain, both sides must trust each other, leading to long-term relationships. Most businesses always focus on their customers and forget their suppliers. They misunderstand that the suppliers must care for them, causing the lack of good relationships in terms of mutual benefits. If businesses also focus on their suppliers, they will see the suppliers' potential. This focus will lead to the selection of major suppliers. When their good relationships continue, the mutual planning and the product development exist.[8,14]

**2) Mutual operation process** Several academics have explained the effectiveness of the work process. The effective work process must have a clear mutual goal [6,14]. In general work specifications must be mutually agreed upon including 1) all work specifications must be jointly set up. 2) Resources and personnel must be shared. 3) Work measurement and evaluation must be conducted to see whether the work meets its goal. 4) Work performance must be jointly developed to achieve the goal [4,5].

**3) Mutual Improvement processes** The first priority is to plan together [14] to ensure working step reduction, inventory reduction and delivery of raw materials and products by joining in solving problems and improving the work system. The work system must be tailored to match with the business environment. In addition, the shared resources and the changing environment of the business have to be considered. By doing so, the business can work smoothly, leading to flexibility and enabling the business to adjust itself to the changing environment. [13,22]

**4) Benefit Sharing** It is the main principle of the business. Alliance Strategy must be applied to strengthen the cooperation among businesses to ensure good working cooperation. Successful businesses must have trust on their counterparts, as they share benefits and risks. Businesses agreeing to cooperate as business alliances must make written agreements stipulating conditions appropriate for all parties. Furthermore, appropriate benefits must be clearly stated for each party. Significant particulars must be recorded, comprising details of joint work, shared resources and personnel and mutual work measurement and evaluation.[9,16]

H1: Supply chain strategy affects Differentiate strategy positively

H2: Supply chain strategy affects Low cost strategy positively

H4: Supply chain strategy affects Marketing effectiveness positively

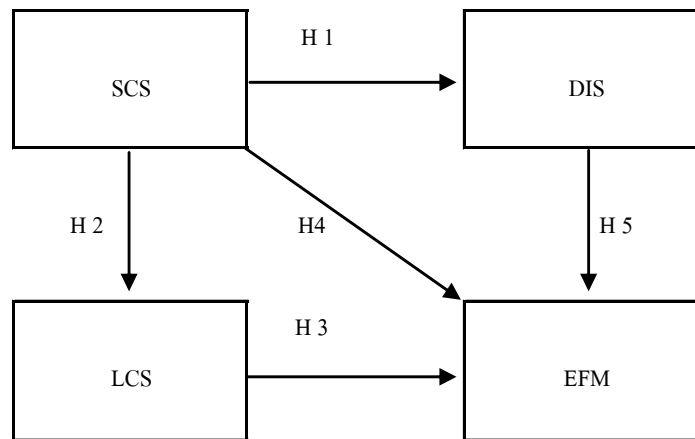
**Marketing Effectiveness : EFM** Most businesses look at a long-term picture to ensure an acceptable outcome.[32,33,36,37] It means that businesses, the marketing share of which continues increasing, find that the clear goal and outcome must be obviously stated.[15,16,19,20] According to the Competition Theory, successful businesses having a high market share must focus on their continued development strategy. The strategy must be appropriately applied.[19,20] The result of the strategy implementation must derive from the good internal process analysis of the business. The business must have a clear working goal, leading to the expected outcome. Additionally, the business must focus on the result of the continued relationships.[14,20] The sales increase of the business must come from the development and the improvement of various aspects of activities, considering customers' views as a main factor, consisting of trust strengthening, communication to customers regarding the business and its products. Moreover, the market must be expanded to reach new customers to ensure the sales increase. The assessment of the sales and the revenue increases must be averagely conducted every three years for apparent results.[16,18,19,20]

Then marketing effectiveness have relation to Strategy of organization.

**Conceptual Framework** The conceptual framework was developed from the competitive advantage theory and resource-based theory of industrial organizations and other contemporary research in marketing effectiveness.

**Figure 1**

A proposed Model of Logistics Performance



### Hypotheses Testing

$$\text{EFM} = \beta_0 + \beta_1 \text{DIS} + \beta_2 \text{LCS} + \beta_3 \text{SCS} + \zeta \dots \dots \dots (1)$$

$$\text{DIS} = \beta_4 + \beta_5 \text{SCS} + \zeta \dots \dots \dots (2)$$

$$\text{LCS} = \beta_6 + \beta_7 \text{SCS} + \zeta \dots \dots \dots (3)$$

## METHODOLOGY

This research employed both qualitative and quantitative research approach. The researcher divided the study into two steps.

Firstly, reviewed were relevant theories and literature in connection with an examination of the general conditions and the problem situation of the palm oil industry. Then, in-depth interviews were conducted with twelve factorys and high-ranking administrators of these organizations in order to determine just what were the actual problems so as to be able to generate guidelines that can be applied to solutions.

The instruments of research were two steps on interviews and a questionnaire. The sample survey approach together necessary data from 104 of 120 general managers of four groups of palm oil processing factories in southern Thailand.[5]

Data collected were analyzed using the path modeling and on the basis of observe actual marketing effectiveness of the organizations studied through all operational links in the supply chain. Data were analyzed through Path modeling to determine model causality using SPSS software.

## FINDINGS

On the basis of the findings derived from in-depth interviews and the study of general conditions and problems in the palm oil industry, the following three significant problems in the industry's supply chain were isolated 4 path 1) Supply chain strategy 2) Differtiate strategy 3) Low cost strategy 4) marketing effectiveness

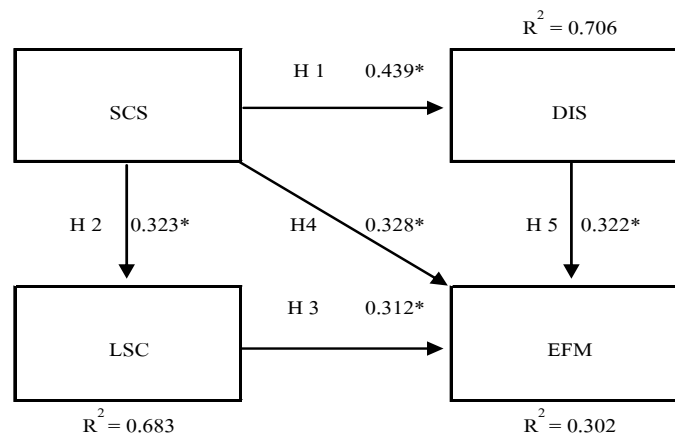
Table 1  
Factors derived from in-depth interviews to be used in formulating guideline for the solution of problems

Variable	n	Mean	S.D.	result
<b>supply Chain Strategy</b>				
Joint operation process for jobs quality	94	3.64	0.78	most
Joint good relationship between organization	94	3.99	0.93	most
Joint improve organization policy	94	3.81	0.92	most
Joint used to resource	94	3.52	0.63	most
Joint to benefit sharing	94	3.55	0.91	most
<b>Differentiation</b>				
The increase differentiation fresh crude palm oil	94	4.11	0.44	mostly
The increase differentiation to credit sale	94	3.84	0.68	most
The increase differentiation to order processing	94	3.2	0.71	mostly
The increase differentiation to speed delivery	94	3.34	0.68	most
<b>Low cost leadership strategy</b>				
We have reduction process activity to necessary	94	3.91	0.72	most
We have control raw material with mostly purchasing	94	4.05	0.68	mostly
We have trade contact between farm and factory crude palm oil	94	4.84	0.88	mostly
We have reduction raw material inventory just production process	94	4.02	0.76	mostly
we have reduction product inventory before delivery	94	4	0.63	most
<b>Marketing effectiveness</b>				
The company has enhance market share	94	3.92	0.58	most
The company has enhance total sales	94	3.71	0.89	most
The company has enhance sale	94	3.92	0.88	most

Table 2:  
Findings on the basis of an overall analysis of the factors influencing logistics performance

Assumption				Correlation	R <sup>2</sup>	□	t value	p value	Results
Independent		Dependent							
H1	SCS	DIS	positively	0.473*	0.706	0.439	2.797	0.008	support
H2	SCS	LCS	positively	0.344*	0.683	0.323	2.332	0.025	support
H3	LCS	EFM	positively	0.340*	0.302	0.312	2.322	0.011	support
H4	SCS	EFM	positively	0.480*	0.302	0.328	2.322	0.011	support
H5	DIS	EFM	Positively	0.398*	0.302	0.322	2.311	0.011	support

Figure 2  
The Path Analysis Modeling



### Discussion of the findings

Four factors affecting marketing effectiveness are as follows:

(1) Low cost strategy consisting of the use of low cost strategy by the reduction in the work process and improving trade systems by contact both factory and a palm oil plantation

(2) Supply chain Strategy the components of which consist in the use joint good relationship both external and in-tra organization and the used improve organization policy

(3) Differentiate strategy consisting of the building and development in product organization.

In addition, all factors involve significant subsidiary factors for a total of 14 factors. Each of these should be taken into consideration by the palm oil industry in solving problems in order to ensure success in logistics performance.

Indicators for the marketing effectiveness of the palm oil industry consist of enhance market share ,total sales and total income sales. Altogether, there are three important aspects in this connection.

### CONCLUSION

The result from the study of the marketing effectiveness using various strategies in the palm oil industry has been analyzed in three aspects as follows: 1) the low-cost strategy has influenced the marketing effectiveness with the significance level at 0.008. The differentiation strategy has



influenced the marketing effectiveness with the significance level at 0.025. The supply chain strategy has influenced the marketing effectiveness with the significance level at 0.003 and Supply chain Strategy, Low costs strategy and differentiation strategy were explanatory of the variance in Marketing effectiveness at 30.2 percent ( $R^2=0.302$ ). The supply chain strategy has influenced the low-cost strategy with the significance level at 0.027. and The application of Supply chain strategy was explanatory of all variances in Low costs strategy at 68.3 percent ( $R^2=0.683$ ). The supply chain strategy has influenced the differentiation strategy with the significance level at 0.001 and Supply chain Strategy was explanatory of all variances in Differentiate strategy at 70.6 percent ( $R^2=0.706$ ). Consequently, the supply chain strategy must work with the low-cost and the differentiation strategies to get good results. Thus, businesses should implement all of the three strategies. There are altogether 14 elements that should be implemented.

## REFERENCES

1. Department of Alternative Energy (2008) "Biodiesel Utilization and Production Promotion Policy" Archive
2. Department of Internal Trade, Ministry of Commerce (2007) "Palm Oil Production and Marketing" Archive
3. Department of Industrial Works, Ministry of Industry (2008) "Palm Oil Industrial Factory Monitoring Manual Draft"
4. Chen, I. J., Paulral, A. & Lado, A. (2004). Strategic Purchasing Supply Management, and Firm Performance. *Journal of Operations Management*, 22(5) 505-523.
5. Chen, I. J. & Paulral, A. (2004). Understanding Supply Chain Management: Critical Research and a Theoretical Framework. *International Journal of Production Research*, 42(1)131-163.
6. Ellinger, A.E., Daugherty, P.J. and Keller, S., (2000) "the relationship between marketing logistics interdepartmental integration and performance in U.S. manufacturing firms: An empirical study." *Journal of Business Logistics*, 21(1) 1-22
7. Fawcett, S. E. (1992). Strategic Logistics in Coordinated Global Manufacturing Success. *International Journal of Production Research*, 30(5) 1081-2000.
8. Giunipero, L., Handfield, R. B. & Eltantawy, R. (2006). Supply management's Evolution : Key Skill Sets for the Supply Manager of the Future. *International Journal of Operations and Production management*, 26(7) 822-844.
9. Handfield, R.B., Nichols, JR. (1999) "Introduction to Supply chain Management" Prentice Hall.
10. Kim, Y.A. (2004). Collaboration Strategy of Marketing and Production Function in Supply Chain for the Direct Shipment. *Korea Review of International Studies. Koreagis research/journal*, 18(8) 15-25.
11. Lambert, D.M., Cooper, M.C. & Pagh, J.D. (1998). Supply Chain management : implementation issues and research opportunities. *International Journal of Logistics Management*, 9(2) 1-19.
12. Miller, J.G. & Roth, A.V. (1994). A taxonomy of manufacturing strategies. *Management Science*, 40 (3) 285-304.
13. Min, H., Ko, C.S. and Ko H.J. (2006). The spatial and temporal consolidation of returned products in a close-loop supply chain network. *Computer & Industrial Engineering*, 51(3) 309-320
14. Paulraj, A., Chen, I.J., (2007) Strategic Buyer-Supplier Relationships, Information Technology and External Logistics Integration. *The Journal of Supply Chain Management* 43(2) 2-14
15. Porter, M.E. (1985) Competitive advantage : Creating and sustaining superior performance. New York : The Free Press.
16. Porter, M.E. (1990) The competitive advantage of nations. New York : The Free Press.
17. Porter, M.E. (2001) Strategy and the Internet. *Harvard Business Review*, 79(3) 63-78.
18. Sheridan, J.H., (1993), Agile manufacturing: stepping beyond lean production, *Industrial week*, 19(1) April 1993.

19. Stalk, G. and Hout, T.M., (1990) "Competing Against Time: How Time-Based Competition Is Reshaping Global Markets." Free Press, New York.
20. Stank, T.P., Daugherty, P.J. and Ellinger, A.E. (1999) Marketing Logistics Integration and Firm Performance. *International Journal of Logistics Management*, 10 (1)11-24.
21. Wines, L. (1996), High Order Strategy for Manufacturing. *The Journal of Business Strategy*, 17(4), 32-33.
22. Ying W., & Dayong, S. (2005). Multi-agent framework for third party logistics in E-commerce. *Expert Systems with Application*, 29(1) 431-436.
23. United States Department of Agriculture, (2009) National Agricultural statistics. <http://WWW.nass.usda.gov>.

# THE MAIN DETERMINANTS OF ECONOMIC GROWTH AND THE ROLE OF OIL AND NON-OIL SECTORS IN THE OIL COUNTRIES' ECONOMIES : THE CASE OF SAUDI ARABIA

*Ahmed Alodadi*

Plymouth University, [ahmad\\_alodadi@yahoo.com](mailto:ahmad_alodadi@yahoo.com)

## ABSTRACT

The main objective of this paper is to identify the main determinants of economic growth in oil and non-oil sectors in the largest country exporter of oil in the world "The Kingdom of Saudi Arabia". The analysis covers the period 1970-2011 and utilises the Multiple Regression Model based on the Co-integration Technique and Error Correction Model (ECM) to analyse the relationship between economic growth and its determinant factors. In order to isolate the determinants of economic growth in the context of an economy based on the extraction of a natural resource such as oil, econometric models are derived from the neoclassical production function. The study uses exports, government spending and tourism (in addition to labour and capital) as independent variables, while economic growth (GDP) is addressed as a dependent variable. Empirical results showed that the most important factors that effect on economic growth in the Saudi economy are exports, in particular oil exports, followed by government spending, whereas international tourist arrivals was the first factor that effect on economic growth in the non-oil sectors. Investment in public sector and investment in private sector came in the second and third stage respectively. Nonetheless, exports in non-oil did not have any positive effect on economic growth.

**Keywords:** Saudi Arabia, Economic growth, Multiple Regression Model.

## INTRODUCTION

Saudi Arabia, like most oil-rich countries, is dependent on oil revenues, yet the oil and its derivatives are attained from exhaustible resources; this does not support the promotion of long-term economic stability as it means there is a reliance on foreign markets. By contrast, non-oil sectors depend on internal factors, and can be controlled by these. Tourism, for example, in the Kingdom of Saudi Arabia is a resource that is inexhaustible as it is based on pilgrimages into the country's holy regions. Oil revenues, on the other hand, stimulate booms in the natural resource sector of an economy; this leads to higher prices and thus inflation (Centre for Analysis, 2010). The tourism sector, by contrast, works to attract investments and foreign currencies (McKinnon, 1964 and Schubert et al., 2011).

Moreover, the number of workers in the oil sector does not exceed 2% of the total employment in oil-rich countries. In the Kingdom of Saudi Arabia, for example, around 1.3% of the labour force was employed in the oil sector in 2003 with a similar proportion in in 2004 (Kingdom of Saudi Arabia Department of Statistics, 2012). Per the International Monetary Fund, workers in the oil and gas sector in 1989, 1999 and 2009 comprised about 1.1%, 1.6% and 1.1% of total employment respectively (Table 1). Tourism is expected to provide more than 1.5 million jobs for Saudis in 2015 and 2.2 million jobs in 2020, according to the Council of Saudi Chambers (2010). Skilled and trained personnel are required in the oil-sector, whereas the tourism sector is far more flexible and easy to deal with. It is known that the oil sector is capital intensive and uses modern technology, which affects the number of workers in this sector.

Table 1  
The capital investment and employment in oil sector

Year	Oil Investment (Million Riyals)	Labour in the Oil Sector	The ratio of total employment
1989	2130	54000	1.1%
1999	13147	97000	1.6%
2009	19180	91000	1.1%

Source: The International Monetary Fund (2012).

According to the latest statistics from the World Tourism Organization in 2012, Saudi Arabia had the highest number of tourists in the Middle East in 2011 - the number of tourists at that time reached more than 17 million; by contrast, ten million tourists visited Egypt and eight million travelled to Dubai in the same year. Saudi Arabia is the largest oil exporter in the world and is home to the largest oil reserve on the planet. However, the Kingdom is not just an oil exporter; it has a promising tourism market, being the home of the holy mosques of Makah and Medina (QTA, 2011).

For Saudi Arabia, instability of world oil prices as well as the economy's heavy reliance on oil necessitates the strengthening and development of non-oil exports to achieve a more sustainable level of growth and development. This was highlighted in the Ninth Development Plan document (2010-2014) by the Ministry of Economy and Planning in Saudi Arabia (2012). In addition, empirical studies emphasise the positive effects non-oil exports have on economic development in the Kingdom, in that they visibly stimulate both investment and production within the country (Aljarrah, 2008). On the other hand, and in this framework, the Kingdom is facing several challenges through the heavy reliance on oil exports, which requires expanding the base of domestic production in some fields, such as agriculture, industry and services.

The main objective of this paper is to identify the main determinants of economic growth in non-oil sectors in the largest country exporter of oil in the world: The Kingdom of Saudi Arabia. The analysis covers the period 1970-2011 and addresses the following research questions (1) what is the role of key non-oil sectors, such as tourism and private investment, to the economy of Saudi Arabia?; (2) What are the main determinants of economic growth in the last 40 years?

## LITERATURE REVIEW

There is an enormous amount of research in the field of economic growth. Empirical and theoretical studies have been conducted in order to identify the factors that contribute to such expansion in growth (see for example, Baro and Sala-i-Martin, 1995; Piazzolo, 2006; Baro, 1996; Asheghian, 2011 and Prochniak, 2011). However, not all of these factors can be important and influential in oil economies; the specificity of these nations in their excessive dependence on a single product significantly affects the economy through higher prices lowering the opportunity to compete with the economies of other countries.

Exports are the main factors affecting oil-rich countries, given such countries' dependence on the export of oil and its derivatives. Exports are the primary determinant of economic growth, as identified by many empirical studies (including the Classical and Keynesian growth models) in developing and oil-rich countries (Workie, 2005).

Studies addressing the determinants of economic growth in oil-producing countries have tended to focus on the export variables, especially oil exports (see for instance, Safdari et al., 2011; Konya, 2004; Anman, 2004; and Asseery & Al-Sheikh, 2004). Oil-rich countries have, in turn, been criticized for overly relying on oil-exports. Such criticism stems from the fact that this reliance might affect other types of exports due to neglect of the country's infrastructure whilst narrowly focusing on the transfer of technology for oil purposes only. In this framework, there are a great number of articles that have attempted to examine the impact of non-oil exports on growth, but their results have been mixed. Evidence from Iran, an oil-rich country, revealed a negative relationship between non-oil exports and economic growth (Ali & Nasrollahi, 2010). Moreover, an additional study on developing

nations by Griffin (1989) confirmed that there is a weak relationship between exports and economic growth in developing countries; these nations need to stay away from dependence on primary exports and the development of manufacturing processes in order to enhance growth, as such a dependence would require substantial investment in infrastructure. Conversely, there have been several studies in oil-rich countries (see for example, Aljarrah, (2008) for Saudi Arabia and Okodua, (2013) for Nigeria), that have argued that there is a positive relationship between non-oil exports and economic growth. Olayiwola & Okodua (2013) also recommended that governments should encourage non-oil exports in order to increase FDI and contribute to the economic growth in these countries. Overall, this relationship (between non-oil exports and economic growth) is still not clear.

Although exports play an important role in boosting growth, they are not the sole contributing factor. Studies show that public investment is another key factor affecting economic growth (see for example, Hammond & Thompson, (2006), Vu Le & Suruga, (2005) and Gwartney et al., (1998)). On the other hand, this argument is contrary to some studies, which see public investment as having a negative effect on growth and leads to the crowding-out of private investment. (e.g. Aschauer, 1989; Everhart & Sumlinski, 2001; Cavallo & Daude, 2011; Swaby, 2007; and Devarajan et al., 1996). In developing countries, Pritchett (1996) confirms that directed public investments with non-productive purposes weakens its significance.

In oil-rich countries, private investment plays a prominent role in stimulating economic growth. Unfortunately, the influence of private investment on growth has not received the attention it deserves. In countries like Saudi Arabia, for example, the contribution of the private sector in GDP for the year 2012, at constant prices, reached 58.2%, according to the Central Department of Statistics and Information. This also supports a recent study in 2014 by the International Monetary Fund (Alshahrani & Alsadiq), which has shown that there is a positive effect from private investment on economic growth in Saudi Arabia. There are several studies in both developed and developing countries supporting this approach (see for example, Prochniak, 2011; Dobronogov & Iqbal, 2005; and Chen & Feng, 2000).

Recent interest from researchers concerning the relationship between international tourism and economic growth has increased considerably. Tourism is recognized as having a positive impact on long-term economic growth in three ways: firstly, it is one of the most important sources of foreign exchange for many developing nations as well as for developed nations. Secondly, tourism plays an important role in stimulating infrastructure investment and competition between local and international firms in the field of tourism. Thirdly, tourism contributes to the creation of employment and to an increase in income (see Schubert et al., 2011; Cortés-jiménez & Pulina, 2006; and Tiwari, 2011).

A study by Sequeira & Maçãs Nunes, (2008) showed the significant contribution of tourism to economic growth. In recent years, both low-income and high-income countries (e.g. Norway, Singapore and the USA) focus on economic policies that promote international tourism as a potential source of economic expansion. Recent international tourism-related empirical studies include: Cortés-jiménez & Pulina (2006) for Spain and Italy, Tiwari (2011) for India, China, Pakistan and Russia, Chatziantoniou et al. (2012) for France, Italy, Spain and Greece and Schubert et al. (2011) for a small tropical island. These authors have analysed the possible relationship between tourism and economic growth but only a few found evidence of the long-term effect from this sector on economic growth. In oil-rich countries, several studies (for example, Tiwari, 2011 and Brau et al., 2006), see tourism as very important, and are of the opinion that countries that depend on international tourist arrivals are inclined to grow more dramatically as compared to oil-producing countries.

Finally, economic growth depends on many other variables. Economic theories have focused on the role of labour, physical capital, investments, government spending, human capital and technical progress during the process of economic growth. While various studies have addressed these, they have also taken into account the impact of numerous additional factors, such as: financial developments, openness (Chen & Feng, 2000), foreign direct investment (FDI) (Hsiao, 2006; Asheghian, 2011 and Tiwari, 2011) and human capital and innovation (Teixeira & Fortuna, 2004). Given the difficulty of examining all the variables in economic theories and empirical studies as delimiters for economic growth and given the specificity of the Saudi economy as a representative

case of oil economies as well as the difficulty in accessing some of the data (such as technology-related information), the following variables are assessed in the Saudi Arabia economic growth model for this study: non-oil exports, tourism, investment (both private and public), in addition to labour and capital.

## METHOD OF STUDY AND MODEL SPECIFICATION

Method of study: Data for this study was obtained from the Saudi Arabian Monetary Agency (SAMA), the International Monetary Fund database (IMF) as well as the Saudi Commission for Tourism and Antiquities (Scta). Variables have been calculated in real terms using the GDP-deflator (1999 = 100).

To achieve the objectives of this research a time-series econometric approach was applied to determine the short and long-term relationship between economic growth and the various determinants under study. Data analysis methods is similar to those used by Kogid et al., (2010). The study starts with the concept of time series stationary, followed by main stationary tests, as represented in Dickey-Fuller (DF) for unit roots, and the Augmented Dickey-Fuller (ADF) test. Secondly, it tests co-integration of time-series according to the Johansen test to discover the relationship between the variables and economic growth in the long-term, as well as the Error Correction Model (ECM), to find out the relationship between selected variables and economic growth in the short-term.

Model Specification: In general, investigating the effect of selected variables on economic growth in the Saudi economy can be illustrated as follow:

$$Y = \alpha + \beta_1 L + \beta_2 K + \beta_3 X + \beta_4 T + \epsilon \quad (1)$$

In order to achieve the objectives of the study model (1) was expanded as follows:

- Focus on non-oil exports (XN) in order to isolate the effects of any external influences on the Saudi economy.
- Replace a variable of capital by total investment or gross fixed capital formation due to the lack of data on capital.
- Division of investment to public investment (PG) and private investment (PI) in non-oil sector, in order to assess their relative importance in economic growth.
- Focus on employment in the non-oil sector.
- Use religious tourism between 1970 and 1989 due to the lack of data on the arrival of tourists in Saudi Arabia within these periods of time.

Hence, these take an extended economic growth function as follows (see Table 2):

$$Y = \alpha + \beta_1 L + \beta_2 PG + \beta_3 PI + \beta_4 XN + \beta_5 T + \epsilon \quad (2)$$

Table 2  
Definition of Variables

Variables	Definition
Y	Real GDP of the non-oil sector
XN	Real non-oil exports
PI	Real private investment (non-oil sector)
PG	Real public investment (non-oil sector)
Ln	Total labour forces in non-oil sector
T	Total international tourist arrivals



To examine the short-term relationship between the dependent variable and the independent variables, the study uses the Vector Error Correction Models (VECM) derived from the VAR model, hence, Equation 3:

$$\Delta Y = \alpha_0 + \sum_{j=1}^n b_j \Delta Y_{t-j} + \sum_{j=0}^n c_j \Delta L_{t-j} + \sum_{j=0}^n d_j \Delta X_{t-j} + \sum_{j=0}^n e_j \Delta PG_{t-j} + \sum_{j=0}^n f_j \Delta PI_{t-j} + \sum_{j=0}^n fg_j \Delta T_{t-j} + e_{t-1} + u_t \quad (3)$$

## EMPIRICAL RESULTS AND FINDING

The unit root test: the test of the unit root based on ADF, as illustrated in Table 3, suggests that all six variables are stationary at first difference I (1), which means that there is a possibility of achieving co-integration relationships between economic growth and selected variables. The appropriate gap has been identified in the Augmented Dickey Fuller (ADF) test on the basis of the standard (Schwarz) criterion.

Table 3  
Tests for unit root (ADF)

Variable Definition	Symbols	Level	First Difference
Economic growth in non-oil sector	GDPn	-5.94**	-7.19**
Employment in non-oil sector	Ln	-3.44	-6.63**
Private investment	PI	-1.58	-6.02**
Public investment	PG	-0.10	-3.55**
Non-oil exports	Xn	-2.23	-4.11**
International tourist arrivals	T	-2.24	-7.00**

\*Significance at 10% and \*\* significance at 5%. The lag length is based on the Schwarz Info Criterion (SIC). Critical values (with linear trend): at the 5% and 10% are 3.54 and 3.20, respectively.

### Co-integration Test

Johansen approach: as mentioned before, this research uses non-oil sectors alone to assess the impact of these variables on economic growth. These variables private investment (PI), public investment (PG), non-oil exports (Xn), tourism (T) and labour in non-oil sector (Ln). The Johansen approach was used to examine the relationships between all variables and economic growth in the long run and the short run.

Having proven the results of unit root tests for Augmented Dickey-Fuller (ADF), time-series variables were integrated into the first difference. The following table presents the results for the Johansen co-integration tests, which proved the existence of a complementary relationship between all variables under study.

Table 4  
Johansen Co-integration Test Results

Hypothesized No. of CE(s)	Eigen value	Trace Statistic	0.05 Critical value	Prob.
Non*	0.976630	280.5305	103.8473	0.0000
At most 1*	0.922362	160.3294	76.97277	0.0000
At most 2*	0.708565	78.54689	54.07904	0.0001
At most 3*	0.588067	39.09290	35.19275	0.0180
At most 4*	0.201102	10.71224	20.26184	0.5700
At most 5*	0.104377	3.527554	9.164546	0.4870
Hypothesized	Eigen value	Max-eigen	0.05	Prob.

No. of CE(s)		Statistic	Critical value	
Non*	0.976630	120.2012	40.95680	0.0000
At most 1*	0.922362	81.78246	34.80587	0.0000
At most 2*	0.708565	39.45400	28.58808	0.0014
At most 3*	0.588067	28.38066	22.29962	0.0063
At most 4*	0.201102	7.184685	15.89210	0.6469
At most 5*	0.104377	3.527554	9.164546	0.4870

\*Trace test indicates 4 cointegrating eqn(s) at the 5% level, and the Max-eigenvalue test refer that there are 4 cointegrating eqn(s) at the 5% level. \*: Rejection of the null hypothesis of no co-integration at 5% level.

The results suggest that there is more than one co-integrating vectors; there are in fact three co-integrating vectors between economic growth (GDP) and other variables. Hence, existence of a long-term relationship among economic variables; the equation for the joint integration between the dependent variable and the independent variables could be clarified in the following table:

Table 5  
Determinants of Economic Growth in Non-oil sector

Variables	Coefficient	Standard Error	t-Ratio
Ln	0.014407	0.00092	15.6
PG	0.098558	0.01358	7.25
PI	0.302124	0.02097	14.4
XN	- 0.223472	0.03855	5.79
T	0.002246	0.00042	5.34

Table 5 shows that the effects of the labour force, private investment, public investment and tourism on economic growth are positive and are statistically significant at 5%. Interestingly, there is a negative impact of non-oil exports on economic growth; this is statistically significant, at 5%.

Error Correction Model (ECM): the test results from the cointegration of the Johansen approach showed that there was a long-term relationship between the GDPn and its determinants. Thus, the next step, the relationship between these variables in the short-term and the results, are shown in Table 6.

Table 6  
Vector Error Correction Model

Variable	Coefficient	Std. Error	t-Statistic
ECt-1	-0.509180	0.14436	-3.52724
D (GDPn(-1))	-0.180308	0.15055	-1.19766
D (Ln(-1))	0.000481	0.00401	0.11975
D (PG(-1))	-0.168724	0.13942	-1.21021
D (PI(-1))	0.265230	0.18505	1.43331
D (Xn(-1))	-0.145668	0.21115	-0.68987
D (T(-1))	0.000143	0.00049	0.29141
C	-150.9911	385.703	-0.39147
R-squared	0.46		
F-statistic	3.23		

The previous estimated model shows the results of estimating via the vector error correction model (VECM) for the short-term relationship between the dependent variable and the independent variables, specifically: the value of the F-statistic (3.23), in addition to the error correction coefficient (ECt-1) is statistically highly significant, as is its negative sign, and this is consistent with the method of error

correction. R-squared is 0.46; hence the ECM explains 46% of the systemic variation in the dependent variable.

## DISCUSSION AND CONCLUSION

The main objective of this paper was to identify the key determinants of economic growth in non-oil sectors of oil-rich countries. A unit root test, based on the Augmented Dickey Fuller (ADF), showed that the time series data used for each variable are stationary at the first differences I (1). The co-integration technique based on the Johansen's approach indicates that there is evidence of the existence of co-integration between the variables. Thus, a long-term relationship was found between these variables.

A major contribution of this article is that it shows the importance of non-oil sectors such as tourism and private investment to future strategies for economic growth in oil-rich countries. It also highlights the importance of separating the economic entity (particularly in oil-rich countries) into two main parts: oil and non-oil.

The results of this study relate primarily to private investment; its strong influence on economic growth in non-oil sectors was clearly identified. The impact of private investment is followed by the influence of the public sector and tourism. Unexpectedly, the non-oil exports in the Saudi economy are negative and statistically significant, which means that the growth in non-oil exports in Saudi's economy leads to a decrease in growth.

This study's results have exposed the positive impact of labour force and capital on economic growth that is compatible with economic theory.

Tourism has, overall, performed below expectations, thereby throwing into question its efficiency and effectiveness in supporting the economic growth of the Kingdom. Nonetheless, this does not mean it should be ignored, but should be supported to achieve the desired outcome.

It can also be concluded that the Saudi economy should focus on non-oil sectors for many reasons, not least of which is the fact that these sectors are far easier to control, given that price rises in oil exports have far less bearing on them.

## REFERENCES

1. Ali, N. & Nasrollahi, M. (2010). A Study of the Effects of Non-Oil Exports on Iranian Economic Growth, in: International Conference on Eurasian Economies, (pp. 302–308).
2. Aljarrah, M. A. (2008). Non-Oil Export Growth and Economic Development in Saudi Arabia : A Simultaneous Equations Approach. *Journal of the Gulf and Arabian Peninsula*, 34(129), 1–16.
3. Alshahrani, S. A. & Alsadiq, A. J. (2014). Economic Growth and Government Spending in Saudi Arabia : an Empirical Investigation. , 1–26.
4. Aschauer, D. A. (1989). Is Public Expenditure Productive? *Journal of Monetary Economics*. *Journal of Monetary Economics*, 23(2), 177–200.
5. Asheghian, P. (2011). Economic Growth Determinants and Foreign Direct Investment Causality in Canada. *International Journal of Business and Social Science*, 2(11), 1–10.
6. Brau, R., Lanza, A. & Pigliaru, F. (2006). How Fast Are Small Tourist Countries Growing? The 1980-2003 Evidence.
7. Cavallo, E. & Daude, C. (2011). Public Investment in Developing Countries: A Blessing or a Curse? *Journal of Comparative Economics*, 39(1), 65–81.
8. Chatziantoniou, I., Filis, G., Eeckels, B. & Apostolakis, A. (2012). Oil Prices, Tourism Income and Economic Growth: A Structural VAR Approach for European Mediterranean Countries. *Tourism Management*, 1–11.
9. Chen, B. & Feng, Y. (2000). Determinants of Economic Growth in China: Private Enterprise, Education, and Openness. *China Economic Review*, 11(1), 1–15.
10. Cortés-jiménez, I. & Pulina, M. (2006). Tourism and Growth : Evidence for Spain and

- Italy. In 46th Congress of the European Regional Science Association, University of Thessaly (Volos, Greece), 30(September), 1–23.
11. Devarajan, S., Swaroop, V. & Heng-fu Zou. (1996). The Composition of Public Expenditure and Economic Growth. *Journal of Monetary Economics*, 37, 313–344.
  12. Dobronogov, A. & Iqbal, F. (2005). Economic Growth in Egypt: Constraints and Determinants.
  13. Everhart, S. S. & Sumlinski, M. A. (2001). Trends in Private Investment in Developing Countries. , (44).
  14. For, C. & Analysis, P. (2010). Ghana: The Dutch Disease in an Emerging Oil Economy. (20).
  15. Gwartney, J., Lawson, R. & Holcombe, R. (1998). The Size and Functions of Government and Economic Growth. Washington, DC.
  16. Hammond, G. W. & Thompson, E. (2006). Determinants of Income Growth in U.S . Metropolitan and Non-metropolitan Labor Markets. *American Journal of Agricultural Economics*, 90(3), 783–793.
  17. Hsiao, F. H. and M.-C. (2006). FDI , Exports , and Growth in East and Southeast Asia -- Evidence from Time-Series and Panel Data Causality Analyses, in: *International Conference on Korea and the World Economy*. Korea University.
  18. Kogid, M., Mulok, D., Beatrice, L. & Mansur, K. (2010). Determinant Factors of Economic Growth in Malaysia : Multivariate Cointegration and Causality Analysis. *European Journal of Economics, Finance and Administrative Sciences*, 24(24).
  19. Konya, L. (2004). Export-led Growth, Growth-driven Export, Both or None? Granger Causality Analysis on OECD Countries. *Applied Econometrics and International Development*, 4(1), 73–94.
  20. McKinnon, R. I. (1964). Foreign Exchange Constraints in Economic Development and Efficient Aid Allocation. *The Economic Journal*, 74(294), 388–409.
  21. Montiel, P. J. (2011). *Macroeconomics in Emerging Markets*. Cambridge University Press.
  22. Okodua, H. (2013). Foreign Direct Investment, Non-oil Exports, and Economic Growth in Nigeria: a Causality Analysis. *Asian Economic and Financial Review*, 3(11), 1479–1496.
  23. Piazzolo, M. (2006). Determinants of South Korea Economic Growth , 1955 – 1990. *International Economic Journal*, 9(4), 109–133.
  24. Pritchett, L. (1996). Mind Your P ' s and Q ' s The Cost of Public Investment Is Not the Value of Public Capital. , (October 1996).
  25. Prochniak, M. (2011). Determinants of Economic Growth in Central and Eastern Europe : the Global Crisis Perspective. *Post-Communist Economies*, Vol. 23, N(October 2012), 449–468.
  26. Schubert, S. F., Brida, J. G. & Risso, W. A. (2011). The Impacts of International Tourism Demand on Economic Growth of Small Economies Dependent on Tourism. *Tourism Management*, 32(2), 377–385.
  27. Sequeira, T. N. & Maças Nunes, P. (2008). Does Tourism Influence Economic Growth? A Dynamic Panel Data Approach. *Applied Economics*, 40(18), 2431–2441.
  28. Swaby, R. (2007). Public Investment and Growth in Jamaica, in: *Research and Economic Programming Division*. Kingston: Bank of Jamaica.
  29. Teixeira, A. & Fortuna, N. (2004). Human Capital, Innovation Capability and Economic Growth. *Portuguese Economic Journal*, 3(1), 205–225.
  30. Tiwari, A. K. (2011). Tourism , Exports and FDI as a Means of Growth : Evidence from Four Asian Countries. *The Romanian Economic Journal*, (40), 131–151.

31. Vu Le, M. & Suruga, T. (2005). Foreign Direct Investment, Public Expenditure and Economic Growth: The Empirical Evidence for the Period 1970–2001. *Applied Economics Letters*, 12(1), 45–49.
32. Workie, M. T. (2005). Determinants of Growth and Convergence in Transitive Economies in the 1990S : Empirical Evidence from a Panel Datd. , 3, 239–251

# TRANSFORM FAMILY BUSINESS WITH HANDICRAFT HERITAGE TOURISM: A CASE STUDY OF THE COMMUNITIES AT UBON RATCHATHANI

*Wachiraya Tatiyanantakul<sup>1</sup>, Donruetai Kovathanakul<sup>2</sup>*

<sup>1</sup>Faculty of Management Science, Khon Kaen University, Muang District, Khon Kaen, Thailand  
40002, Email: wachiraya.t@gmail.com. Tel: +66-933207351

<sup>2</sup>Faculty of Management Science, Khon Kaen University, Muang District, Khon Kaen, Thailand  
40002, Email: kdonru@kku.ac.th

## ABSTRACT

Since agriculture is the biggest industry in the economic system of Ubon Ratchathani province. At the same time most farmers are often faced with the problems and limitations of living difficulty. Therefore, the important things to lift up the high competitive economic of the province, should be keep their own handicraft valuable wisdom of the local cultural heritage and think about the existing resources to taking account of the unique cultural heritage to replace their tourism cost commercial then, integrated with the family business which is the main business of the Ubon Ratchathani province. After that, transform the family business by bringing out the local cultural heritage identity value to be the strength of the local traditional craftsmanship products, the result that will be lead to the country development and meet the need of current tourism target market. Also, promote the beautiful traditional cultural heritage of Thailand.

**Keywords:** Family business, Cultural Heritage, Intangible Cultural Heritage, Handcraft, Cultural Heritage Tourism

## INTRODUCTION

The ASEAN community is recognized the potential of tourism that is an important mechanism for developing and evaluating in the region. Since a wide range of the industry sectors is considered within the community and the region because of its variety of cultural identity and rich of natural resources. In part of Thailand, the tourism is a major income, both in terms of economic growth, and employment. Refer to the 11st National Economic and Social Development Plan that focus on increasing the revenue from tourism in the way of supporting the local knowledge and intelligences and combining local identity and economic development . The traditional handcraft has been in the area for long time, and it is one of local source revenue in the area and the regional income and also a source of local tourism in Ubon Ratchathani Thailand. The handicraft is fully valuable of cultural heritage which has become the local economic resources from tourism of communities in the province. Developing the local handicraft will increase a chance of local business, not only people in the communities will be getting more quality of life, but also developing country.

Ubon Ratchathani is a province in northeastern part of Thailand where is the fifth largest province in Thailand. Its structure of economy is based on agriculture because most people are agriculturists. In addition, Ubon Ratchathani is a famous province of Thai handicraft that has been registered as Thai intellectual culture of the nation al Thai craftsmanship in 2013 from Department of Cultural Promotion for Ban Pa Ao Brassware Community and Ban Sai Mun Gong Making Community (Department of Cultural Promotion, 2013). The handicraft is an invaluable culture in Ubon Ratchathani which it shows people the way of life and also expressed to advance of people in the past (www.dailynews.co.th, 2556). However, the percentage of of agriculturists in the province is 52.76% (Ubon Ratchathani Provincial Administration Organization, 2013),the most agriculturists often face with problems and limitations about their living in many aspects such as resource of land, irrigation and unseasonable rainfall. These conditions affect to slow down the growth ratio of agricultural productions, unemployed in dry season; consequently, these families lack incomes and perhaps produce social problems in many aspects.



### Statement of the Problem

Tourism industry is an important activity causes the circulation of money in ASEAN Member States economic system including Thailand that connected with many of main industrial sector. It provides businesses on production of goods and services, plays important roles for earning income and occupation of people and utilizes tourism resources for maximize profit. The business development and income distribution of people in community, therefore, it's necessary to think over the enhancement of cultural tourism cost on local communal identity and integrate existing cost of social and culture of potential handicraft community with the identity of local wisdom transferred from past generations as main cost of development. This integration, in accordance with guidelines of national and provincial economic system of development, emphasizes on promotion incomes from tourism affecting actual benefits on developing of people's quality of life in local community and social and leads to the creation of economic values both in present and the future.

### Objective of the Study

The study is to find guidelines for promoting the system of a family business in Ubon Ratchathani province of the cultural heritage of handicraft which relate to tourism.

### Scope of the Study

The studied area is in 5 communities are:

Candle Casting Community, Wat Burapha, Mueang District

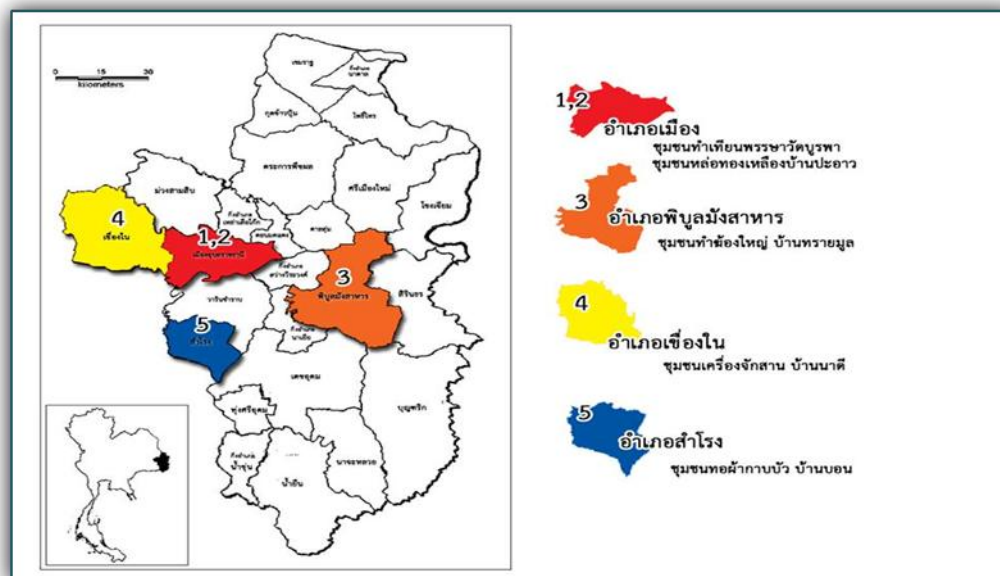
Ancient Brassware Casting Community, Ban Pa Ao, Mueang District

Gong Making Community, Ban Sai Mun, Phiban Mangsahan District

Wickerwork Community, Ban Nadee, Kheuang Nai District

Weaving Community, Ban Bon, Samrong District

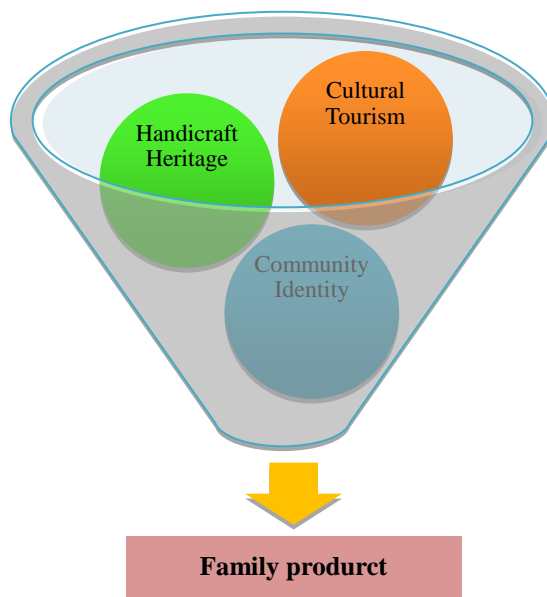
**Content:** Studying and searching data from books, articles, literature review and related documents according with the concept of cultural heritage of handicraft and tourism, and the family business.



**Figure 1:** the map shows the locations of the studied areas

## Conceptual Framework

**Figure 2:**  
Concept of the study framework



## LITERATURE REVIEW

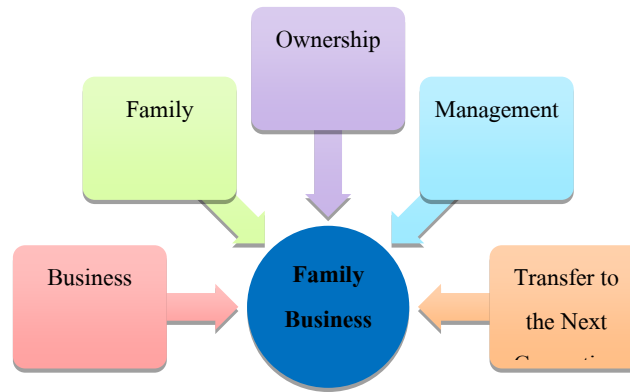
### Definition and Concept of Family Business

Family business is regarded as a basic pattern of business worldwide both in North America, Europe and especially Asia. In fact, this business is a micro economic foundation to create values in the economy of nearly all countries around the world (Beckhard and Dyer, 1986) and there are family businesses up to 80% in Thailand (Bureau of Industrial Business Development, Department of Industrial Promotion, 2001; The Stock Exchange of Thailand, 2007).

Family business means a business which its most of shares are hold by a family that may be related by blood or by marriage and have sufficient vote to control business administration. They also have their plan to hand on the business to the second generation and further generations (Westhead and Cowling, 1997). This is similar to Ward (1988) who stated that the family business means business transferred from one generation to another generation for giving the firm's administration and control to any person or member(s) of the family who control that business (Barnes and Hershon, 1976:106).

Moreover, Thai scholars also define the meaning of family business as: the family business is a model of business to meet the demand on financial security of their family by using the "business" as a tool to promote members of family for their good living, good jobs and earning income (Nawaphol Viriyakulkit *et al*, 2009). That is to say that the business family means any business that mostly possessed by a family or occupy that firm's administration and control by more than 2 members of such family to directly involve with such business's administration, or in other words the family members who own such business will always participate in setting of that organization's goal, objective and strategy (Sanchai Tiawprasertkul, 2007). This agrees with the concept of Ampol Nawawongsatien (2010) suggested that the meaning of business family is a border that shows the business's ownership of the biggest family related by blood or by marriage and one or more members of the firm's executive are assigned by such family. There is a plan to hand on the business to the second or further generations, enough vote to control that business, setting policy and decision making on significant matters of such business.

In conclusion, family



business is the business which some member of a family is a powerful person in its administration. The business is controlled by some member of that family including involved with setting of policies, objectives and significant matters as well as transferring power to next generation.

### Components of Family Business

Ward (2005 cite Danai Thianphut, Dr., 2006) said that family business has 4 components:

1. Family who controls the business since the founders' generation.
2. Business or Management that is important and necessary for continuous changes or family business development.
3. Individuality or characteristics of family's leader who control the business.
4. Ownership this will be affected to strategy, culture, success and management.

Gersick, Lansberg, Davis and McCollum (1997:46) described in Generation to Generation that the systems theory is a theory used for describing that the business family is consisted of related components as family, management and ownership to organize a system.

In brief, the major components of family business has various components related to some parts as; ownership, business, family and management affecting learning and transferring to the next generation.

### Cultural Heritage Tourism

The definition of **cultural heritage** has wide meaning and relationship between nature and human (UNESCO, 2011) because cultural heritage does not means only tangible things such as ancient monuments and buildings or parks (Tangible Cultural Heritage) (Marilena Vecco, 2010) but also intangible things as skill, knowledge, ability of person and group of people as well as expressions of way of life, believes, traditions and etc. called "Intangible Cultural Heritage" (Department of Cultural Promotion, 2010). The United Nations Educational, Scientific and Cultural Organization or UNESCO in 2003 divided the intangible cultural heritage into 5 types (UNESCO, 2003:(Article 2.1)):

1. Oral traditions and expressions including language as a vehicle of the intangible cultural heritage
2. Performing arts.
3. Social practices, rituals and festive events.
4. Knowledge and practices concerning nature and the universe.
5. Traditional craftsmanship.

Moreover, in the General Chapter, Article 2 of UNESCO's Convention for the Safeguarding of the Intangible Cultural Heritage 2003 also stated that "Intangible Cultural Heritage" means practices, representation, and expression of knowledge, skills, instruments, materials, inventions and cultural

areas resulted from those matters that community and in some case individuals accept them as a part of their cultural heritage.

From above study, it can state that the tangible cultural heritage and intangible cultural heritage affects each other because intangible culture in form of belief (Office of the National Culture Commission, 2009) including folkways that provided with their surrounding environments for long times. These often express and communicate in form of objects and inventions made by human that makes us be visible or touchable (Protection and Promotion of Cultural Heritage Bill B.E. 2556, 2013).

Hence, that is to say the Cultural Heritage Tourism means travelling for entertainment and studying knowledge in surrounding environments including things created by human as results of existing social life in ecosystem (Feilden and Jokilehto, 1993). This indicates the practice and expression of significant skills, knowledge, ability, performance arts, languages, traditions, festive events with unique cultures of each local area. (Office of the National Culture Commission, 2009). These are creative developed, continually accumulated and applied to daily life between human and nature (The World Heritage Convention, 1972) as interaction of local people and nature as well as history in accordance with the environment and social of each group.

### **Handicrafts**

Handicraft means creative works manually invented by human based on knowledge body, local wisdom and skill of craftsman that has been inherited from their ancestors for long times. Products of handicraft in the study areas in Ubon Ratchathani always express to the local culture, tradition and belief in the study areas. Moreover, raw materials were used for their products and can be found in their communities. Therefore, all handicrafts show their pattern of idea, skill and competency of people who create such handicrafts with different shapes and styles of each community. These come from cultural differences and tradition of those communities as well as value and belief that influences on the identity of handicrafts in each area. Mostly, the objective of handicraft creation is different depended on each craftsman.

Handicrafts are often manually produced by craftsmen with different styles and various materials of each community; it depends on forms of culture and inherited wisdom of their origins. Differences of culture in each community are caused by the environments of geography, economy, social, folklore, belief and religion. Expressions shown in handicraft arts of each cultural group can have its own original called as “Identity” (Panida Somprajob, 2011). This is interested as the representative or symbol of communities reflect cultural value of the community whose own handicraft arts inherited from their ancestors.

Therefore, handicraft is always placed importance of such invention on its functional value. If that thing has aesthetic value, art expression and temperamental expression, we would call it as “Handicraft Art”. In other words, if that handicraft is in form of abstract with structure pattern and material and also has its values caused by local characteristics, we would call it as “Local Handicraft Art”. Local handicraft is like as the reflector of differences of people in such native land as wisdom, knowledge body and skill inherited from generation to generation of local communities of the country.

### **Significance of Cultural Heritage Tourism in handicraft for Family Business**

Tourism industry is regarded as the main industry for developing worldwide economic system. According to the forecast of World Travel & Tourism Council: WTTC in 2009 said that world travelling and tourism will increasing and amount of tourist would raise up to 1.4 billion people around the world in 2020 (WTTC, 2009). This increased numbers of tourist makes many countries turn to pay attention to actually develop economic system tourism, focus on tourism for learning enhancement and study new knowledge for being deeply impressed by local wisdom, custom,

tradition and culture (Chanadda Petchprayoon and Manop Chunin, 2009) as well as livelihood of community as tourism for learning more intangible cultural resources (Richards, 2010: 78-90). In many developing countries, they also more emphasize on the cultural tourism community, for instance, in Ethiopia there were up to 250,000 tourists in 2007 spending their money on purchasing of local handicraft products more than US\$ 50 during the times they were staying in tourism locations. This made people in those communities earn more income and overcome the poverty.

Moreover, Mozambique in Africa tourists spend their money for purchasing local handicraft at least US\$ 20, while in Kenya and Tanzania tourists spend their money at average US\$ 79 per head (IFC, 2006) for handicrafts expressing culture of people in that community. It's not different with tourism economics in Luang Prabang, Laos that earns income from tourists who spend their money for purchasing local handicrafts up to US\$ 33 per head (Ashley, 2006).

Vietnam is another country that has its high potential in handicraft industry. We can see that population of Vietnam has its occupation in aspect of handicraft for 10 million people or one third of population. There are 1,500 handicraft villages and can selling handicraft products up to US\$ 3 billions (www.asiaseed.org, n.d.).

As a result of Thailand has the most economic system in form of the family business, the family business is regarded as a basic form of small-size economic system that drives businesses at national level. Value added economy is, therefore, needed to utilize the difference and dominance of strong cultural cost in local as a main part for leading to benefits in tourism and bringing about income for families. The utilizing of knowledge body, ways of life, arts, culture and wisdom of local handicraft, that has original identity as the selling point of products and services on local cultural products, should be placed on the first priority such as Pottery Community of Ban Dan Kwian, Chok Chai District, Nakhon Ratchasima Province can earn huge income for Nakhon Ratchasima Province more than 200 million Bahts per year and this is regarded as the main income of business sector and economic system in Nakhon Ratchasima Province (www.cm.nesdb.go.th, 2003). Results of utilizing local wisdom, with identity and high skill of craftsmen, make handicrafts have their changes of designing, molding and sculpturing products for meeting the demand of current market and cause the pottery business of Ban Dan Kwian Sub-district be well known both in domestic and foreign countries. In addition, there is an applying identity of natural resources available in community such as at Ban Yang Kham, Yang Kham Sub-district, Nong Ruea District, Khon Kaen Province. "Pai Tawan" wood, a type of bamboo with its identity of golden color, was used by changing in structure and styles of packaging, production and local wisdom inherited from their ancestors and adding with some adjustments for meeting usage that is in line with fashion as well increasing various appearances for multipurpose use makes handicrafts of the community be increasingly popular (www.thairath.co.th, 2013).

## CONCLUSION

Under the current national development policy based on increasing income from tourism by supporting the development of valuable handicraft arts for creating identity of local cultural products, it should be considered that using of social and cultural cost as the strength of products to improve and integrate with existing resources and wisdom in producing products for tourism in accordance with the cultural heritage in good handicrafts of the country. It is accounted as a smart guide to develop local products by using existing resources, invaluable culture and natural cost that has their own identity for creating the selling point of products and services as an instrument to show the history and origin of local in Ubon Ratchathani. These induced tourists to learn such different cultural ways, whereas these changes or developments must give priority to the system of family business as a main economic system of the country in small level (scale) with its potential to promote local people for having their awareness in the resources of cultural capital in their own invaluable handicrafts as the owner of production's thought and wisdom. When the system of family business as a small-size economic system has already well-developed, it will be effected to economic security in larger scale



as in national level. Finally, benefits of cultural heritage tourism in handicraft will not only affect to change income for family in form of measurable benefit, but also affect to national development as well as effects to cultural heritage in those invaluable handicrafts to be reserved and inherited as the continued representative of local intelligence.

### **Future Work Guidelines for Transforming Family Business from Cultural Heritage Tourism in handicraft**

Ubon Ratchathani Province has its reputation in cultural heritage on the craftsmanship of invaluable Thai handicrafts as an expression of the origin and history of Ubon Ratchathani Province. This indicates the identity of history, arts, archeology and culture of the province. Applying of local wisdom on unique handicrafts for transforming community products and developing in parallel with market demand, therefore, may be a guideline to properly promote family business from cultural heritage tourism in handicraft. Furthermore, the guidelines for transforming family business from cultural heritage tourism in handicraft are involved with all sectors related to tourism development that have to more participate in development processes as follows:

The government sector should have a policy for supporting producers in communities by providing them with trainings of skill development in handicraft of their communities.

Promoting of systematic management with efficiency and standard.

Promoting of using more local resources for enabling community to utilize existing resources for maximized profits.

Entrepreneurs should study trends on demand of current tourism market affecting communities.

Developing with modern styles, adding complex of production process and inserting more local cultural identity should be provided for counterfeit protection.

Field trips should be provided for communities that have development on their local products from tourism connected to their communities for more learning and experiences.

### **ACKNOWLEDGEMENTS**

This article is a part of the research project in the field of “Practical Manual Development for Handicraft Intangible Cultural Heritage in Ubon Ratchathani”

### **REFERENCE**

1. Ampol Nawawongsatien. (2010). Factors Affecting the Sustainable Growth of Family Business in the Stock Exchange of Thailand. The NIDA Development Journal, 50 (1), 29-47.
2. Ashley, C., 2006, Participation by the Poor in Luang Prabang Tourism Economy: Current Earnings and Opportunities for Expansion, Overseas Development Institute (ODI) and SNV Netherlands Development Corporation.
3. Danai Thianphut. (2006). Family Business the Real Hero of the Country. Retrieved on 20 June 2012, from <http://dntconsultant.blogspot.com>.
4. Department of Cultural Promotion. (2013). Intangible Cultural Heritage Bill 2013. Department of Cultural Promotion: Ministry of Culture.
5. Gersick, K. E., Davis, J. A., Hampton, M. M., and Lansberg, I. (1997). Generation to Generation: Life Cycles of the Family Business. Boston, MA: Harvard Business Press.
6. Thailand (2008). International Cultural Tourism Charter. Retrieved on 25 December 2012, from <http://www.icomosthai.org/charters/tourism.pdf>.
7. ICOMOS Thailand. (2011). The Draft of Thailand Charter on Heritage Site Management The Last Edition 2011. from [http://www.icomosthai.org/THcharter/ANNEX\\_20110623.pdf](http://www.icomosthai.org/THcharter/ANNEX_20110623.pdf).
8. International Finance Corporation (IFC), 2006, The Tourism Sector in Mozambique: A Value Chain Analysis.
9. Lank, A., Owens, R., Martinez, J. L., and Riedel, H. (1994). “The State of Family Businesses in Various Countries around the World.” The Family Business Network Newsletter, (9): 3–7.



10. Marilena Vecco. (2010). A Definition of Cultural heritage: From the Tangible to the Intangible. *Journal of Cultural Heritage*. HYPERLINK  
["http://www.sciencedirect.com/science/journal/12962074/11/3"](http://www.sciencedirect.com/science/journal/12962074/11/3) \o "Go to table of contents for this volume/issue" (11)3 ., 321-324.
- 11 . Nawaphol Viriyakulkit, Ron Siriwasant and Pakanee Wiriyarangsarit. (2552). Succession of Family Business. *Money & Banking*: Bangkok.Office of the National Culture Commission. (2010). Criteria for Nomination of Items for the Intellectual Cultural Heritage Designation Office of the National Culture Commission: Ministry of Culture.
12. Panida Somprajob. (2011). Stone-Polished Bronze Ware: Model for the Conservation and Revitalization of Arts and Crafts in the Central Region. : Mahasarakham University.
13. Pradchamas Lanchanon. (2011). Cultural Heritage Management by Community Participation in the Tourist-Historic City: A Case Study of Communities in Chiang Mai City. Maejo University.
14. The Stock Exchange of Thailand. (2007). Corporate Governance Report, August 2007. Bangkok: Market Supervision Department, The Stock Exchange of Thailand.
15. Ubon Ratchathani Provincial Administration Organization. (2013). Development Strategic Plan 2014-2018. Ubon Ratchathani: Ubon Ratchathani Provincial Administration Organization.
16. UNESCO. (2003). Convention for the safeguarding of Intangible Cultural Heritage. (17 October 2003). Paris: UNESCO.
17. UNESCO. (2011). What is Intangible Cultural Heritage. Retrieved on 10 June 2013, from [http:// www.unesco.org/culture/ich/doc/ src/01851-EN.pdf](http://www.unesco.org/culture/ich/doc/src/01851-EN.pdf). p 10.
18. Ward, J. L. (1988). "The Special Role of Strategic Planning for Family Businesses." *Family Business Review*, 1(2): 105-117.
19. Weaver, David B. 2000. *Tourism Management*. 2nd edition. Singapore: Kyodo Printing Co(S'pore) Ltd.

# **BUSINESS TOURISM TOWARDS IMPROVING THE TOURISM OFFER IN MOROCCO: CASE OF SEASIDE TOWN OF AGADIR.**

***Ouafae ZEROUALI OUARITI \*, Hicham Med HAMRI \*\****

\*Professors (Teaching and Research), Heads of the Research Team of Transport Economics and Information Technology and Logistics. National School of Business and Management (ENCG) Ibnou Zohr University, Agadir, Morocco, Africa. zerouali.ouafae@gmail.com

\*Professors (Teaching and Research), Membre of the Research Team of Transport Economics and Information Technology and Logistics. National School of Business and Management (ENCG) Ibnou Zohr University, Agadir, Morocco, Africa. h.m.hamri@gmail.com

## **ABSTRACT**

The business tourism has experienced in the recent years, rapid expansion un interrupted despite successive economic crises that have occurred in the world. The pace of development has surpassed that of other productive sectors goods and services. As an economic factor, the market for tourism business created new occupations, jobs, and as a social factor produces an approximation of entire sections of the international community, even more so, political affiliations, religious, ethnic and cultural. The business tourism market in Morocco, has been transformed in recent years, with some assets, and a real improvement in the general framework (represents 14 %). The tourism business is very profitable for the direct economic benefits and indirectly generated through conferences, meetings, seminars, fairs and exhibitions as Business tourists can spend 2.5 to 3 times more than an ordinary tourist. Casablanca (business capital), Marrakech and Tangier are three cities monopolize the Business Tourism in Morocco market, since they are three business destinations par excellence. The facilities are modern and comfortable. We hope through this work , focus on the concept of tourism Business in Morocco, and to know is that the city of Agadir can better position themselves in this kind of tourism This allows us to ask several issues including: Is the business tourism is the real type of tourism? Can we talk about business tourism in the city of Agadir? How the city of Agadir can access to this market?.

**Keywords**— Tourism Marketing, Tourism sector in Morocco, Market research.

## **INTRODUCTION**

Business tourism has experienced in the recent years, a continuous and rapid growth despite successive economic crises that the world endured. The pace of its development has outperformed other sectors of goods and services production. As an economic factor, the business tourism market has created new occupations, jobs, and as a social factor it produces a reconciliation of all sections in the international community, even political, religious, ethnic and cultural affiliations. The business tourism market in Morocco has transformed in the recent years, thanks to certain assets, and a real improvement in the general framework (represents 14%). The tourism business is very profitable given the direct and indirect economic benefits harvested through conferences, meetings, seminars, fairs and exhibitions and since a business tourist can spend 2.5 to 3 times more than an ordinary tourist. Casablanca (the business capital), Marrakech and Tangier are three cities that monopolize the business tourism market in Morocco, since these are three excellent destinations for business. The facilities are modern and comfortable. We would like in this article, to focus on the business tourism concept in Morocco, and to know if the city of Agadir can better position itself in this market. This allows us to mention many problematic issues including: Is the business tourism is the real type of tourism? Can we talk about business tourism in the city of Agadir? How the city of Agadir can access to this market?

## **I. BUSINESS TOURISM: DEFINITION AND CHARACTERISTICS**

### ***1.1. The concept of business tourism***

Appending the two concepts "tourism" and "business" seems a priori paradoxical. The first immediately evokes holidays, relaxation, pleasure and all the fun aspects related to it. As for the second, on the contrary, it refers to a very different reality, that of trade, wealth creation and employment. However, both have common points induced by the same necessity that of visiting a destination and using the same transportation services, accommodation, catering... What radically separates them is the purpose of the trip, mostly professional for the second, even if the attractiveness of the place, visiting museums, historical monuments, theaters and operas may also be part of the stay and may eventually influence the choice of the destination. According to the WTO, the UN, the INSEE and some professionals, a tourist is "any person who is traveling with at least one overnight stay outside the usual environment, regardless of the reason for the trip." This definition includes the business traveler while for the latter the trip is constrained in its purpose, its duration, its organization and its financial coverage. So his/her connection with any economic activity is thus erased, which is also the case for business travelers who have the freedom to organize themselves their contacts and tours. This concept relating to organizing conferences, seminars, business meetings is mostly concentrated in big cities which include central governments, large manufacturing and processing plants, etc., but also those with adequate infrastructure for the organization of international meetings (conference rooms, convention centers, etc.). All professionals stress that the definition of "business tourism" is imprecise at the national and international level. Business tourism associates on the one hand, tourism meaning the movement and the necessary consumption for people's stays (accommodation, catering, hospitality, transfers and sometimes leisure...).

Generally, we consider that business tourism includes individual or organized trips, made for professional reasons and whose duration is at least 24 hours.

## **1.2. Business tourism market**

### **1.2.1. Conventions and Corporate Conventions**

- Conventions: The term "convention" is used today in the strict sense, it is a gathering of people in order to exchange ideas and communicate the results of their studies, in the broad sense it is used to refer to the different types professional events, such as business conventions, product launches, symposiums, seminars, conferences, road shows, study days, etc. It is generally considered that a convention is a meeting of a large number of participants from the same corporation, federation or association, who do not necessarily share the same profession, but come together to discuss a theme of common interest directly related to their concerns or activities. In fact, the notion of convention is multifaceted because it can include events that are:

- Local, regional, national or international;
- International either with a governmental and non-governmental vocation;
- Pertaining to companies or associations;
- Professional or addressing ideas (political, religious, social ...), etc.

There is also a great multiplicity of terminologies that are not always entirely respected.

- Corporate conventions: The term "Corporate convention" evokes all the events organized by companies that can take many forms: gathering sales force, strategic agreements, product launch convention or a road show. The corporate convention is an internal meeting of a particular organism which may be national or international following the objectives shared by the group. The opportunity to participate in it is restricted to members of this organization and gather either all the staff, managers or sales force. In fact, the use of this term has been limited and is no longer used except for internal company meetings that gather their employees periodically. Moreover, some events that appear under the name conventions are actually corporate conventions.

### **1.2.2. Fairs and Exhibitions:**

- Fairs are formed by the periodic gathering of exhibitors in order to present to professional buyers or the public samples of products or services with the intention of raising awareness of their qualities and prompt sales.

- Exhibitions: When these fairs are especially dedicated to a particular category of goods, they are called exhibitions. Specialized exhibitions cater to a particular sector, activity or a group of specific sectors of activities. Some are open to the public but most are professional trade fairs, not accessible

to the general public. Nevertheless, there are some trade shows that are now open to the latter often in limited conditions (evenings, days...). Specialized exhibitions are characterized by a triple vocation:

- Gather at the same time and in the same place the supply and demand of an industry;
- Provide direct, current, and customized information of visitors and exhibitors;
- Place the national and international buyers in a position thanks to which they see, compare and place orders.

### 1.2.3 Incentives and seminars:

- The incentives: These are professional tours for members of a company or business partners in order to reward them for reaching their quantitative and qualitative objectives. The tourist side, the destination and the schedule of proposed activities are more important than in other professional events since here, the goal is to mark the participants strongly and positively. The increase in corporate demand for European and Mediterranean destinations is a real opportunity for France, which has a very wide range of activities often associated with the richness of different regions. Some Incoming travel agencies specialize in the sector; it is the DMC (Destination Management Companies). They plan for the trip combining logistics and creativity to meet and exceed the companies' marketing and commercial requirements.

- Seminars: These working groups are open to specialists in a certain discipline and are organized by professionals to complete specific training for participants while developing teamwork. If we exclude the companies' internal seminars, this kind of meeting is open to all interested parties, which are also solicited and who pay a contribution for the entire session (one to two weeks). The seminar's particularity is being a meeting with the unifying role which is primarily work. That been said, the seminar may have several objectives more or less assigned depending on the case: information, training, research, creativity, stimulation... . Some types of seminars are also close to the incentives: motivation stays that combine relaxation, leisure and work.

### 1.2.4 Business travel

These are trips made individually or in small groups strictly for a professional purpose, such as a business appointment in another city, a trip to meet the interlocutors of a client company or an international meeting between several partners, etc. Unlike incentives, the destination is often dictated by the location of a business or a specific industry. The tourism aspects of the business offer does not come into play here in the choice of the destination for the business travel nor in the related activities, because the business traveler usually has little time to devote to his recreation. Moreover, these movements are quite difficult to quantify because professionals often travel individually and use very diverse means of transport and accommodation.

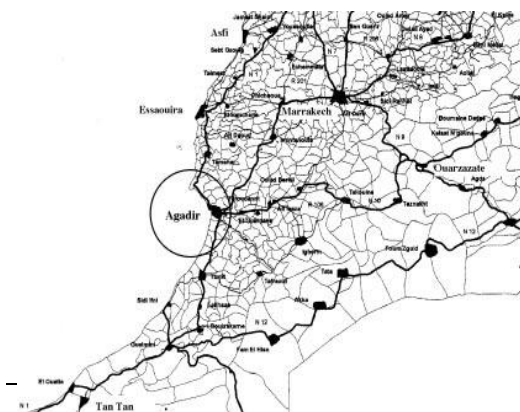
*The new term for business tourism in the world is **MICE: Meetings, Incentives, Conventions, and Events***

## II. CASE STUDIES "BUSINESS TOURISM IN AGADIR"

### 2.1. The tourism sector in the city of Agadir

#### 2.1.1. Agadir Key figures

##### A. location



Agadir: Agadir (meaning "collective fortified granary" in Tamazight Tifinagh: ⵏⵓⵎⵎⵓⵔ, Arabic: أگادير) is a city in southwest Morocco, located on the Atlantic coast, in the Souss region, 508 km south of Casablanca, 173 km of Essaouira and 235 km west of Marrakech. It is the capital of the administrative region of Souss-Massa-Draa and the county Agadir Ida Outanane.

- International Airport: Agadir - Al Massira ;
- 260 Km Highway connecting Agadir to Marrakech;
- 5 ports and 8 Dams.
- Area: 72,506 km<sup>2</sup> (10% National)

- Population: 3,200,000 hab. (10% national)
- Urbanization: 41%
- Agriculture (national leader with 32% of added value)
- Food, Travel, Sea Fishing
- Energy and Mines
- Infrastructures

### *B. Tourism in Agadir*

First tourist hub, Souss Massa region is very diverse; it's a land of contrasts offering an infinite number of tracks and ambiance.

- Mild, sunny climate;
- Broad and heterogeneous area (beaches, sand dunes, flora, fauna)
- Tourist attraction sites;
- More than 100 hotel establishments listed;
- More than 30,000 beds;
- More than 600,000 tourists a year;
- More than 3 million nights (in the hotels) a year.

Agadir has hit a record of its history in 2012 and it has withstood adverse vagaries of the global crisis which had a negative impact on the global tourism industry.

Arrivals	Evolution (2011 vs. 2012)	Registered room nights	Evolution (2011 vs. 2012)
810 .559	4,05%	4.084.311	0,24%

The cumulative distribution of arrivals and room nights during the year 2012 by majormarkets.

Market	Saudi	Spanish	Russian	British	National
<b>Arrivals</b>	45,30%	17,63%	19,33%	6,85%	12,15%
<b>Room nights</b>	55,21%	4,76%	37,32%	12,22%	8,31%

According to these results, we believe that Agadir is a destination that is always appreciated by the national and international tourists, Therefore many efforts are needed in order to upgrade product quality and promotion then to find new mechanisms and solutions.

#### *2.1.2. The different types of tourism in the city*

Seaside tourism: a main pillar of the economy in the Souss-Massa-Draa region given the enormous tourism potential it contains, it is ranked first in seaside hotel capacity in all of Morocco

- Sports tourism (water sports, Golf ....);
- Thalassotherapy;
- Tourism events: festival, conference, forum, exhibitions.

### **2.2. The city's infrastructure**

#### *2.2.1. Convention center:*

Agadir has no convention center; also the Wilaya of Souss-Massa-Draa is studying a project to equip the city with a convention center. Two sites have already been identified to accommodate the complex and a business plan is being developed: It Will include three conference rooms with a capacity of 350 people each and three committee rooms with a 60 people capacity. Within walking distance of the convention center will be located a 30-rooms hotel.

#### *2.2.2. Transportation*

Airport "Al Massira" is the second airport nationally. It is internationally recognized and it is located thirty Km from Agadir, this airport has a 3,200 m runway and annually hosts approximately one million passengers. Modern equipment allows it to respond to any request for traffic and serve major European and African cities. Tourist Transport: There are 49 companies comprising Agadir travel agencies and other transport companies.



### 2.3. SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ One of the best transportation infrastructures in Morocco</li> <li>▪ An important job market, varied and young</li> <li>▪ Modern technological Infrastructure</li> <li>▪ International airport</li> <li>▪ Diversified and dense industrial and service sector</li> <li>▪ 4 and 5 stars hotels with large conference rooms</li> </ul>	<ul style="list-style-type: none"> <li>▪ Insufficient infrastructures to host demanding and professional customers.</li> <li>▪ Accessibility problem</li> <li>▪ Begging and other social problems</li> <li>▪ Limited hosting capacity which is relatively not adapted to current customers</li> <li>▪ There is no Convention center</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Rich and diversified heritage</li> <li>▪ The city is widely known on an international level</li> </ul>	<ul style="list-style-type: none"> <li>▪ The rise of the competing cities</li> <li>▪ The global economic situation</li> <li>▪ Funding problems of ongoing projects</li> </ul>

## III. QUALITATIVE AND QUANTITATIVE SURVEY

### 3.1. Methodology

The qualitative approach is used to study the underlying motivations of individuals in order to update the variables that influence their attitudes and behaviors; it uses techniques to reach the unconscious and the subconscious because preferences are generally determined by factors which the individual is unaware of. However, the objective of quantitative studies is to quantify a number of variables from a reference population. The quantitative study is best known in the market research conduct. Indeed, it is the development of surveys, large-scale surveys with a sample of people affected by the product. In order to study the importance and place of the "Business Tourism" within the city of Agadir, we conducted two studies:

**The first study** was conducted using a questionnaire that was administered with travel agencies as well as communication and event planning agencies. We selected our sample based on all the existing agencies in the city of Agadir.

**The second study** was devoted to different hotels that we targeted (Atlantic Palace, Royal Atlas, Atlas Marina Beach, Sofitel Thalassa Almohads), recommended by the various agencies we interviewed.

### 3.2. Questionnaires

3.2.1. *Questionnaire administered with travel agencies, communication and event planning companies:*

#### Analysis and Results Interpretation:

- 88% of travel agencies as well as communication and events planning agencies that operate in the city of Agadir, operate in the area of "Business Tourism".
- The majority (57%) of operators (travel agencies and communication agencies), interviewed organized between 6-10 events per year, as well as 9% hold more than 15 events per year.
- Calls for tender are the most suitable tool for the organizers (77%); since they both guarantee equal opportunities for travel agencies, communication and event planning agencies, as well as a better quality service. We also cannot deny that direct contact is another way that can be used (20%).



-The time devoted to the organization of an event varies according to its importance and its value (Regional, National and International):

<b>Regional</b>	<b>National</b>	<b>International</b>
Some days before the event	Two weeks to two months	Three months and more

- Most agencies surveyed reported that the duration is determined by the organizers.
- 64.50% of the interviewees have a profit margin that is between 15% and 20% we can say that business tourism is a real profit generator as 7% of agencies have more than 20% profit.
- Nowadays business tourists are becoming more demanding, this is why the majority of agencies (73%) offer services in parallel.
- More than half (51%) of the activities are performed within the hotel (animated evenings, Bar ...), outside activities are also present with a percentage of 49% (excursions, city tours ...)
- The French (55%), Spain (25%), Polish (7%) are the promoting markets for Morocco.
- The 5-star hotels (61%) and 4 stars (34%) are the most targeted by the agencies, as they give more importance to this type of tourism, having the proper infrastructure.
- Most agencies (83.25%) confirm the importance of business tourism as a real profit generator. As a business tourist spends 3 times more than an ordinary tourist.

### 3.2.2. Questionnaire administered with hotels:

#### Analysis and Results interpretation:

- 80% of the hotels surveyed have multi-use rooms devoted to the organization of conferences, forums or conventions, while 20% of these hotels prefer to focus on leisure tourism.
- 40% of hotels that operate in Business Tourism have more than three multi-use rooms, while 20% have less than three multi-use rooms. A number that is low and it cannot meet the expectations of customers (Business tourists).
- 20% of the hotels interested by events, organize more than 15 events per year, the same share is occupied by hotels that provide 1 to 5 and 6 to 10 conventions, forums and conferences, while those who organize 11-15 events are the most significant (40%) percent.
- The organized events themes are varied and diverse. With the importance of agriculture in Agadir, this theme represents 20% of the subjects of the events. While health, economy, art, politics and social topics represent 15% each, however sport is the least important issue with only 5%.
- The various managers of the hotels that we interviewed found it difficult to answer this question, but in general they made the comparison between the international and national events and also by the importance of the events:

<i>Events</i>	<i>Time</i>
<b>International</b>	<b>1 year, 6 month, 3 month</b>
<b>National</b>	<b>1 month, 1 to 2 weeks</b>

- Travel agencies are the most used medium to ensure the organization and communication of these events with a percentage of 50% while 25% deploy other means such as advertising and event planning agencies. However, the rest prefer to contact the hotels directly without going through an intermediary.
- Just like the time devoted to the organization, the average duration of events also varies depending on the size of the event and stakeholders. We noticed that 46, 50% last from 1 to 3 days, 39.25% from 4 to 6 days and 14.25% more than a week.
- The cost is generally determined by the client's budget. Directors targeted in the study mentioned that hotels cost between 30,000 and 40,000 Euros.
- According to interviewed officials, while organizing these events, hotels always provide accommodation and food for the participants.
- According to the results of the questionnaire, all hotels not only organize national events but also international ones, so we can say that the city of Agadir is attracting more and more international business tourists.

- Business tourism is an activity that allows the development of destinations since it is considered a real profit generator for tourism establishments. This is what is clear in the responses of the interviewed managers, 90% are aware of its importance.

### **3.3. Synthesis**

All in all, we can say that although the city of Agadir, continues to impress and attract tourists (leisure and business), since what we have noticed in these questionnaires, the business tourists are satisfied with the organization and the quality of services offered at conventions and they are ready to relive the experience ... the city has a number of hotels (which have good quality conference rooms), travel agencies, communication and events planning agencies, as well as professionals trained in this field.

Business tourism remains a new market for the city of Agadir, which is why it is necessary to provide more effort in terms of infrastructures (hotels, convention centers, event management agencies, tourist transport...), not to mention the involvement of the state in the development process, in order to satisfy and retain existing customers and attract others, in order to make the city more competitive nationally and internationally.

### **3.4. Suggestions and recommendations for improvement**

- Create a convention center which meets international standards;
- Encourage investors to create their own projects within the city while facilitating administrative procedures;
- Implement the headquarters of large companies (public and private) to improve the brand image and the economic situation of the city;
- Invest in hotel infrastructure (upscale hotels containing large capacity conference rooms), and in the event management agencies (intermediation role), and to develop means transportation for tourists.
- Promoting the city of Agadir as a destination for business tourism not only a coastal resort in forums and international exhibitions (ONMT & CRT);
- Training specialized personnel in the field of tourism and events.

## **CONCLUSION**

Business Tourism, which had the appearance of a "new concept" once, now plays an important role in a destination's performance. It is a marketing and communication tool whose effectiveness is increasingly recognized. Despite a slowdown in the recent years, the Travel market continues to evolve. However, there has been a restructuring of the latter, through a modification of the demand. Indeed, customers, increasingly sophisticated, new expectations and a new "movement" have sown "panic" among current players in the business tourism. More companies are realizing the importance of an activity, the more they wish to have control. According to this perspective, the current offer for Business tourism must be different in the future: some players will continue, and others are strongly threatened.

However, the current supply of business tourism, normally based on customization, didn't it turn into a standardization process? Indeed, the customer wants the original, easily achievable and this at the lowest possible cost benefits. Such requirements often lead to "basic" benefits. Because of this, Business Tourism loses a little of its nature: unique and unforgettable appearance of an event is often overlooked in favor of "convenience." Do not forget that the Travel business is the image of a destination, both internally and externally. Also, if we continue to neglect the "exceptional" side of an event, won't Business Tourism lose its value?

## **REFERENCES**

### **Books**

1. Maurice Dupuy(2005), Le tourisme d'affaires : Comprendre, organiser, réussir, Editions TECHNIP.
2. Dubrule, Paul (2005), Tourisme en France : les enjeux pour 2020. Paris, Le Cherche midi. 93 p.
3. Moinet, François (2006), Le tourisme rural. Paris, Ed. France agricole. 462 p.
4. Origet du Cluzeau, Claude (2005), Le tourisme culturel. Paris, PUF. 125 p. (Que sais-je ? 3389).
5. Barma, Jean-Louis(2004), Marketing du tourisme et de l'hôtellerie : études de cas commentées +

- corrigés. 3e éd. Paris : Éd. D'Organisation,. XX-443 p.
6. Callot, Philippe (dir.) (2006), Tourisme et PME. Paris, Hermès Science publications : Lavoisier, (Collection ESCEM) 287 p.

# THE INCREASING OF EFFICIENCY IN LOGISTICS AND SUPPLY CHAIN OF SEAFOOD INDUSTRY FOR EXPORTING : CASE OF FROZEN SHRIMPS

*Chayanan Kerdpitak*

Suan Dusit Rajabhat University, Thailand : E-mail [ckerdpitak@gmail.com](mailto:ckerdpitak@gmail.com)

## ABSTRACT

The key elements of efficiency in logistics and supply chain of any industries are (1) the cost reduction, (2) the lead time reduction, (3) the high product quality, and (4) the quick response capability. Based on these efficiency elements, this study is examined the work process of logistics and supply chain management for export in the seafood industry by using Value Stream Analysis (VSA). The case study is conducted by reviewing activities from shrimp farms to a seafood company to process, market and export final products. The data are collected using in in-dept Interviews and observations of the operations. The results indicate that the Value Added Activity (VA) 51.6%, the Non-value Added Activity (NVA) 1.08%, and Neccessary Non-Value Added Activity (NNVA) 47.32%. The suggestions to improve the performances are also presented.

**Keyword** : Logistics and Supply chain improvement

## INTRODUCTION

At present, the export frozen seafood industry is a rapidly expanding and highly competitive business. It is of paramount importance that firms quickly actualize their potentialities by constantly keeping a keen eye on operational costs. Nevertheless, at the same time, it is essential that products should be of the highest quality and services provided are responsive to customer needs. Very close heed must be paid to enhancing efficiency or otherwise businesses such as these can fail at the basic operational level. In this light, therefore, it well behooves us to examine the principles governing the supply chain in an alternative fashion leading to augmenting firm efficiency, and thus leading to the development of a more successful firm overall provided that they are actually applied. Nowadays this approach is receiving a great deal of attention. In its increasingly wide acceptance, this approach is taken as one which—if adopted—will enable firms to become much more successful than was previously the case.[11,5]

This research inquiry investigates the logistics and the supply chain of the frozen seafood export industry. In studying this industry, the researcher investigated large frozen seafood factories in Samut Sakhon province. These factories purchased raw seafood from middlemen and, upon processing, shipped the seafood products by sea to customers in Japan. The current situation with which these seafood processors have to cope was studied in medias res at the factories themselves in order to isolate the real problems confronting the factories and locating the most troubled areas of operations. Accordingly, this was an examination that can provide information needed to solve salient problems over the long term in an ad rem, perspicacious manner. Finally, on the basis of what has been found in this inquiry, the researcher has been able to proffer a number of suggested guidelines for solving salient problems through applying the principle of reducing the number of steps in the supply chain.

## Review of the Literature

Value Stream Analysis (VSA) ; VSA is used in determining the value of each step in a supply chain. VSA is conducted by means of using the tool of Value Stream Mapping (VSM). In VSM, a diagram is constructed showing the flow of components in a supply chain. These components include the flow of raw materials in conjunction with the equipment used to process the raw materials and the information needed to guide the whole step-by-step process of production leading to the culmination of the process with finished products. As such, VSM becomes a tool whereby production

processes are depicted in such manner that all stages in producing products are clearly shown, albeit diagrammatically. As can be seen, therefore, VSM can be used as a research tool enabling investigators to determine how the production process in a factory can be improved by becoming more efficient in utilizing resources appropriately and efficaciously.[3,4,6]

In reviewing relevant literature, VSM is a process of planning and lean production initiatives through systems analysis. VSM is included of eight steps 1) Commit to lean, 2) Choose the value stream, 3) Learn about lean, 4) Map the current state, 5) Determine lean metrics, 6) Map the future state, 7) Create kaizen plans, 8) Implement Kaizen plans. [12]. it was found that there are seven areas to which attention should be drawn in order to reduce waste. These areas are 1) Overproduction, 2) Defects, 3) Unnecessary inventory, 4) Inappropriate processing, 5) Excessive transportation, 6) Waiting, 7) Unnecessary motion. [1,3,4,7]

In addressing these wasteful activities, Value Stream Mapping (VSM) is a tool that can be applied so as to eliminate these wasteful activities. In applying this tool, one can thereby identify and differentiate activities classified as Value-Added Activity (VA), Non-Value Added Activity (NVA), and Necessary but Non-Value Added Activity (NNVA). Once this step is taken, it should become possible to eliminate wasteful activities from the supply chain. [3,4,7]

Information Technology (IT) : IT Agricultural industry has used e-Commerce to send data pertaining to the uncovering of advantages and disadvantages in the industry for more than thirty years. In this period of around three decades, we have seen this form of information technology to have been continuously improved in tandem with the advancing evolution of continuously improved software and hardware. Using this technology, messages can be readily transmitted between factories, middlemen, and agriculturalists. Consequently, inessential and even wasteful steps in the supply chain can be eliminated, thereby eo ipso fostering better outcomes for the businesses in question [10,11]

In addition, it has also been found that the use of information technology in transmitting data via the Internet or the Intranet brings in its wake a highly beneficial conveying of necessary information in terms of both accuracy and speed. Both extra- and intra-organizational communication is greatly enhanced by taking full advantage of modern information technology. Using information technology also generates greater rapport between workers and instills a sense of collaboration in workers in firms which make full use of this technology. Moreover, using information technology, reduces operational costs for firms which fully adopt it with overall decreases in overhead outlays [2.6.9.]

Using information technology in managing the supply chain is highly important in building successful firms. It has been established that information technology of high quality involving high performance hardware, state-of-the-art software and an effective network system allowing efficacious linking greatly conduces to effective work performance. Being able to link all departments of a firm fosters close collaboration between all workers and this in turn leads to greater organizational efficiency as a whole, thereby ultimately bringing about reductions in costs to the organization [9]

## RESEARCH METHODOLOGY

In obtaining data for this supply chain investigation, the researcher relied on in-depth interviews and a observation analysis of actual operational processes. Examined were actual organizational components of the supply chain, viz., shrimp farms, Wholesale / middlemen, processing factories, and customers. The analysis was conducted by reference to the concept of the Value Chain as extrapolated to characteristics of the supply chain, operational steps, and the time spent in these activities.

### Instrument of Research

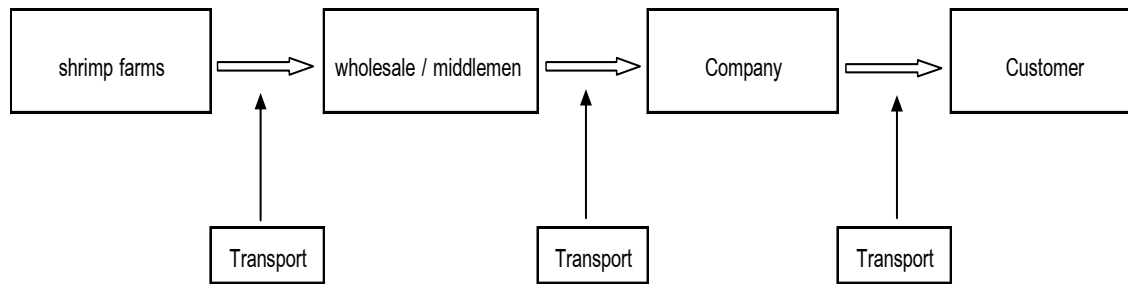
The researcher used Process Activity Mapping as a tool in analyzing the details of all activities with a mind to determining how to reduce the level of wasteful or unnecessary activities in the work process. Activities can be divided into three kinds: Value Added Activity (VA); Non-Value Added Activity (NVA), and Necessary but Non-Value Added Activity (NNVA). [3,7,4]

## FINDINGS

### Supply chain for the export frozen seafood industry at present

Using a particular firm as a case study, the supply chain at this firm provided the necessary data for this research project. Interviews were conducted with personnel employed at all departments of the factory under study, agriculturalists owning shrimp farms, and middlemen engaged in the buying and selling of shrimps on the market.

**Figure 1 :**  
Logistics and Supply Chain for the export frozen seafood Industry at presently



### An analysis of the current supply chain situation

As seen in Figure 1, the current situation can be depicted and analyzed as follows:

(1) Analysis of agriculturists: At present, agriculturists who have shrimp farms do not have modern communication systems. Nor are they in possession of clear information concerning buying and selling on the shrimp market. Therefore, all selling and buying is conducted through middlemen, a state of affairs engendering unnecessary costs and wasteful delays. This untoward state of affairs causes damage to the raw materials being transported. After all, these raw materials being transported are fresh shrimps, damage to which is costly.

2.) Wholesale / Middlemen: At present, middlemen are responsible for the buying and selling of the fresh shrimps. Located at designated loci, these middlemen evaluate the quality of the fresh shrimps, settle on prices, and provide transportation of the shrimps to the factory. Indubitably, at present, middlemen are essential because agriculturists are unable to make direct contact with the processing factories.

(3) Processing manufacturing: At present, processing manufacturing buy raw materials—fresh shrimps—from middlemen for processing and store the shrimps they have purchased. The first stage of this operation entails waiting for the shrimps to be shipped to the factories on the basis of orders factories have received or storing the shrimps until orders are received. As is patent, production and delivery are set in motion by receiving orders. However, as we have seen, buying and selling of raw materials are only conducted through the middlemen. The shrimp farmers are without access to modern communications technology in spite of the fact that orders placed by factory customers are placed by means of information technology.

### **An analysis of activities in the supply chain**

The researcher collected data using the method of direct enumeration for all sectors concerned. The collection period was over the interval of one month during the seasonal peak in which production is continuous.

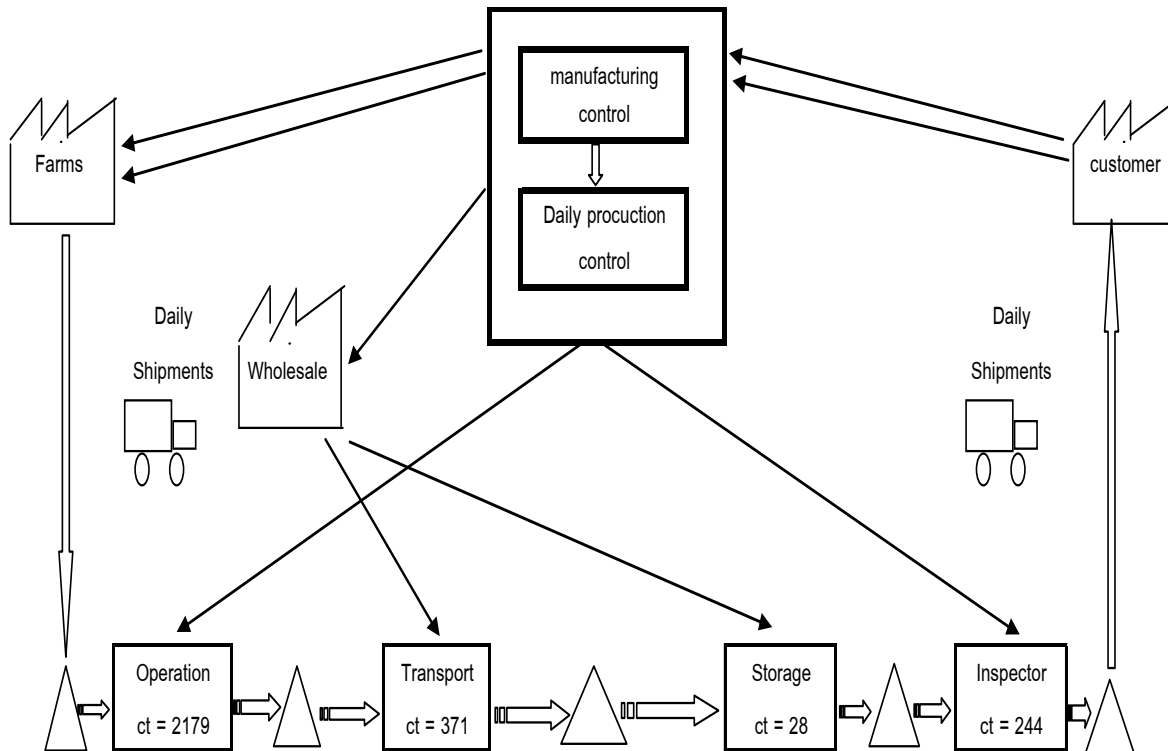
The structure of the supply chain for the export frozen seafood industry was examined by means of an application of the principle of Value Chain. Furthermore, the method of Process Activity Mapping was used in classifying activities under the categories of steps taken in shrimp farming, transportation of fresh shrimps to the factory by middlemen, and shipping the finished product to customers. These three stages are exhibited in the table of activities shown below



Table 1  
Table Presenting an Analysis of Process Activity Mapping

Activity	Activity in processing	Average time (hr.)	kind of Activity	Value Analysis Activity
1	preparing farm	720	Operation	NNVA
2	feed for shrimps	1440	Operation	VA
3	contracting Wholesale / Middlemen	2	Operation	NVA
4	catch of shrimps	3	Operation	VA
5	bargaining process	0.5	Operation	NVA
6	preparing the shrimps to transport	3	Operation	VA
7	Transport to market Middle	9	Transport	NNVA
8	inspecting the shrimps	0.5	Inspector	NNVA
9	Waiting for factories	4	storage	NVA
10	bargaining process	0.5	Operation	NNVA
11	transport to factories	2	Transport	NNVA
12	quality check	0.75	Inspector	NNVA
13	cleaning shrimps	4	Operation	VA
14	respect to size	1.5	Operation	VA
15	processing factories	4.5	Operation	VA
16	checks weight	0.75	Inspector	NNVA
17	checks quality shrimps	2	Inspector	NNVA
18	checks chemical of aging	240	Inspector	NNVA
19	waiting for transport	24	Storage	NVA
20	Transport to customer	360	Transport	NNVA
	Total 20 Activity	2822		
	Operation	2,179.00		
	%Value adding	77.21		
	%VA	51.6		
	%NVA	1.08		
	%NNVA	47.32		

Figure 2  
Current State Map



### Discussion of the Findings

Logistics and the supply chain process can be improved on the basis of analyses conducted by reference to the criteria supplied by the conceptual framework of Necessary but Non-Value Added Activity (NNVA) and Non-Value Added Activity (NVA). In this connection, activities requiring reduction are identified, and so applications of technology can be utilized to reduce waste as much as is feasible. Analysis revealed that NVA stood at 1.1 percent. Although this figure is low, it should still be eliminated for the sake of adding potential to the firm. In addition, NNVA stood at 47.42 percent. If the firm could eliminate wasteful activities in this connection, then firm potentialities would be considerably augmented.

It was determined that actions geared to reducing wasteful activities could be profitably initiated by paying heed to the following:

(1) In respect to NVA, it was found that the activity of contracting middlemen and the activity used to maintain the products in a proper condition required twenty-six hours to complete.

(2) In regard to NNVA, it was found from an analysis of repeated activities that the activities are as follows: Activity 5 involved the stage of preparation for wholesale selling of the products. In preparing the shrimps for transportation to the wholesale market, quality checks were made by inspecting the shrimps in respect to size and freshness. Then, they were transported to the middlemen at the shrimp exchange market. As part of the bargaining process, the shrimps were once again given a quality check. Next came a period of waiting for the processing factories to make purchases for a total period of approximately five hours for the whole process. In this interval, the quality of the shrimps was reduced. Such wastage is costly. Once again, upon arrival at the processing factories, the shrimps were once again screened for quality and size. Thus, the inspection and screening process was

conducted three times. Such wastage could be obviated if the firms could find out how to use information technology to enhance the efficiency of this needlessly wasteful supply chain process.

## DISCUSSION

Guidelines for making improvements in the supply chain through utilizing information technology to reduce steps in the process are suggested as follows:

(1) E-commerce should be used by the factories to send information pertaining to the buying and selling of the shrimps to the agriculturalists without the intervention of the middlemen in addition to using e-commerce in sending and receiving information from customers. Eliminating the middlemen in this way would enhance efficiency and reduce costs.

(2) Information technology should be used in Intranet or Internet communications between agriculturalists and the processing factories and between the latter and customers. Information conveyed in this fashion would be accurately and quickly received. Additionally, using information technology in this fashion conduces to better relationships between operational personnel in the processing factories.

It is also clear that using information technology in this manner reduces the number of links in the supply chain and induces changes in supply chain activities.

Figure 3  
A New Supply Chain Process

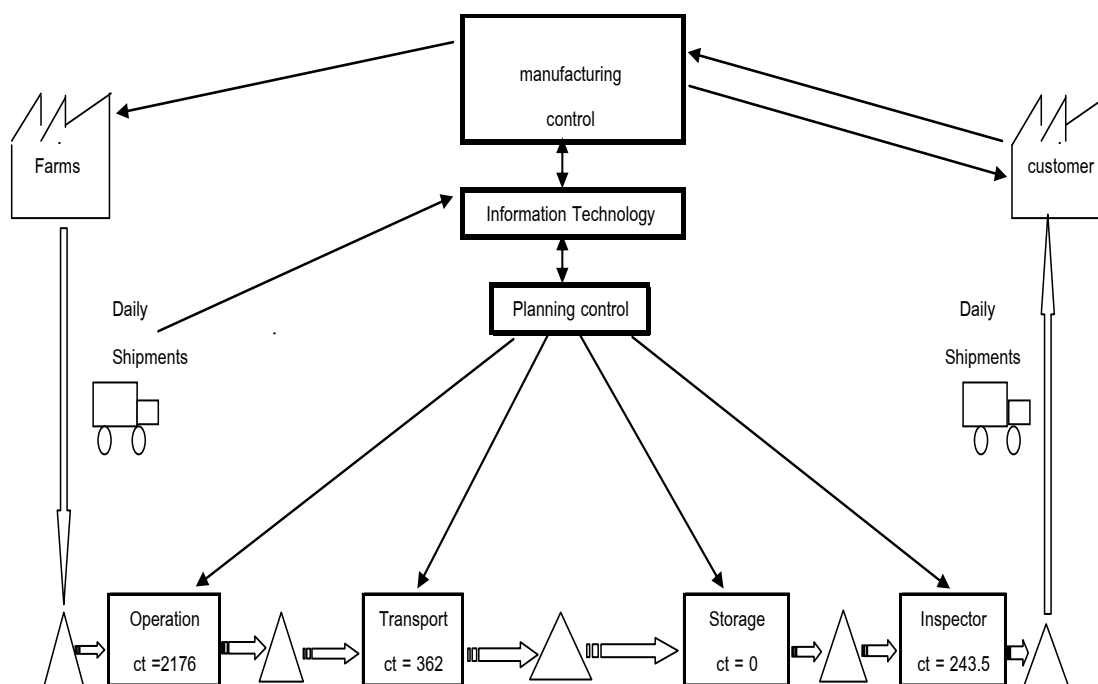


Table 2  
Table Presenting an Analysis of New Process Activity Mapping

Activity	Activity in process	Average time (hr.)	Kind of Activity	Value Analysis Activity
1	prepare farm	720	Operation	NNVA
2	feed for shrimps	1440	Operation	VA
3	catch of shrimps	3	Operation	VA
4	preparing the shrimps to transport	2	Operation	VA
5	transport to factories	1	Transport	NNVA
6	quality check	0.75	Operation	NNVA
7	cleaning shrimps	4	Operation	VA
8	respect to size	1.5	Operation	VA
9	processing factories	4.5	Operation	VA
10	checks weight	0.75	Inspector	NNVA
11	checks quality shrimps	2	Inspector	NNVA
12	checks chemical of aging	240	Inspector	NNVA
13	transport to customer	360	Transport	NNVA
	total 13 Activity	2781.5		
	Operation	2,176.00		
	%Value adding	78.26		
	%VA	52.34		
	%NVA	0		
	%NNVA	47.66		

**Table 2: Table Presenting an Analysis of New Process Activity Mapping**

Adopting the new pattern reduces NVA by four activities. Instead of twenty activities, there are now thirteen. The time expended in completing the process is reduced by 40.5 hours. The upshot is that the effort to make the operations in the supply chain more efficient has succeeded at a high level.

### CONCLUSION

The findings indicate that currently the activities can be divided into eighteen discrete activities requiring a total of 2,820 hours to execute. VA was determined to be at 51.52 percent with NVA being at 1.10 percent. NNVA was ascertained to be at 47.32 percent. Therefore, the reduction of the time consumed in the whole process will eventuate in a more efficient supply chain for export frozen seafood. The favorable consequences are that prices are reduced, products are delivered more quickly, and responsiveness to customers is enhanced.

## REFERENCE

1. Abdulmalek, F.A. and Rajgopal, J. (2007) "Analyzing the benefits of lean manufacturing and value stream mapping via simulation : A process sector case study." *International Journal of Production Economics*, 107(1):223-236
2. Carr, A.S., and Smellizer, L.R., (2002) "The Relationship Between Information Technology Use and Buyer-Supplier Relationships: An Exploratory Analysis of the Buying Firm's Perspective," *IEEE Transactions on Engineering Management*, Vol.49 No.3, pp.293-304
3. Hines P. and Rich N. (1997) "The seven value Stream mapping tools" *International journal of Operation & Production management*, 17(1):46-64.
4. Hines, P. and Taylor, D. (2002) *Going Lean*. Cardiff, UK: Lean Enterprise Research Centre Cardiff Business School.
5. Lasa, I.S., Laburu, C.O. and Vila, R.C. (2008) "An evaluation of the value stream mapping tool" *Business process Management Journal*, Vol.14, No.1, pp.39-52.
6. Lee, H.L., (2004 ) "The Triple-A Supply chain." *Harvard Business Review*, Vol. 82, No.10 , pp. 102-112.
7. Lovelle, J. (2001) "Mapping the value stream – Use value stream mapping to reveal the benefit of lean manufacturing." *IIIE Solutions*. 33(2):26-33
8. Ozkan, K., Birgun, S., Kilicogullari, P. and Akman, G " Responding to customer requirements with value stream mapping: An Automotive Industry Application" 35<sup>th</sup> *International Conference on Computers and Industrial Engineering* pp.1517-1522
9. Sander, N.R., (2005) " IT Aligment in Supply Chain Relationships: A Study of Supplier Benefits" *Journal of Supply chain Management*, Vol.41, No.2,. pp.4-13.
10. Shu, G., Tian-zhi, R. and Mao-hua, (2007) "Technology and Infrastructure Considerations for E-Commerce in Chinese Agriculture" *Agriculture Science in China*, Vol.6, No.1, pp. 1-10.
11. Us Census Bureau. (2006) E-statistics. <http://www.census.gov/>.
12. Tapping, D., Luyster, T., and Shuker, T (2002) "Value Stream Management Eight Steps to Planning." *Mapping and Sustaining Lean Improvements*. New York, NY: Productivity, Inc

# INCREASING TRADESHOW & EXHIBITION INDUSTRY COMPETITIVENESS THROUGH COMPETENCY-BASE HIRING AND PROMOTION : A SALES EXECUTIVE PERSPECTIVE

*Nuttapong Jotikasthira*

College of Tourism and Hospitality, Rangsit University, Patumthani, Thailand

E-mail: [jotikasthira@gmail.com](mailto:jotikasthira@gmail.com)

## ABSTRACT

As a component of MICE industry, Exhibition and Tradeshow industry yields both economic and social benefits to Thailand in forms of direct foreign income, improved destination image, wealth distribution, and employment. Albeit its success in hosting endless list of world renowned tradeshow and exhibitions, the country is still considered less productive as compared to other leading MICE destinations in the region. Among other factors, human resource is one of the competitiveness components that need an urgent intervention not only to make the industry competitive vis-à-vis other rival destinations but also to keep pace with directionless and unpredictable changes. Competency based human resource management is now replacing its task-based counterparts for its adaptability and versatility to changes in industrial practices and market demands. Language of Work Model has been partially adopted to identify competencies which were categorized into three groups namely "know-why", "know-whom", and "know-how" competencies. Instead of identifying threshold competencies for task completion sufficiency, and differing competencies that distinguishes top from average performers, the researcher added ideal competencies to spare the room for human resource development for top performers. This approach is to make sure that competency model to be identified is in line with lifelong learning approach and organizational talent management. Structured in-depth interview was conducted with five groups of stakeholders namely job incumbents, job supervisors, colleagues, suppliers, and customers nominated by the most prominent tradeshow association in Thailand. Focus group interview was conducted with tradeshow professional association committee to verify the content validity of the finding. The finding revealed that "know-why" and "know-whom" competencies outweighed the importance of "know-how" competencies. Besides, the former two were believed to precursor the latter suggesting that "know-why" and "know-whom" should be predominant when performing HR decision tasks. Recommendations were made for both academia and practitioners at the end.

**Keywords:** Exhibition, Sales Executive, Competency-based hiring

## INTRODUCTION

Thailand's reliance on tourism and hospitality industry is significant in that 16.9 percent of its gross domestic products is yielded from tourism economy representing 11.9 percent of total employment of the country (Blanke & Chiesa, 2013). The sector has witnessed a continual growth with the expected growth rate of 6.4 percent from 2012 through 2022. Despite its 43<sup>rd</sup> rank in overall travel and tourism competitiveness, various sub-indicators have indicated its higher potential. Its government has prioritized this sector (ranked 27<sup>th</sup>) and succeeded in marketing campaigns to attract visitors to the country (ranked 11<sup>th</sup>). Thailand has good tourism and infrastructures as well (ranked 13<sup>th</sup> for airline seats per kilometers for international tourists and 31<sup>st</sup> for travel and tourism infrastructure) (Blanke & Chiesa, 2013). The aforementioned ranks showed that Thailand has greater potential than its overall ranks if it manages travel and tourism sector well.

Facing an ever intense competition and fluctuating, price sensitive, and seasonal demand of leisure market, Thailand and other established tourism destinations have diversified its marketing focus towards other lucrative markets including business travel, MICE, and other markets. Despite priority given by the government and high potential, Thailand's meeting and exhibition industry is



still relatively less competitive as compared to other countries in the region. Table I reported the performance of Thailand vis-à-vis its major ASEAN neighboring countries.

Table I: Thailand's Comparative Performance of Meeting and Exhibition Sub-MICE Industries

Country	Sales/ Employee	PPP Ratio	PPP Sales/ Employee	Efficiency Ratio
Singapore	340,631	1.377	469,048.89	18.08
Malaysia	15,191	1.966	29,865.51	1.15
Thailand	12,551	2.067	25,942.92	1.00
Indonesia	8,084	1.769	14,300.60	0.55
Philippines	4,601	2.006	9,229.61	0.36

Depicted from: (Barnes Report, 2010)

Table I reported the performance of Meeting and Exhibition sub-industries of Thailand and other ASEAN neighboring countries depicted and adapted from Barnes Report (2010) using sales per employee as the performance indicator. As the five available countries have different levels of cost of living making sales per employee incomparable, purchasing power parity has been adopted to convert the per employee sales of these countries more comparable (Barnes Report, 2010). Despite the fact that Thai meeting and exhibition sector is on par with those of Malaysia and superior to Indonesia and Philippines in regards to productivity, the country still lagged behind the performance of Singapore (18.08 times less productive), the most prominent MICE destination in the region. Should Thailand aim to excel MICE market, it should strive on increasing its competitiveness in this regard.

The comparatively inferior productivity of Thai Meeting and Exhibition sectors as compared to Singapore and Malaysia can be attributed to several factors. One undeniable underlying factor is employees' competence and productivity. Heightening the performance standard and productivity of employees in the industry would surely increase the competitiveness of the country's MICE industry as a whole. This article explores the minimum standard performance and its associated competencies of sales executive in exhibition industry. The standard performance and competency set will be used as the basis for competency-based hiring in order to make sure that truly competent and productive to perform the tasks up to the expected level of stakeholders while being competitive to other MICE destinations.

In the near future where conditions of ASEAN Economic Community- AEC will fully be enacted, it is expected that there will be both threats and opportunities present to Thai MICE business operators both regarding to market opportunities, threats, potential hostile merger and acquisitions (Economic Intelligence Center: Siam Commercial Bank, 2011). In such lights, productivity of firms partially derived from employee's performance is highly critical.

In the new environment where uncertainties become normalcy of business operation (The ASEAN Secretariat: Public Outreach and Civil Society Division, 2012), organizational competitiveness and adaptability to changes need to be the core of business decision and planning. Recruiting and developing organizational talents to fit to the competitive landscape is highly important for modern organizations (Kotler, Kartajaya, & Huan, 2007). Organizational talents which are contributively and synergistically aggregated from individual employees need to be planned, managed, nurtured, and enhanced in order to assure its fit to the fast changing and volatile business environments, especially in tourism and hospitality labor markets (Baum, 2008). Hiring process to ensure that individuals with desired talents are hired is highly important.

In tourism and hospitality industry, it is hard to recruit, train and retain employees with right talents due to several factors including the lack of hiring standard, multiple points of entry to the industry, low skill specificity, variance of pay differential and flexible roles and responsibilities (Baum, 2008). Coupling with more volatile and less predictable business environments, these factors have commanded hospitality firms to revisit the task-based human hiring process to competency based hiring (Soderquist, Papalexandris, Ioannou, & Prastacos, 2010). There are a number of reasons justifying the need for human resource management paradigm shift. First, job specification of a

position can easily be obsolete due to fast moving external environments and business practices. Second, employees need to be ready for position and functional mobility in order to keep pace with the fast moving competitive landscape. Competency-based hiring is undoubtedly a tool to increase a firm's competitiveness in the present environment. The question that still needs to answer is how an exhibition firm can adopt competency based hiring in such a manner that optimally strengthens its fit to the competitive landscape.

This paper aims, therefore, 1) to explore the competency sets necessary for sales executives in exhibition firms in Thailand to perform their jobs effectively, and 2) to propose the a method for competency based hiring. Next part of this paper addresses exhibition business as well as the concepts of competency and competency based hiring.

## II Related Works

To address research objectives mentioned in the previous part, conceptual frameworks related to the context of the study, exhibition business, as well as the parent disciplines, competency and competency-based hiring, is hereafter discussed.

### 2.1. Exhibition and Tradeshow

Tradeshow and exhibition is another section of MICE industry. It is, in fact, a marketing communication tool available for both trade and consumer firms to communicate, sell, and negotiate with clients, buyers, and other trade partners through direct interaction without interruption (Blythe, 1999; Herbig, O'Hara, & Palumbo, 1998). As there is no clear measurement of the effectiveness of exhibition and tradeshow, companies might be reluctant to pour in their marketing budget in participating and decorating their exhibition booths (Blythe, 1999). Besides, the tendency for companies to invest in tradeshow participation is proved to be cyclical depending on the economic cycle of particular markets (Herbig, et al., 1998). It is the duty of exhibition and tradeshow sales executives to convince potential exhibitors of the benefit of tradeshow and exhibitions especially in the time of economic slowdowns.

Benefits of tradeshow and exhibition are varied. First, Tradeshow helps promote new products to pre-screened audiences without interruption from other stimulus. Second, it allows firms to uncover new prospective customers who self-screen to attend the tradeshow and to discover potential trade partners, suppliers and buyers. Third, it yields several benefits to the host destinations in forms of local spending, distribution of wealth, attraction of foreign income, stimulation of local business, and destination image. Fourth, exhibition and tradeshow help enhancing image of exhibitors in regards to their respective technological breakthroughs, good causes or other aspects of corporate image. Fifth, it helps manage and strengthen relationship between trade partners. Finally, it serves as additional selling opportunities for firms (Blythe, 1999; Firoiu, Dodu, & Patrichi, 2011; Herbig, et al., 1998). From the benefits as stated, tradeshow and exhibition are evidently important for hospitality industry, local economies, and host destinations alike.

Despite these benefits, certain firms still hesitate to participate in tradeshows and exhibitions due to their unrealistic and short term oriented expectations. The unmatched expectations of exhibitors and tradeshow attendees tend to be the most critical factors that make firms reluctant to participate in tradeshows. While attendees update themselves about players in the market, technological breakthrough, and information gathering forum for further purchase decisions, exhibitors tend to focus on sales and order taking (Blythe, 1999). Sales executives of exhibition companies who can realistically shape expectation of exhibitors should not only increase sales of the exhibition space but also assure satisfaction and repeated participation in the future.

Considering the semi custom-made nature of exhibition and tradeshow, exhibition firms can maximize the value of each client by selling largest exhibition space as well as other services to them including venue decoration and other supporting services. Sales executives' skills in selling and managing the project are crucial for a firm's success and competitiveness.

Critical success factors of a tradeshow highly depend on sales executives' performance especially in regards to expectation shaping and persuasive communication (Friedman, 2002). From the beginning of sales process, sales executives must shape the most realistic expectation to exhibitors

and inform them of what to be expected and what is not. Consultative dialogue about how to increase exhibition effectiveness in regards to relationship management and marketing communication also helps increase per transaction sales of exhibition as well as strengthening long-term relationship (Friedman, 2002). It is clear that sales executives play an important role in making a tradeshow successful. Hiring sales executives with competencies that allow high performance is, therefore, highly critical for its competitiveness.

## 2.2. Competency

For decades, the concept of competency has gained recognition from both human resource practitioners and academics due to its role as underlying enabling factors of expected performance (Melaia, Abratt, & Bick, 2008). Using competency as the core of human resource decision also allows firms to better embrace changes and adapt themselves successfully (Baum, 2008). Competency can be defined as allied inherent and developed skills, knowledge, and other attributes that allow a job incumbent to perform his/her tasks adequately or superiorly within a working context (Baum, 2008; Bhatawdekar & Bhatawdekar, 2012; Soderquist, et al., 2010). It can be seen from the definition given that competency must be set against certain set of standard either for job adequacy or task superiority. Besides, competency sets should be adjusted according to each firm's working environment. One can assume, therefore, that there is no universal set of competency standard that fit in all organizations in an industry.

Competency can be approached from different angles. Certain scholars divide competency into categories namely hard and soft skill competencies (Weber, Finley, Crawford, & Rivera Jr., 2009). While hard skills are important for technical aspect of task performance, soft skills are precursors high performance of individual employees (Testa & Sipe, 2012; Weber, et al., 2009). Despite its indirect relevance to task completion, soft skill competency which covers four aspects namely relationship skills, management and organization, communication and cognition skills, are indispensable for a firm's competitiveness and productivity (Weber, et al., 2009). From this approach, it can be argued that individuals need to possess soft skill competencies to master well the hard skills.

Competency can also be approached from a more function oriented perspective. Testa and Sipe (2012) categorized competency into three groups namely business savvy competencies, people savvy competencies, and self-savvy competencies. Business savvy competencies concern mainly skills and thinking process that allow employees to make astute business decisions such as number wise, planning, strategic decision, system thinking (Testa & Sipe, 2012). People savvy competencies mainly deal with interpersonal skills that allow individuals to create positive and constructive rapports with others (Testa & Sipe, 2012). This competency is highly important for hospitality industries due to high contact nature of the industry (Kay & Rusette, 2000; Lovelock, Patterson, & Walker, 2001). Self-savvy competencies deal with ethics, disciplines, self-locus of control, accountability, professionalism, time and change management (Testa & Sipe, 2012). It can be seen, here, that self-savvy competencies make an employee an organic member of the organization. Other two types of competency help ensure high performance and organizational competitiveness.

Cappellen, and Jassens (2008) group competencies into three categories namely know-why competencies, know-how competencies, and know-whom competencies. Know-why competencies concern mainly personal identification to the profession, motivation to work, and the match between the organizational and personal goals of employees (Cappellen & Janssens, 2008; Defillipi & Arthur, 1994). Know-why competencies determine how devoted an employee is. Without this quality, an organization cannot be assured that employees put their maximum efforts to the work assigned. Apart from the job identification, know-why competencies also include other transferable skills that allow a person to be better motivated and identify him/herself to the profession while making more astute decisions.

Know-whom competencies reflect career relevant networks inside and outside a firm (Defillipi & Arthur, 1994). This type of competency is highly important for sales and marketing functions due to the high contact nature of the functional area (Melaia, et al., 2008). It is also related to certain inherent qualities such as personal traits and social skills as well as work experience (Asree, Zain, & Razalli,

2010). Consequently, know whom competencies in this particular study also embrace knowledge, skills, and other attributes that allow better network enhancement and development. Therefore, a sales executive in exhibition business needs to possess know-whom competencies in order to close sales and make things possible for the project.

Know-how competencies concern task completions according to what specified in the job description (Cappellen & Janssens, 2008). This type of competency is highly technical by nature. However, employees need to possess other transferable skills ensure high performance of this competency (Koenigsfeld, Perdue, Youn, & Woods, 2011). This particular study will use know-why, know-whom, and know-how competencies to group the competency.

### 2.2.1. Competency Model

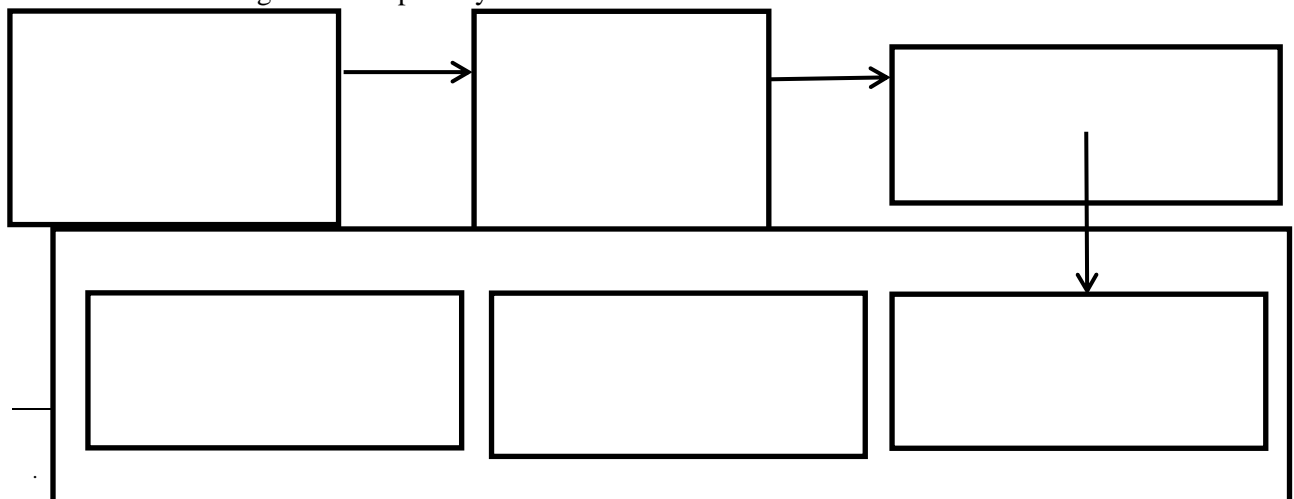
To identify competencies required in a job position, competency model must be developed. Competency models conventionally used now in most industries are models and matrices that overstress technical skills while downplaying the importance of know-why and know-whom competencies (Langdon & Marrelli, 2002; Testa & Sipe, 2012). While certain models identify competency for expected performance, others identify competencies in forms of knowledge, skills, and attributes that underlie superior performance (Duad, Ismail, & Omar, 2010; Purdue, Ninemeier, & Woods, 2002). Good competency models must, hence, include both soft and hard skills while giving more weight to soft competencies (Chapman & Lovell, 2006).

To identify a competency model, job descriptions must be first studied and analyzed. Unfortunately, most job descriptions are vaguely written with debatable loopholes and do not specify the task standard. Like competency models, job descriptions tend to over-stress the importance of technical part of job fulfillment. Therefore, they cannot serve as a salient basis for recruiting, appraising, and developing the job incumbents (Soderquist, et al., 2010). Despite such flaws, job description is a starting point of a competency model development as it specifies that is expected from an employee assuming a job position given an organizational context (Soderquist, et al., 2010).

Another problem with conventional competency models is that they are developed from data collected from only one group of job stakeholders which might not cover all angles of the job. A good competency should, therefore, be developed from data collected from various stakeholders to the job position both inside and outside an organization (Langdon & Marrelli, 2002). Given the fact that changes are fast and unpredictable, a good competency model must also embrace competencies that allow job incumbents to be adaptive to change (Rowe, 1995). Ideally, competency models developed for several positions in an organization should be based on organizational strategies and their required competency to ensure that they have developed and recruited employees with needed competencies for competitiveness (Hamimi Abdul Razak, Kamaruddin, & Abdul Azid, 2012).

As for this particular study, the competency model to be used is adapted from “Language of Work-LOW” model developed by Langdon and Marrelli (2002) due to the context of the study which aims to set competency-based hiring criteria for sales executive position for the whole Thai exhibition and tradeshow industry. It, consequently, excludes organizational factors out of the consideration. Figure I illustrates competency development model to be used in this particular study.

Figure I: Competency Model of Thai Exhibition Sales Executives



Adapted from: (Defillipi & Arthur, 1994; Langdon & Marrelli, 2002)

From Figure I, job descriptions from various tradeshow and exhibition firms in Thailand were combined, analyzed and grouped into functional areas. After grouping and sorting tasks, data from informant groups including persons assuming sales executive position in the tradeshow and exhibition themselves, job supervisors, colleagues, suppliers, and customers, were collected about their expected performance of tasks included in the job description. Associated to the performance standard, they were also asked to report their believed underlying competencies in the forms of knowledge, skills, and other attributes. Competencies reported were further sorted into three groups namely know-why, know-whom, and know-how. The competency set acquired from this model will be used as the basis for competency-based hiring for this particular position.

### 2.3. Competency-based Hiring

Due to volatility of the work environment as well as fast borderless and directionless external environment, mobility of career path and change adaptation becomes the core of the human resource decision (Asree, et al., 2010; Baum, 2008). Consequently, the conventional task-based human resource management is now being replaced by its competency-based counterpart (Soderquist, et al., 2010). Competency-based human resource management is beneficial for business organizations for several reasons. It creates culture that inspires and empowers employees to optimally contribute to organizational goals. It also helps pinpoint organizational and individual training need guidance while identifying needed organizational supports to increase organizational competitiveness. It provide guidance for decision makers to recruit, evaluate, promote, and solve human resource related problems for higher competitiveness (Bhatawdekar & Bhatawdekar, 2012).

As human resource is now an integral part of an organization's strategy (Jain & Haley, 2009), all firms should identify the gap between their current organizational competencies and the needed competencies given the strategies stated (Soderquist, et al., 2010). The gap identified can actually assure the alignment of firms' strategies and their human capital (Priyadarshini & Dave, 2012). As this present study does not study one particular exhibition firm, the proposed competency set should be adapted to each organization's working environment and strategies.

As certain competencies tend to precursor the mastery of others, recruitment, interview, hiring, compensation, and development policies and practices should be based on competencies not the performance of tasks included in a job description (Chapman & Lovell, 2006; Testa & Sipe, 2012). However, employers should place more importance on less observable and inherent skills than technical ones (Chapman & Lovell, 2006). Besides, as certain competencies are inherent to individuals while others can be developed, hiring practices and policies should focus on the former while HRD policies should focus on the latter (Bhatawdekar & Bhatawdekar, 2012; Chapman & Lovell, 2006). Consequently, the hiring policies of exhibition sales executives should focus on know why and know whom competencies than know how competencies.

Candidate screening process based on competencies that underlie the expected performance became a challenge to employers given the conventional recruitment practice where candidates are selected from their curriculum vitae and job interview which are short and parsimonious in nature (Cappellen & Janssens, 2008; Jauhari, 2006). These practices do not allow employers to observe qualities that are inherent to the candidates such as observance, ethics, attitudes, and work disciplines. Besides, candidates can fake their qualities to appear more desirable for job interviewers as well. Alternative forms of job interview should be used such as case studies that simulate real working situation of a position should be used in order to observe and evaluate how effective a candidate perform in such a situation (Bleedorn, 1993). Apart from case study base screening, it is advised for employers to assign as much work to newly recruited employees during probationary period as well in order to assess the inherent qualities that are important for the positions.



Fortunately, there are a myriad of aptitude and evaluation scales commercially available for a number of skills including thinking, social, communication, interaction, and cross-cultural skills (Bhatawdekar & Bhatawdekar, 2012; Jauhari, 2006; Riggio & Reichard, 2008; Van Der Zee, Van Oudenhoven, Ponterotto, & Fietzer, 2013). Employers should invest or adapt the test tools of transferable skills to assess the candidate. Of course, all these measures make recruitment harder and time-consuming. However, it better ensures the success of recruitment and hiring of employees who would finally contribute their respective talents to the organizational effectiveness.

Compensation policies of most firms tend to be based on the job experience the candidate has in the industry and other qualifications such as education, proficiency of English etc. Taking a long-term perspective to human resource management where an employee hired must progress along the managerial path and mobile across functional areas, compensation must also be based on the competencies or potential of a person in the future as well (Bhatawdekar & Bhatawdekar, 2012).

### III METHODS

To come up sets of competency necessary for hiring a sales executive in exhibition and tradeshow business in Thailand, a qualitative research design is adopted for two reasons. First, there are a very limited number of studies conducted in the area of competency in exhibition business. Inductive approach to fact finding is, thus, warranted (Hennink, Hutter, & Bailey, 2011; Neuman, 2011). Second, the researcher aimed to capture richness of information (Hennink, et al., 2011). This empirical study follows the model stated in Figure I. To start, interview question is developed from job descriptions of selected exhibition firms that were member of Thai Exhibition Association- TEA. Data collection was discussed followed by data analysis.

#### 3.1. Development of Interview Frame

As discussed in the previous section, this study followed the competency model stated in Figure I. Job descriptions of 4 selected Professional Exhibition Organization Firms –PEO who are members to Thai Exhibition Association- TEA were combined. TEA has given job descriptions of its prominent members in the position of Sales Executive or Customer Service Agents depending on how the organization calls the position. Tasks included in the job descriptions were combined, collapsed, and grouped and sorted. Figure II reported the job description of Sales Executive for Exhibition and Tradeshow in Thailand.

Table II: Job Description of Sales Executives in Thai Exhibition and Tradeshow Business

Functional Areas	Tasks
Sales and Marketing	Help plan, acquire insights, provide input and help team members in planning and implementing tasks
	Make sales call with current and new clients
	Follow up with unclosed sales and negotiate the best deal
	Cross-sell/ up-sell where possible and appropriate
	Prepare bidding proposal
	Coordinate and follow-up the bidding procedures
	After confirmation from clients, conduct service level agreement with all concerned
	Assist the site inspection and report to sales
	Search, acquire information and specification about services needed by customers from 3 <sup>rd</sup> party suppliers
Operation	Coordinate with relevant departments internally and external partners
	Co-develop the action plan and timeline of the function throughout the process
	Be the center of coordination throughout the project implementation



	Verify the project readiness before show days
Finance and budget	Verify bills and approve payment
	Follow up payment from clients according to the contracts and policies
Administrative	Prepare and coordinate all job relevant documents
	Rank and rules

Figure II reported tasks included job descriptions of sales executive from three Thai PEOs selected by Thai Exhibition Association based on business standard and reputation in the industry. To facilitate the data collection process, tasks were combined into mutually exclusive items, deleted in case of redundancy, and finally sorted into functions. The job description was the basis for the in-depth interview which is the major data collection method of this study. During the interview session, informants were asked to report their expectation of the performance of a sales executive for particular task at the threshold level. Following the report of performance, they were also asked to report the competencies that underlie such a performance in terms of knowledge, skills, and attributes. The researcher moved to differing performances and the underlying competencies. Differing performances referred to the differential performance of high performers from average performers. Finally, informants were asked to report their believed ideal performances for particular tasks and the associated competencies.

### 3.2. Research Design

#### 3.2.1. Recruitment of Participants

According to the model stated in Figure I, data in regards to the performances of tasks included in the job description of sales executives in Thai exhibition and tradeshow businesses as well as their underlying competencies were to be collected from five groups of feedback providers. To ensure the comprehensiveness of the competency model to be developed, five groups of feedback providers were included in this study. The feedback provider groups were job incumbents, their supervisors, colleagues, suppliers, and customers.

Purposive recruitment of informants was adopted to ensure the eligibility of the informants in providing data (Hennink, et al., 2011). As there are five groups of feedback providers or participants, TEA, the most recognizable exhibition and tradeshow professional association in Thailand agreed to be the gatekeeper for this present study. It helps pick five of its members who are leading exhibition firms. With the assistance from gatekeeper, the researcher reached job incumbents and job supervisors. Additional participants were recruited using snowball recruitment method via the network of job incumbents and job supervisors (Hennink, et al., 2011).

#### 3.2.2. In-depth Interview as Major Data Collection Method

Due to the exploratory nature of this study, in-depth interview which allows the participants to freely report their respective perception of threshold, differing and ideal performances as well as the associated competencies, standardized open-ended interview was selected as the major data collection method (Patton, 2002). The interview sessions were conducted according to the principles of Payne (1951); being single, being clear, being truly open-ended, and being neutral.

Participants were contacted by gatekeepers to request their permission for the interview appointment. The interview appointments were reconfirmed by the researcher before sending the interview frame to them beforehand. The objectives, nature of questions, length of time, natures of questions, statement of confidentiality, the freedom to withdraw, and voluntary participations were informed to the informants (Bouma, 2000).

#### 3.2.3. Validation of Finding Using Group Interview

The initial finding from in-depth interview was validated by triangulations of measures and observers (Neuman, 2011). The former refers to the collection of data from the same group of participants but using different methods of data collection. The latter refers to the collection of data

from different groups of participant. The competencies reported by participants from in-depth interview sessions were further discussed in the group interview session.

Focus group interview is a qualitative method with primary goal of making attitudes, beliefs, behavior, attitude about particular issues in an informants explicit knowledge and is normally used in exploratory research to test ideas, solving specific problem and evaluation (Ezzy, 1999). Panelists who are board members of TEA were recruited for group interview. TEA Board Members were entrepreneurs and high rank executives in tradeshow and exhibition businesses in Thailand. Therefore, the eligibility of finding acquired from group interview can be assured.

In the group interview, panelists were given with the performance standard for three levels of performance and their respective underlying competencies. The researcher who acted as group moderator asked them to discuss that appropriateness, and the completeness of the task performances as well as the competencies. After the group interview, the competency set was adjusted accordingly. The finding from group interview will be analyzed using the priori theories.

### 3.3. Data Analysis

The competencies reported and adjusted from in-depth, and group interviews were sorted into know-why competencies, know-whom competencies, and know how competencies as follows:

Competencies that lead to self-identification with the profession and motivation, transferable skills, and ethical considerations were coded into know-why competency.

Competencies that underlie the relationship management, enhancement and retention of professional network, and interpersonal interactions were grouped into know-whom competency

Competencies that are directly related to technical aspect of task completion were coded into know-how competencies

The aim of this study is to develop a competency-based hiring guideline for the sales executive position in Thai exhibition and tradeshow business. Only competencies that are antecedents of threshold performance were included into the hiring set. Developable competencies were also excluded from the competency-based hiring criteria set as they can be trained and developed in a short period of time.

## IV RESULTS

In-depth interview sessions were conducted with 21 participants who recruited from purposive recruitment and snowball recruitment methods. Among the 19 participants, 5 were job incumbents and another 5 were job supervisors. Four of them were colleagues to sales executives who work in other department yet had regular contact with them. Three of them were suppliers or representatives from third party service providers for exhibitions and tradeshows. Only two customers were recruited in the sample. They reported three levels of performance as well as their respective competencies. Due to the tightly scheduled obligations of participants, the in-depth interview sessions were conducted from March to October 2013.

After the in-depth interview sessions were completed, panels were recruited. Eight panelists who sat in the board of Thai Exhibition Association- TEA were recruited. Three of them were owners of major Professional Exhibition Organizer firms while other 5 were high ranked executives in large exhibition firms. During the group interview, panelists requested the researcher to move the level of performances. Most items were moved downward from differing performance to threshold performance. The same was done for competency as well. Table II reported competency set for sales executive in Thai exhibition and tradeshow business.

Table III: Sales Executive Competencies in Thai Exhibition and Tradeshow Business

Competency	Sources of Competency	Component	Level of Performance	Types of competency
------------	-----------------------	-----------	----------------------	---------------------

Competency	Sources of Competency	Component	Level of Performance	Types of competency
Knowledge about characteristics, natures, and operation parts of different types of exhibition and tradeshow	Developable	Knowledge	Threshold	KNOW-HOW
Knowledge about customary procedures and practices in the country	Developable	Knowledge	Threshold	KNOW-HOW
Knowledge about customary procedure and practices in international markets	Developable	Knowledge	Differing	KNOW-HOW
Customer knowledge about their business, goals, needs about tradeshow and exhibition, their critical success factors and past events	Developable	Knowledge	Threshold	KNOW-HOW
Knowledge about logistical limitation and safety requirements of the venues and exhibits	Developable	Knowledge	Threshold	KNOW-HOW
Product (components) knowledge with regards to capacity, quality, cost, and availability	Developable	Knowledge	Threshold	KNOW-HOW
Comparative product (components) knowledge (with competitors)	Developable	Knowledge	Differing	KNOW-HOW
Knowledge about local current affairs	Developable	Knowledge	Threshold	KNOW-WHY
Knowledge about international socio-economic current affairs	Developable	Knowledge	Differing	KNOW-WHY
Market intelligence about customers and competitors	Developable	Knowledge	Threshold	KNOW-HOW
International market intelligence	Developable	Knowledge	Differing	KNOW-HOW
Accounting, costing, and pricing skills	Developable	Knowledge	Threshold	KNOW-WHY
Knowledge about suppliers with regards to quality, preparation time, working styles, and cost	Developable	Knowledge	threshold	KNOW-HOW
Knowledge about working process within the organization	Developable	Knowledge	Threshold	KNOW-HOW
Relationship management skills with quality suppliers and trade partners	Developable	Skill	Differing	KNOW-WHY
Knowledge about working process of other departments in the organization	Developable	Skill	Differing	KNOW-HOW
Communication skills (Concise, Precise, Logical idea organization, Audience Appropriate)	Developable	Skill	Threshold	KNOW-WHY
Sensitive to body language, facial expressions and other non-verbal cues	Developable	Skill	Threshold	KNOW-WHOM
Thinking skills (Logical, Systematic, Analytical, Critical, Conceptualization)	Inherent	Skill	Threshold	KNOW-WHY
Thinking skills (Creative, Synthetic, Comprehensive)	Inherent	Skill	Differing	KNOW-WHY
Project management skills according to the contract and operational budgeting plan	Developable	Skill	Threshold	KNOW-HOW
Comprehensive understanding of the project and	Inherent	Skill	Threshold	KNOW-

Competency	Sources of Competency	Component	Level of Performance	Types of competency
ability to anticipate problems				HOW
High level of English proficiency	Developable	Skill	Differing	KNOW-WHY
Problem solving skills and accurate anticipation of further effects of the problems	Developable	Skill	Threshold	KNOW-WHY
Problem solving skills on an unplanned basis	Developable	Skill	Differing	KNOW-WHY
Comprehensive problem solving skills	Developable	Skill	Ideal	KNOW-WHY
Negotiation skills	Developable	Skill	Threshold	KNOW-WHOM
Comprehensive negotiation skills that balance between long-term relationship	Developable	Skill	Differing	KNOW-WHOM
Charismatic negotiation skills	Developable	Skill	Ideal	KNOW-WHOM
Strategic questioning skills	Inherent	Skill	Threshold	KNOW-WHY
Cost management and control skills	Developable	Skill	Threshold	KNOW-WHY
Business instincts especially with regards to cost and revenue	Inherent	Attribute	Ideal	KNOW-WHY
Social Skills appropriate for people from broad backgrounds	Inherent	Attribute	Threshold	KNOW-WHOM
Stay neutral in conflict situations and reserve negative opinions	Inherent	Attribute	Differing	KNOW-WHY
Social acumen	Inherent	Attribute	Ideal	KNOW-WHOM
Systematic planning skills	Developable	Skill	Threshold	KNOW-WHY
Planning Skills (Anticipate potential problems)	Developable	Skill	Differing	KNOW-WHY
Planning Skills (With contingency plans)	Developable	Skill	Ideal	KNOW-WHY
Correspondence preparation appropriate for document recipients	Developable	Skill	Threshold	KNOW-HOW
Interpersonal skills	Inherent	Skill	Threshold	KNOW-WHOM
Work experience in tradeshow and exhibition business	Inherent	Attribute	Threshold	KNOW-HOW
Work experience in both tradeshow and exhibition as well as other related businesses	Inherent	Attribute	Differing	KNOW-HOW
Acumen	Inherent	Attribute	Threshold	KNOW-WHY
Agreeable personality	Inherent	Attribute	threshold	KNOW-WHOM
Compromising	Inherent	Attribute	Differing	KNOW-WHOM

Competency	Sources of Competency	Component	Level of Performance	Types of competency
Charisma	Inherent	Attribute	Ideal	KNOW-WHOM
Goal oriented attitude	Inherent	Attribute	Threshold	KNOW-WHY
Optimism towards problems and obstacles	Inherent	Attribute	Differing	KNOW-WHY
Persistence	Inherent	Attribute	Ideal	KNOW-WHY
Personal network and professional network in exhibition and tradeshow business	Inherent	Attribute	Threshold	KNOW-WHOM
Personal network and professional network in related industries	Inherent	Attribute	Differing	KNOW-WHOM
Emotional stability	Inherent	Attribute	Threshold	KNOW-WHOM
Emotional locus of control	Inherent	Attribute	Differing	KNOW-WHOM
Responsibility and devotion	Inherent	Attribute	Ideal	KNOW-WHY
Look and manner that command trust	Inherent	Attribute	Threshold	KNOW-WHOM
Self-esteem and confidence	Inherent	Attribute	Differing	KNOW-WHY
Good memory	Inherent	Attribute	Differing	KNOW-WHY
Observance and detail oriented	Inherent	Attribute	Threshold	KNOW-WHY
Meticulous and neat working style	Inherent	Attribute	Differing	KNOW-WHY
Scrutinizing for perfection	Inherent	Attribute	Ideal	KNOW-WHY
Service minded	Inherent	Attribute	Threshold	KNOW-WHOM
Enthusiasm when encountering with others	Inherent	Attribute	Differing	KNOW-WHOM
Work disciplines	Inherent	Attribute	Threshold	KNOW-WHY
Well-preparedness	Inherent	Attribute	Threshold	KNOW-WHY
Patience and ability to work under pressure	Inherent	Attribute	Threshold	KNOW-WHY
Fairness	Inherent	Attribute	Threshold	KNOW-WHY
Adaptive to change	Inherent	Attribute	Threshold	KNOW-WHY
Honesty	Inherent	Attribute	Threshold	KNOW-WHY
Business etiquette	Developable	Attribute	Threshold	KNOW-

Competency	Sources of Competency	Component	Level of Performance	Types of competency
				WHOM
Sacrificing	Inherent	Attribute	Threshold	KNOW-WHY

From the above table, it can be seen that for a sales executive in exhibition and tradeshow to perform the tasks included in the job description. They, hence, rely on knowledge about exhibition and tradeshow businesses as well as market intelligence and customer knowledge. Product knowledge and knowledge about other tradeshow components as well as their logistical and safety requirements are indispensable for effective sales performance as well. These competencies were categorized as “Know-how” competencies that are directly related to technical part of the task completion.

For exhibition firms to optimally utilize the know-how competency, its sales executives rely on “know-why competencies” and “know-whom competencies” to master the job completion and know-how competencies. Know-why competencies are self-identification to the profession, motivation and other factors that other transferable skills that allow better astute decision making (Defillipi & Arthur, 1994).

For threshold performance of exhibition sales executives, sales executives depend on their respective thinking skills in the most logical, systematic, analytic, and critical manner to capture the situation. They also need to be able to pose questions strategically to get the information needed. To make a sales dialogue and to develop a sales proposal that intrigue clients’ decision, they rely very much on problem solving, systematic planning skills, communication skills and acumen. To ensure the profitability of the project, sales executive also needs to have cost management skills. However, sales executives will only exert their maximum level of effort to work according to the job description, sales executives need right attitudes and approach to work. Goal oriented attitudes, honesty, adaptation to change, fairness, sacrificing, patience, and persistence all contributively make sales executive an organic member of the organization who tend to ethically work extra miles for the organizational success.

Know-whom competencies are not less in importance in making a sales executive successful in their task completion at the threshold or expected level from the stakeholders. Apart from communication skills at the verbal level, sales executives must be sensitive to all the non-verbal communications from both clients and colleagues. Interpersonal skills that are highly associated to their respective personalities (agreeableness and emotional stability), looks, manner, and business etiquette are also an indispensable part of sales executives to maintain, create, and enhance relationship with clients, colleagues, and suppliers. It can be seen that without Know-whom competencies and Know-why competencies, sales executives cannot perform their tasks according to what specified in the job description (Table II).

Considering that most “Know-how” competencies for the threshold level of performance are knowledge about exhibition and tradeshow as well as other related knowledge which can be acquired once sales executive are already in the industry, the screening process of candidates for the position should focus on qualities that are inherent to them or take time to develop (Bhatawdekar & Bhatawdekar, 2012; Chapman & Lovell, 2006). Hiring policies for sales executives in Thai exhibition and tradeshow industry should focus on inherent qualities of candidates such as thinking, communication and interpersonal skills as well as other qualities such as acumen, personality, professional network, look and manner, observance, and other ethical qualities. Table IV demonstrated inherent qualities for entry level sales executives of Thai exhibition industry.

Table IV Inherent Qualities for Entry Level Sales Executives for Thai Exhibition Industry



Competency	Types of competency
Thinking skills (Logical, Systematic, Analytical, Critical, Conceptualization)	KNOW-WHY
Comprehensive understanding of the project and ability to anticipate problems	KNOW-HOW
Strategic questioning skills	KNOW-WHY
Social Skills appropriate for people from broad backgrounds	KNOW-WHOM
Interpersonal skills	KNOW-WHOM
Work experience in tradeshow and exhibition business	KNOW-HOW
Acumen	KNOW-WHY
Agreeable personality	KNOW-WHOM
Goal oriented attitude	KNOW-WHY
Personal network and professional network in exhibition and tradeshow business	KNOW-WHOM
Emotional stability	KNOW-WHOM
Look and manner that command trust	KNOW-WHOM
Observance and detail oriented	KNOW-WHY
Service minded	KNOW-WHOM
Work disciplines	KNOW-WHY
Well-preparedness	KNOW-WHY
Patience and ability to work under pressure	KNOW-WHY
Fairness	KNOW-WHY
Adaptive to change	KNOW-WHY
Honesty	KNOW-WHY
Sacrificing	KNOW-WHY

From Table IV, it can be seen that candidate screening process should not limit itself to job-interview which normally lasts 30 minutes to 2 hours (Cappellen & Janssens, 2008; Jauhari, 2006). Several skills and qualities can be observed, despite the fact that they can also be pretended, during the interview sessions including communication skills, acumen, thinking skills, and other attitudes. Others such as attitudes, problem solving, cost management, honesty, interpersonal skills, sensitivity, work disciplines, and network in the industry tend to be hard to assess and verify during a short interview session. Case studies that simulate the real life situation of sales executives in exhibition and tradeshow industry should be developed to assess all aspects of inherent qualities required (Bleedorn, 1993). Along with case studies, employers in exhibition and tradeshow industry should invest in aptitude tests commercially available to test crucial transferable skills namely communication, thinking, social, and intercultural skills (Bhatawdekar & Bhatawdekar, 2012; Bleedorn, 1993; Jauhari, 2006).

The above table also showed that all inherent qualities desired in an exhibition and tradeshow sales executive in Thailand are “Know why” and “Know-whom” competencies. Therefore, it can be assumed that know-how competency mastery depends on the possession of know-whom and know-why competencies. Considering that know-how competencies which are usually knowledge that can be taught or trained in schools and on-the job, they can be developed after hiring. On the contrary, know-whom and know-why competencies which are mostly skills and other attributes which are precursors of high performance tend to be inherent or hard to develop. Therefore, human resource management decisions should focus on know-why competencies, and know-whom competencies.

Considering the critical success factors of tradeshow and exhibitions, the threshold competencies seem not to lead to such factors. Communication skills at this level, for example, would not lead to a sales dialogue with prospective customers that shape a realistic expectation or maximize sales value through cross-selling and up-selling. Competencies that support superior performance (differing performance) tend to be more valid in such as case. Table V reported competencies that support high performance of a sales executive in Thai exhibition and tradeshow industry.

Table V: Differing Competencies of Sales Executives in Thai Exhibition and Tradeshow Industry

Competency	Types of competency
Knowledge about customary procedure and practices in international markets	KNOW-HOW
Comparative product (components) knowledge (with competitors)	KNOW-HOW
Knowledge about working process of other departments in the organization	KNOW-HOW
Work experience in both tradeshow and exhibition as well as other related businesses	KNOW-HOW
Knowledge about international socio-economic current affairs	KNOW-WHY
International market intelligence	KNOW-WHY
Relationship management skills with quality suppliers and trade partners	KNOW-WHY
High level of English proficiency	KNOW-WHY
Problem solving skills on an unplanned basis	KNOW-WHY
Planning Skills (Anticipate potential problems)	KNOW-WHY
Stay neutral in conflict situations and reserve negative opinions	KNOW-WHY
Optimism towards problems and obstacles	KNOW-WHY
Self-esteem and confidence	KNOW-WHY
Good memory	KNOW-WHY
Meticulous and neat working style	KNOW-WHY
Thinking skills (Creative, Synthetic, Comprehensive)	KNOW-WHY
Comprehensive negotiation skills that balance between long-term relationship	KNOW-WHOM
Compromising	KNOW-WHOM
Personal network and professional network in related industries	KNOW-WHOM
Emotional locus of control	KNOW-WHOM
Enthusiasm when encountering with others	KNOW-WHOM

From Table V, it can be assumed that only high performers can contribute to an organization's competitiveness through the achievement of key success factors in the industry. Charismatic communication and high level of negotiation skills, for example, can shape realistic expectation of prospective exhibitors and cross-sell the products. Know-why, and know-how competencies reported in the above table should also be used in screening candidates to ensure high level of performance. However, it might be hard to find candidates that meet all these competencies in the labor market. Therefore, the differing competencies should be used together with threshold competencies in an additive fashion. All candidates should meet all the inherent competencies for threshold performance (minimum acceptable performance as reported by participants- Table IV) to be included in a short list of candidates. Final decision should be based on the "know why" and "know-whom" competencies for differing performance. Recruitment and hiring for the position of sales executive in exhibition and tradeshow industry becomes more difficult, complex and time consuming. However, the result should be beneficial for the whole organization in the long run.

#### 4.1. Competency-based Hiring Methods for Sales Executive in Thai Exhibition and Tradeshow Industry

Both in-depth interview and group interview have revealed competency set necessary for hiring a sales executive in Thai exhibition and tradeshow businesses. From the discussion in the previous section, transferable skills related to decision making, communication, relationship management, and especially thinking as well as work and life values determine how a sales executive in tradeshow and exhibition industry in Thailand use their knowledge to perform their tasks effectively. Sales executives on “know-why” and “know-whom” competencies to perform the tasks according to the expected level from stakeholders’ perspectives. However, empirical data showed that competencies for threshold performance do not support the critical success factor of exhibition and tradeshow business. Differing competencies should, therefore, be brought into hiring consideration for this position. Hiring methods for the sales executive position can be proposed as follows;

Before job interview, employers should assess candidates for transferable skills namely communication, social, thinking, and intercultural skills using commercially available aptitude tests. Candidates should be evaluated using simulated case studies with situation complexities. Candidates must be observed through critical observation and interviewed for their decision justification

Job interviewers must ask questions that require candidates to use their acumen and skills to answer. Non-verbal communication should also be critically observed.

The decision process should be two folds. First, candidate shortlist should be developed by screening candidates with threshold “know-why” and “know-whom” competencies. Second, the final decision should be based on differing “who-why” and “know-whom” competencies.

Newly hired sales executives must be critically observed for their competencies during the probationary period by focusing on their “know-why” and “know-whom” competencies

Human resource development programs for newly hired sales executives should aim to develop “know-how” competencies or competencies that allow the mastery of technical part of the job

Compensation decision should be based on “know-why” and “know-whom” competencies

#### V. Conclusion and Future Work

Exhibition and tradeshow industry is undoubtedly important for Thai tourism and hospitality sector and Thai economy overall, the sector still needs tremendous improvement to increase its productivity. Sales executives play crucial roles in the success of an exhibition and tradeshow firm in several regards including shaping realistic expectation, maximizing per transaction sales, and profitability. Hiring right sales executives can contribute greatly to a firm’s competitiveness. Amid unpredictable changes and formless competition, competency-based hiring must be adopted. Competencies are underlying factors performances. They comprises three components namely knowledge, skills, and attributes. Some competencies are inherent to individuals or take long time to develop; others can be developed through human resource development and on the job training. Hiring decision should focus on inherent competencies of candidates while training decision should focus on developable competencies.

A qualitative study through in-depth interview with 19 participants who are stakeholders to the “sales executive” position in Thai exhibition and tradeshow industry was conducted with the assistance from exhibition professional association- Thai Exhibition Association, who acted as the gatekeeper to explore the competencies for three levels of performance- threshold, differing, and ideal performances. Focus-group interviews with panels comprising TEA board members were conducted to triangulate the finding. The finding showed that “know-why” and “know-how” competencies were more in number and underlie the mastery of “know-how” competencies which covers the technical part of the job description. Hiring sales executives for Exhibition and Tradeshow industry should, therefore, be based on “know-why” and “know-whom” competencies. However, when matching the competencies that support the threshold performance with key success factors of the industry, it was found that they did not support one another. Employers should use threshold competencies to create

short list while making a final decision using differing competencies. Hiring practices were proposed in this study as well.

Scholars and practitioners in the field interested in this topic should complete the study by developing evaluation tools for “know-why” and “know-whom” competencies that are practical for employers with limited access to aptitude tests that might be costly. Case studies should also be developed to support a hiring decision as well. Longitudinal studies that track the actual performance of sales executives recruited by competency-based method should be undertaken to validate the merit of competency-based hiring approach.

#### Acknowledgement

This study is a part of a research series commissioned by Thailand Incentive and Convention Association, Thai Exhibition Association, and Thailand Convention and Exhibition Bureau with the aim to lift the operational standard of sales executives and operation planners in the whole MICE industry in Thailand. They also help be the gatekeepers to reach the participants. I would like to express my appreciation towards their support and assistance.

### REFERENCES

- Asree, S., Zain, M., & Razalli, M. R. (2010). Influence of leadership competency and organizational culture on responsiveness and performance of firms. *International Journal of Contemporary Hospitality Management*, 22(4), 500-516.
- Barnes Report. (2010). *Worldwide Convention & Trade Show Organizers (NAICS 56192)*. New York: Barnes and Co.,.
- Baum, T. (2008). Implications of Hospitality and Tourism Labor Markets for Talent Management Strategies. *International Journal of Contemporary Hospitality Management* 20(7), 720-729.
- Bhatawdekar, S., & Bhatawdekar, K. (2012). *Competency and Competency Matrix*. Pune, India: Prodcons Group.
- Blanke, J., & Chiesa, T. (2013). *The Travel & Tourism Competitiveness Report 2013: Reducing Barriers to Economic Growth and Job Creation*.
- Bleedorn, B. D. (1993). Introduction: Toward Integration of Creative and Critical Thinking. *American Behavioral Scientist* 37(10), 10-20.
- Blythe, J. (1999). Visitor and exhibitor expectations and outcomes at trade exhibitions. *Marketing intelligence and planning: MCB University Press*, 17(2), 100-108.
- Bouma, D. D. (2000). *Ethics in Human Research The Research Process* (pp. 190-202). Oxford: Oxford University Press.
- Cappellen, T., & Janssens, M. (2008). Global managers' career competencies. *Career Development International*, 13(6), 514-537.
- Chapman, J. A., & Lovell, G. (2006). The competency model of hospitality service: why it doesn't deliver. *International Journal of Contemporary Hospitality Management*, 18(1), 78-88.
- Defillipi, R. J., & Arthur, M. B. (1994). The boundaryless career, a competency based perspective. *Journal of Organizational Behavior*, 15, 307-324.
- Duad, R., Ismail, M., & Omar, Z. (2010). Exploring competencies: Preliminary study of Malaysian SH&E professionals using Delphi Techniques. *Professinoal Safetyt*, October 2010, 39-47.
- Economic Intelligence Center: Siam Commercial Bank. (2011). *How Thai Business will progress in the AEC Era?* In S. C. Bank (Ed.), *Siam Commercial Bank* (February 2011 ed., pp. 30). Bangkok: Siam Commercial Bank.
- Ezzy, D. (1999). *Qualitative Research Methods* (First Edition ed.). Oxford: Oxford University Press.
- Firoiu, D., Dodu, S. P., & Patrichi, I. C. (2011). Meetings, Incentives, Conventions, and Exhibitions (MICE) Industry in the Global Context *Ovidus University Annals Economic Sciences Series*, 11(2), 427-442.
- Friedman, S. (2002). Ten steps to a successful tradeshow. *Marketing Health Services*, Spring 2002, 31-32.
- Hamimi Abdul Razak, I., Kamaruddin, S., & Abdul Azid, I. (2012). Workforce competency model (WFCM): An emperical study in Malaysia of a model for maintenance workforce

- performance evaluation. *International Journal of Productivity and Performance Management*, 61(1), 24-45.
- Hennink, M., Hutter, I., & Bailey, A. (2011). *Qualitative research methods*. Singapore: Sage Publications India Pvt Ltd.
- Herbig, P., O'Hara, B., & Palumbo, F. A. (1998). Tradeshow: Who, What, Why? [Faculty Research Grant]. *Marketing intelligence and planning*: MCB University Press, 16(7), 425-435.
- Jain, S. C., & Haley, G. T. (2009). *Strategic Marketing (Asia Edition ed.)*. Singapore: Singage Learning.
- Jauhari, V. (2006). Competencies for career in the hospitality indsutry: an Indian perspective. *international Journal of Contemporary Hospitality Management*, 18(2), 123-143.
- Kay, C., & Rusette, J. (2000). Hospitality-management competencies. *Cornell Hotel and Restaurant Administration Quarterly*, April 2000, 52-63.
- Koenigsfeld, J. P., Perdue, J., Youn, H., & Woods, R. H. (2011). The changing face of competencies for club managers. *International Journal of Comtemporary Hospitality Management*, 23(7), 902-922.
- Kotler, P., Kartajaya, H., & Huan, H. D. (2007). *Think ASEAN!: Rethinking marketing toward ASEAN Community 2015*. Singapore: McGraw Hill.
- Langdon, D. G., & Marrelli, A. F. (2002). A New Model for Systematic Competency Identification. *Performance Improvement*, 41(4), 16-23.
- Lovelock, C. H., Patterson, P. G., & Walker, R. H. (2001). *Service Marketing: An Asia Pacific Perspective (Second Edition ed.)*. Sydney: Prentice Hall.
- Melaia, S., Abratt, R., & Bick, G. (2008). Competencies of Marketing Managers in South Africa. *Journal of Marketing Theory and Practice*, 16(3), 233-246.
- Neuman, W. L. (2011). *Social Research Methods (7th Edition ed.)*. New York: Pearson.
- Patton, M. (2002). *Qualitative Interviewing Qualitative Evaluation and Research MEthods* (pp. 277-367). Newbury Park, CA: Sage.
- Priyadarshini, R. R. G., & Dave, D. (2012). Compeency-based training needs assesment model. *Management and Labour Studies*, 37(3), 195-207.
- Purdue, J., Ninemeier, J. D., & Woods, R. H. (2002). Comparison of Present and Future Competencies required for Club Managers *International Journal of Comtemporary Hospitality Management*, 14(3), 142-146.
- Riggio, R. E., & Reichard, R. J. (2008). The emotional and social intelligence of effective leadership *Journal of Managerial Psychology*, 23(2), 169-185.
- Rowe, C. (1995). Clarifying the use of competence and competency model in recruitment, assessment, and staff development. *Industrial and Commercial Training* 11, 12-17.
- Soderquist, K. E., Papalexandris, A., Ioannou, G., & Prastacos, G. (2010). From task based to competency based: A typology and process supporting critical HRM transition. *Personnel Review*, 39(3), 325-346.
- Testa, M. R., & Sipe, L. (2012). Service-leadership competencies for hispitality and tourism management. *International Journal of Hospitality Management*, 31, 648-658.
- The ASEAN Secretariat: Public Outreach and Civil Society Division. (2012). *ASEAN Tourism Marketing Strategy (ATMS) 2012-2015*.
- Van Der Zee, K. I., Van Oudenhoven, J. P., Ponterotto, J. G., & Fietzer, A. W. (2013). Multicultural personality questionnaire: development of a short form. *Journal of personality assessment*, 95(1), 118-124.
- Weber, M. R., Finley, D. A., Crawford, A., & Rivera Jr., D. (2009). An exploratory study identifying soft skill competencies in entry level managers *Tourism and hospitality Research*, 9(4), 353-361.

