

## Factors Affecting the Success of Community Enterprise Performance in the East Coast Southern Sub-Region of Thailand

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### Abstract

*This research examines factors affecting the success of community enterprise performance in the East Coast Southern Sub-Region of Thailand. This study was quantitative research, using questionnaires as research tools. Data collection was conducted with a sample group of 440 community enterprises. It was found that competitive advantage directly affects the success of community enterprise performance. It was also found that supply chain management practices indirectly affects the success of community enterprise performance through competitive advantage. Knowledge management indirectly affects the success of community enterprise performance through competitive advantage. Government support indirectly affects the success of community enterprise performance through competitive advantage and entrepreneurial orientation did not indirectly affects the success of community enterprise performance through competitive advantage. Findings from the study indicated that competitive advantage has a high coefficient of influence, it was found that the quality aspect was at the lowest level when compared to other components, asserting that community enterprises in the South produce relatively few quality products or services. Therefore, products or services should be produced to be certified with Industrial Standards.*

**Keywords:** *community enterprise, success, performance, competitive advantage, thailand.*

### Introduction

Community enterprise is a concept that is consistent with the production model of Thai people. Community enterprises are therefore businesses that are formed by groups of communities which have a similar idea. Creating an opportunity for community development in accessing the existing resources and capital which will lead community enterprises to reach higher in level of business entrepreneurship. (Arpornpisal, 2017). The community will later have a solid foundation and be able to build a strong community economic system (Kanjavisutt, 2019). The local community which is supported until it is strong will have the potential to compete and able to be self-reliant. Therefore, the development of the grassroots economy is important to the country's stable and sustainable development which is according to the guidelines of the 20-year national strategy (2018-2037). Promoting local community economies to be strong is helping the community to have competitive potential, be self-reliant, and create a solid foundation. Therefore, the development of the grassroots or community economy is important to the

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country's sustainability (Office of the National Economic and Social Development Council, 2022).

Due to the impact of the COVID-19 situation, the southern economy in 2020 shrank by 12 percent (Bank of Thailand, 2023) however, after facing the COVID outbreak, it was found that in 2021-2022 the GRP was higher (Bank of Thailand, 2023). Assessing the potential of community enterprises is therefore an important process for communities and related agencies to know the level of strength and results of community enterprise performance, then use this information to make a development plan according to the readiness of each community enterprise. Moreover, the results of the assessment of the potential of community enterprises found that the East Coast Southern Sub-Region of Thailand had the highest assessment results in comparison with other regions (Office of the Secretary of the Community Enterprise Promotion Committee, 2022). Showing that businesses in the southern region especially in the East Coast Southern Sub-Region of Thailand have well-adapted and survived.

Previous studies regarding community enterprises in the East Coast Southern Sub-Region of Thailand found that community enterprises still have a limitation in many dimensions such as creating a competitive advantage, knowledge sharing, creating a partner network (Jirakiattikul & Janthawornpong, 2022; Kanjanaklod, 2021; Boonnamand & Jaima, 2022; Jatturong et al., 2022) and differentiation in getting support from government agencies (Dumaron, 2023; Jatturong, Chantajorn & Singhalert, 2022). In addition, the previous study found that competitive advantage (Kiyabo & Isaga, 2020), supply chain management practices (Sinaga, Anggraeni & Slamet, 2021), knowledge management (Wijaya & Suasih, 2020), and government support (Anwar & Li, 2021) affecting the success of enterprise performance.

There were not many research studies on factors affecting the success of community enterprise performance in the East Coast Southern Sub-Region of Thailand and for the above reason, the researcher is interested in studying factors affecting the success of community enterprise performance in the East Coast Southern Sub-Region of Thailand.

## **Literature Review**

Enterprise performance is the true success of the enterprise. Evaluation is done to perceive the enterprise performance (Bosilj-Vukšić & Indihar-Štemberger, 2008), and then using the result to consider further improvements in both financial performance and non-financial performance (Chen, 2009). Hence, enterprise performance is the ability of the enterprise to operate in order to achieve financial performance which includes operating income and return on investment, and non-financial performance which includes market development, new product development, human resource development, and sales growth (Eker & Eker, 2019).

Competitive Advantage arises from the thought of enterprises that want to be an advantage over their competitors in the same market (Fahy, 2000). Competitive advantage is key for an enterprise to be successful by having better product quality than competitors (Safari et al., 2020; Distanont & Khongmalai, 2020), bringing new products to market more quickly than others (Reklitis, Sakas, Trivellas & Tsoulfas, 2021) as well as having the ability to produce the product at a lower cost in comparison with competitors (Porter, 1985).

Supply chain management practices are a guideline for the enterprise to manage customer relationships and share quality information with partners in order to create joint cooperation (Chileshe & Phiri, 2022). Therefore, enterprises should focus on supply chain management practices to achieve a competitive advantage and success in enterprise performance (Dansomboon & Pingta, 2019; Gunawardana & Wedage, 2020; Linda & Thabrani, 2021).

Knowledge management is important to the enterprise. Therefore, enterprises must have the process of promoting knowledge such as seeking, sharing, and applying knowledge (Sahibzada, Jianfeng, Latif, Shafait & Sahibzada, 2020). Moreover, enterprises that want to improve their competitive advantage and performance should continuously focus on the term of knowledge management (Wijaya et al., 2020).

The government determines policies and operational guidelines to support financial and non-financial operations for enterprises' survival and growth (Anwar et al., 2021). Jentsantikul (2018) stated that government support also helps develop human resource capabilities by providing continuous training courses and network development among community enterprises and partners to create a competitive advantage. Hence, government support plays a very important role in the competitive advantage and enterprise performance.

Entrepreneurial orientation as the ability of an enterprise to make a competitive advantage. By being proactive, having innovation ability, and risk-taking in operations (Covin & Slevin, 1989). Moreover, entrepreneurship orientation is also a basic strategy of highly effective enterprises to create a competitive advantage and success in enterprise performance (Shaher & Ali, 2020; Kiyabo & Isaga, 2020).

### Conceptual Framework

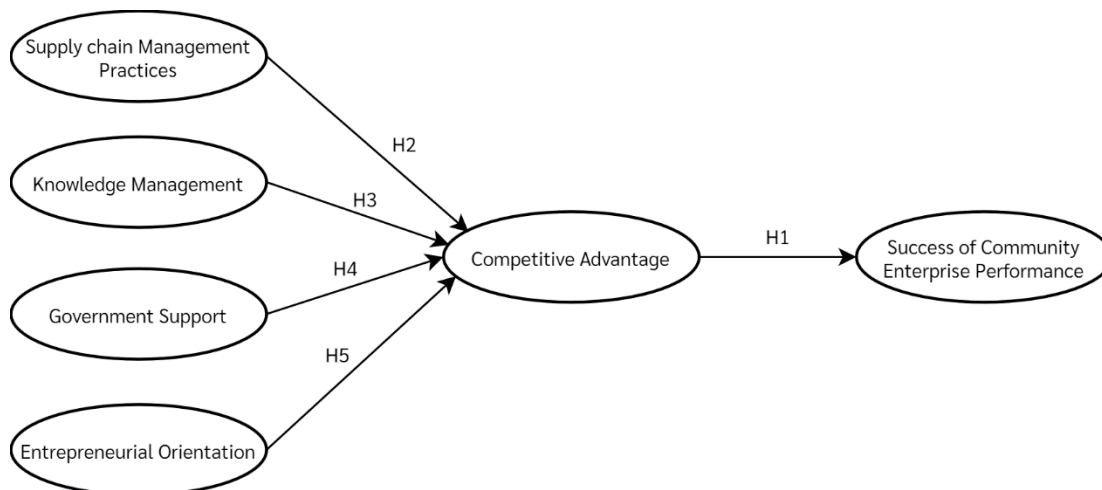


Figure 1 Conceptual Framework

#### Hypothesis

H1 Competitive advantage directly affects the success of community enterprise performance

H2 Supply chain management practices indirectly affects the success of community enterprise performance through competitive advantage

H3 Knowledge management indirectly affects the success of community enterprise performance through competitive advantage

H4 Government support indirectly affects the success of community enterprise performance through competitive advantage.

H5 Entrepreneurial orientation indirectly affects the success of community enterprise performance through competitive advantage.

## Methodology

This research was quantitative research, sample size was determined by using a population of 4,679 community enterprises. Hair, Black, Babin and Anderson (2010) suggest that the criteria for determining the number of samples in structural equation modeling analysis should be a 20:1 ratio. In this study, there were 13 observable variables, and a sample size of 260 community enterprises was obtained. Community enterprises were then selected as representative of the sample by using a probability sampling method and choosing a simple random sampling method. However, the questionnaire may be incomplete, then the number of questionnaires was increased proportionally, then, the questionnaires were collected from 440 community enterprises. The tools used in this research were a questionnaire divided into 2 sections: section 1 was about the personal questions of respondents and section 2 was the questionnaire which included the factor of the success of community enterprise performance, competitive advantages, supply chain management, knowledge management, government support, and entrepreneurial orientation. The responses were given on a 5-point rating scale.

Confirmatory factor analysis was considered from the relationship between the observed variables and the latent variables, and component weights must be higher than 0.5 (Hair et al., 2010). The relative fit index includes: the NNFI should be valued in the range of 0-1. The CFI should have a value of at least 0.90. RMSEA should have a value between 0.05-0.08 (Diamantopoulos & Siguaw, 2000).

## Results

### Structural Model Assessment Results

The result of the study was found that  $\chi^2$  was 320.71,  $\chi^2 /df$  was 3.60, RMSEA = 0.077 (90 Percent Confidence Interval = 0.068 - 0.086), NNFI was 0.96, CFI was 0.97, and SRMR was 0.057 (Diamantopoulos et al., 2000). Which revealed that the model was consistent with the empirical data as the index values were in the suitable criteria. Cronbach's alpha score was between 0.75 to 0.94 which were greater than 0.7. Loading factors were between 0.55 to 0.93 which were greater than 0.5 (Hair et al., 2010), thus all observed variables used in this study can be considered reliable as mentioned in Table 1.

Table 1 Cronbach's Alpha result

Variable	N of Items	Factor Loading	Cronbach's Alpha
Community enterprise performance			
Financial performance	6	.87	.92
Nonfinancial performance	5	.72	.88
Competitive advantage			
Cost	4	.76	.82
Quality	3	.55	.75
Time to market	3	.72	.79
Supply chain Management Practices			
Strategic Supplier Partnership	6	.93	.93
Quality of Information Sharing	4	.79	.92
Customer Relationship	6	.69	.76
Knowledge Management			

Variable	N of Items	Factor Loading	Cronbach's Alpha
Knowledge Acquisition	5	.90	.85
Knowledge Sharing	5	.86	.93
Knowledge Application	5	.83	.94
Government Support			
Financial Support	4	.56	.79
Non-Financial Support	6	.60	.93
Entrepreneurial Orientation			
Proactiveness	7	.77	.94
Autonomy	4	.75	.91
Risk Taking	5	.73	.88

Table 2 SEM results for testing the hypotheses

Hypothesis	Relationship between constructs	Direct effect	Indirect effect	p-value	Results
H1	Competitive advantage --> Community enterprise performance	0.74	-	**	Support
H2	Supply chain Management Practices --> Competitive advantage --> Community enterprise performance	-	0.16	**	Support
H3	Knowledge Management --> Competitive advantage --> Community enterprise performance	-	0.31	**	Support
H4	Government Support --> Competitive advantage --> Community enterprise performance	-	0.22	**	Support
H5	Entrepreneurial Orientation --> Competitive advantage --> Community enterprise performance	-	0.05	0.431	Not Support

Note: \*\*Sig < 0.01.

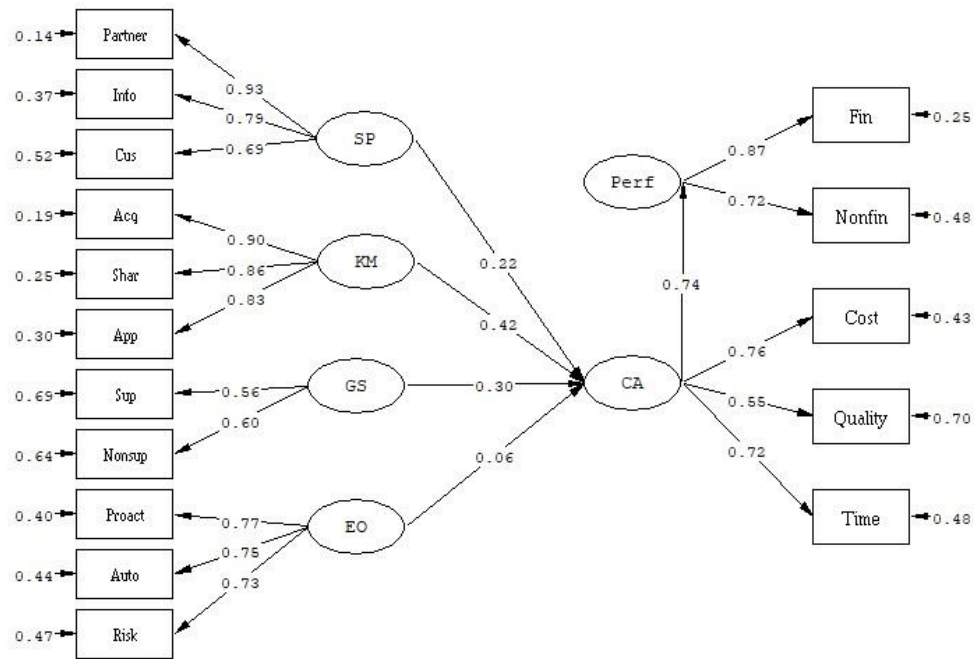


Figure 2 Structural Model Analysis

### Discussion

Competitive advantage directly affects the success of community enterprise performance (coefficient = 0.74,  $P < .01$ ). It was shown that operations to achieve the success of community enterprise performance in the East Coast Southern Sub-Region of Thailand consist of 3 aspects namely, cost, quality, and time to market.

Supply chain management practices indirectly affect the success of community enterprise performance through competitive advantage (coefficient = 0.16,  $P < .01$ ). This finding means that the activities related to the supply chain management of the community enterprise in the East Coast Southern Sub-Region of Thailand consist of 3 areas: strategic supplier partnership, quality of information sharing, and customer relationship could build a competitive advantage that can continuously affect the success of community enterprise performance in the East Coast Southern Sub-Region of Thailand.

Knowledge management indirectly affects the success of community enterprise performance through competitive advantage (coefficient = 0.31,  $P < .01$ ). This finding means community enterprises in the East Coast Southern Sub-Region of Thailand that used knowledge management in 3 aspects namely, knowledge acquisition, knowledge sharing, and knowledge application could build a competitive advantage that would influence the success of community enterprise performance in the East Coast Southern Sub-Region of Thailand.

Government support indirectly affects the success of community enterprise performance through competitive advantage (coefficient = 0.22,  $P < .01$ ). This finding means community enterprises in the East Coast Southern Sub-Region of Thailand have government support in 2 areas: financial support and non-financial support could produce a competitive advantage which continuously affects the success of community enterprise performance in the end.

Entrepreneurial Orientation did not indirectly affect the success of community enterprise performance through competitive advantage (coefficient = 0.05,  $P = 0.431$ ). which is consistent with Maftuchach, Rohman, and Darda (2022) who studied entrepreneurship

orientation in small and medium-sized enterprises found that an entrepreneurship orientation had not indirectly affects on enterprise performance.

## Conclusion and recommendations

Competitive advantage had a direct effect on the success of community enterprise performance. Knowledge management, government support, and supply chain management practices indirectly affect the success of community enterprise performance through competitive advantage. Therefore, community enterprises in the East Coast Southern Sub-Region of Thailand are necessary to focus on competitive advantage, knowledge management, government support, and supply chain management practices to gain success in community enterprise performance.

Findings from the study indicated that competitive advantage has a high coefficient of influence, but when considering each component, it was found that the quality aspect was at the lowest level when compared to other components, asserting that community enterprises in the South produce relatively few quality products or services. Therefore, products or services should be produced to be certified with Thai Industrial Standards, Food and Drug Administration or Halal.

As population in this study had different characteristics in terms of enterprise types. Therefore, future research should be studied specifically in each type, so that the results of the study may meet the characteristics and can be applied appropriately to community enterprises type.

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