

A PROPOSED METHOD TO DEVELOP GOOD GOVERNANCE ATTRIBUTES OF SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) FOR HIGHER EDUCATION STUDENTS

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Abstract: This research aims (1) to study current conditions relating to practices of good governance attributes of Thai SMEs and (2) to study perception, recognition and presentation of methods to develop good governance attributes of SMEs for higher education students. The data was collected by using interviews and surveys from the samples including higher education students who were studying in the fields of entrepreneurship, business owners, trading and management of SMEs since the third year up in a total of one hundred people and entrepreneurs in SMEs who won good governance award of the year during 2008-2014 in a total of five people. The data was analyzed by statistics, frequency, percentage, average, standard deviation and content analysis.

The research results can be found that the students had perception and recognition in good governance attributes of SMEs in a single dimension by focusing on practices in good governance of SMEs that relates to good governance in a good level. This reflects that these students had morality, ethics and good governance in their good natures. However, considering a crossroad between realization of profits and good governance in responsibility on stakeholders, it indicates that the students focused on realization of profits over the issue of good governance. Therefore, developing students on good governance attributes of SMEs should be focused on creating a balance between these two factors through three good practice guidelines including good practices on (1) Employee (2) Consumers or Customers and Partners (3) Society and Environment on the basis of six principles of good governance including (1) Accountability (2) Ethics (3) Participation (4) Rules of Law (5) Value for Money and (6) Transparency.

Keyword: Good Governance Attributes of Small and Medium-sized Enterprises for Students.

Background and Significance of the Problem

The context of entrepreneurship in SMEs is currently more relevant to Thai students due to the changed conditions of the contexts of economy and globalized society are beneficial to conducting business more easily. As a result, many students do not require to choose their path of life to be an employee or a salaryman. They would like to enhance their quality of life and change their social status to be an entrepreneur

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after graduating from university. This is consistent with the idea of changing the world at least 10 years or 'Megatrend' which indicated that the world economy within the next 10 years will be driven by emergence of a large number of new entrepreneurs in SMEs.

However, the current situations of entrepreneurship in Thai SMEs that ignores applying good governance to be a part of business management and takes into account only the best interest of business profitability is resulting in consumer complaints that are likely to increase steadily. This problem is caused by most of entrepreneurs in SMEs who consider good governance as an insignificant issue and the factor that increases business cost. As a result, they give low priority to this matter. This is a matter of concern for Thai SMEs due to the context of conducting business, a part of globalization, culminates good governance and social responsibility in global trade rules. This contributes to competitive disadvantage in Thai SMEs (Office of Small and Medium Enterprises Promotion, 2011). Therefore, entrepreneurs in Thai SMEs need to bring the concept of good governance to be a part of business management in order to optimize and develop production capability of goods and services to receive international standards in order to cope with competition rules of global trading platform in the future.

Due to the fact of ignoring good governance by entrepreneurs in SMEs that has actually taken place in Thai society, it is the issue that should be focused by higher education institutes due to entrepreneurship is one of the goals of living for many students after graduation from universities. To build awareness to urge students to aware of the importance of such the matter, higher education institutes which are the main mechanism in acculturation, cultivation, and development of good governance to students should herewith focus on creating skilled people with morality simultaneously. This is quintessential to Thai education since ancient times and consistent with the education standards framework of Office of the Higher Education Commission that focuses on expectation to support students to have morality and ethics as priority (Office of the Higher Education Commission, 2013). Therefore, development of morality, ethics and good governance should be implemented in higher education institutions to get involved in cultivating in minds of students to ensure that they will be able to live as entrepreneurs in SMEs with the concept of good governance after graduation from their universities and be desirable Thai higher education students according to ideals of higher education in Thailand indeed.

Currently, higher education institutions will support cultivation, conveyance of concepts as well as practices of moral, ethics and good governance of good entrepreneurship in SMEs by intervening this issue in contents of academic courses, researches and activities under student affairs. There are three interlocking agencies involved in these responsibilities, including academic affairs, student affairs and researches (Vallapa Thephassadin, 1995). This is corresponding to the theoretical concepts of Chickering, Reisser, Kohlberg and Gilligan which elevate development of morality, ethics and good governance to students in advanced level by supporting students to access to values of overall society, to recognize the responsibility and to build social peace to all stakeholders in the society according to the universal ethics (Chickering & Reisser, 1993; Kohlberg, 1969; Gilligan, 1982). This is indifferent

from the context of entrepreneurship in possessing good governance attributes of SMEs.

Research Objectives

There are two objectives

1. To study current conditions relating to practices of good governance attributes of SMEs.
2. To study perception, recognition and proposal of methods to develop good governance attributes of SMEs for higher education students.

Research Framework

1. To focus on good governance attributes of SMEs by bringing criteria for consideration from both public and private agencies that support SMEs in a total of eight agencies, including Office of Small and Medium Enterprises Promotion, Thai Institute of Directors, Institute for Small and Medium Enterprises Development, Puey Ungphakorn Institute, The Thai Bankers Association, Bank of Thailand, Institute of Management Education for Thailand, and Regulation of the Office of the Prime Minister.

2. To give precedence to SMEs as defined by Ministry of Industry which possesses the value of fixed assets (excluding land) not exceeding two hundred million baht and labor employment not over two hundred people. In addition, it is requires to be enterprises established in the form of juristic person in charge of Department of Business Development, Ministry of Commerce in the term of company registration.

3. To focus on development of undergraduate students who are studying in the third year over in the subjects relating entrepreneurship, SMEs or business owner. Because these subjects will support readiness of students to become an entrepreneur effectively.

Research Framework

(See Figure 1 on the next page)

The framework mentioned above indicates the methods to develop good governance attributes of SMEs for students who aim to become entrepreneurs in SMEs in a long term through good practices to stakeholders following six principles of good governance associated with methods to develop morality, ethics and good governance for high education students.

Research Methodology

This research is a descriptive research with five stages of research methodology as follows:

1. To study the concepts, ideas, theories, and researches related to the development of students in aspects of morality, ethics and good governance in higher education level.

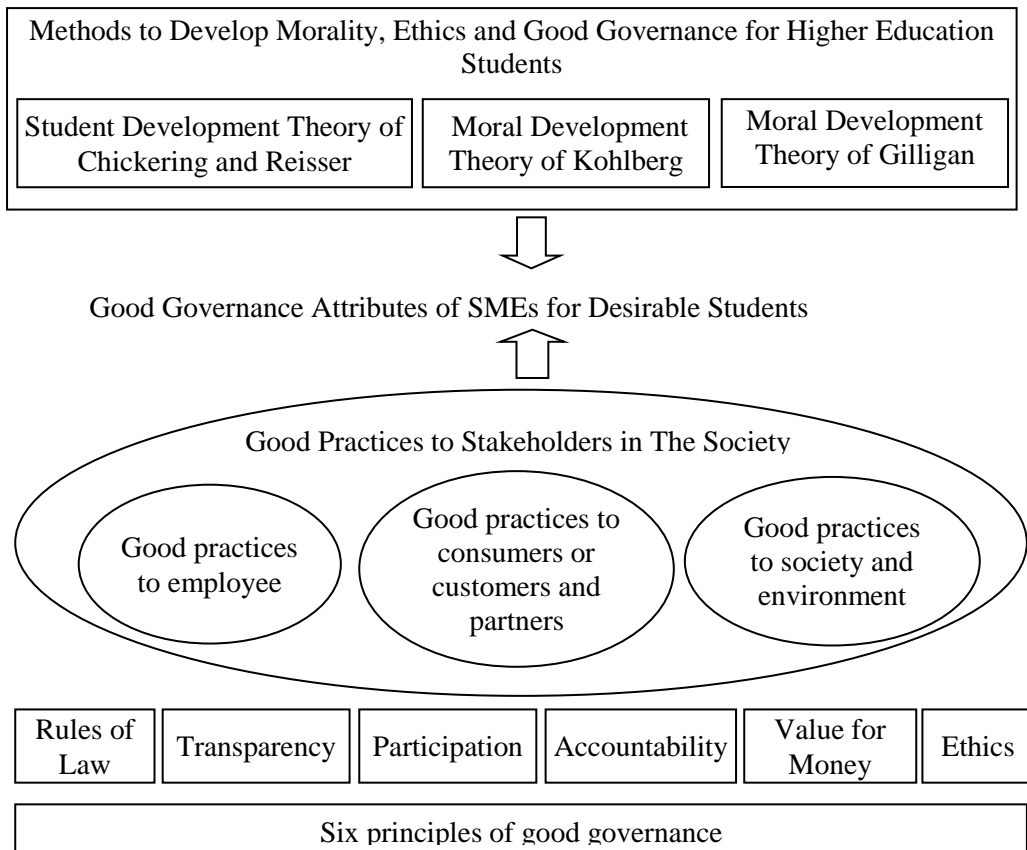


Figure 1: A Framework of Methods to Develop Good Governance Attributes of SMEs for Students through Good Practices to Stakeholders in The Society Following The Principles of Good Governance

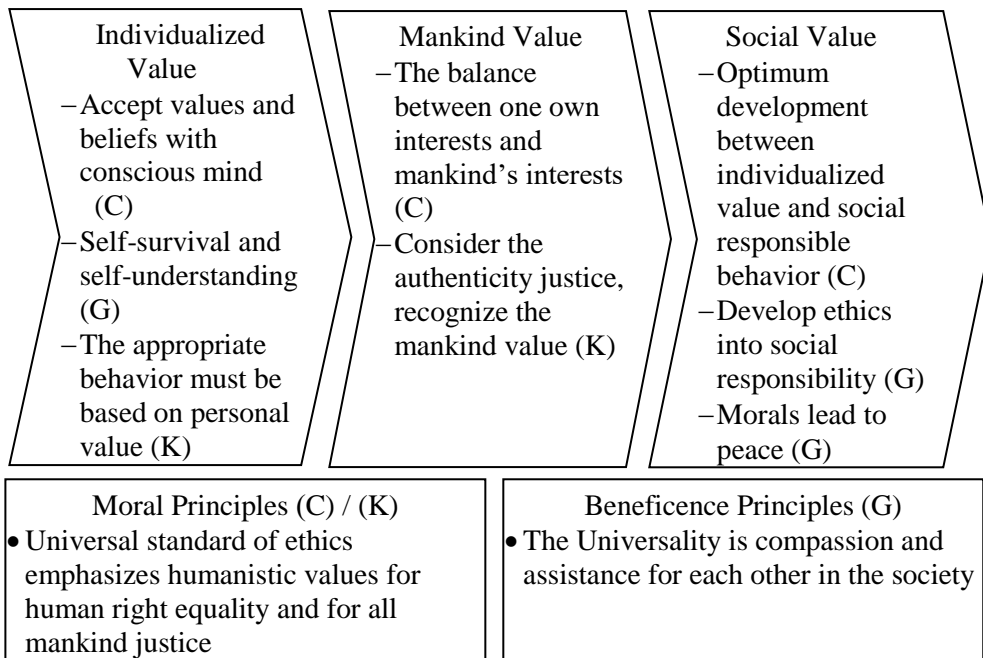
2. To study current conditions relating to practices of good governance attributes of Thai SMEs by collecting data and analyzing data on the concrete practices from interviewing entrepreneurs who won SMEs Good Governance Award of the Year from Institute for Small and Medium Enterprises Development, Puey Ungphakorn Institute, The Thai Bankers Association and Bank of Thailand during the year 2008 - 2014 and executives of public and private agencies with a role in promoting practices related to good governance attributes of SMEs, including Institute for Small and Medium Enterprises Development, Thaipat Institute by using a semi-structured interview to interview entrepreneurs in SMEs who won Good Governance Award of the Year and executives of public and private agencies with a role in promoting good governance for SMEs in a total of ten people.
3. To study about recognition and awareness of practices related to good governance of SMEs by using a research tool, that is, a questionnaire related

to recognition and awareness of practices related to good governance of SMEs by interviewing high education students who were studying in the field of subjects related to entrepreneurship, business owner, establishment and management of SMEs since the third year up in a total of one hundred people and entrepreneurs in SMEs that won Good Governance Award of the Year during 2008-2014 in a total of five people.

4. To analyze a gap between recognition and awareness of practices related to good governance of SMEs between students and entrepreneurs in SMEs that won Good Governance Award of the Year.
5. To propose methods to develop good governance attributes of SMEs to high education students.

Research Results

1. Research results of principles, concepts, theories, and researches related to morality, ethics, and good governance development for higher education students found that their development should be implemented in a proper hierarchy. This should be started from creating such values of individual, then gradually expanded to other people, and progressed to the highest level, which was social stakeholder (Chickering & Reisser, 1993; Kohlberg, 1969; Gilligan, 1982) as shown in Figure 2.



References: “C” refers to the concept of Chickering & Reisser / “K” refers to the concept of Kohlberg / “G” refers to the concept of Gilligan

Figure 2 Relations in Morality and Ethics Development of Students from Individual to Social Value

From the Figure 2, morality, ethics, and good governance development for higher education students should begin from creating such value at individual level (Individualized Value). If practitioners do not see the benefits at individual level, it is difficult that they would practice good things for others or whole society. Therefore, the individual could create value in morality, ethics, and good governance, it is essential that they must believe in themselves and accept the value with their conscious mind, as well as they must be able to show behaviors reflecting their beliefs and acceptance of morals, ethics, and good governance (Chickering & Reisser, 1993; Kohlberg, 1969; Gilligan, 1982).

When practitioners begin seeing the value in morality, ethics, and good governance by their own practices, they will also begin seeing the value of other people (Mankind Value), by creating a balance between their interests and others' interests, not behaving in the way benefitting themselves but abusing others, as they adhere to the principle that all human beings should be treated on the basis of justice on values of human equality (Chickering & Reisser, 1993; Kohlberg, 1969; Gilligan, 1982).

Finally, practitioners will be able to leverage development of morality, ethics, and good governance through understanding of social value. They will recognize the responsibility and create peace for all stakeholders in society through moral principle and beneficence principle as universal ethical standard (Gilligan, 1982). This is associated with desirable attributes of Thai graduates, as the higher education expect that Thai graduates can develop their behaviors with morality, ethics, and accountability in both public and personal, have ability to adjust their lifestyle amidst the conflict of values, develop their habit and practice as morals in both social and private matter (Office of the Higher Education Commission, 2013).

2. Research results of current conditions relating to the practice of good governance attributes of Thai SMEs found that a good practice is to focus on business owner due to SMEs are driven by the business owner, if the business owner focuses and brings this matter up as a part of business management, practices in good governance attributes will be more evident. Especially there should be guidelines in the form of activities that can motivate the employees of the organization, emphasizing step-by-step practices starting from something close to the organization's attention. Moreover, government agencies related to the development of good governance attributes for SMEs should select business enterprises being awarded for outstanding good governance to be models to convey their practices to other enterprises. And this should be done continuously to be recognized broadly in society. The practice of good governance attributes of SMEs should focus on three groups of stakeholders as follows.

A. Good governance attributes of SMEs through good practices to employees

Human development is very important, especially for SMEs that need to be driven by people. Business owners should create good morale and encouragement so employees want to work for the organization. Returns in the form of salary or welfare must be consistent with the existing market conditions. It should be emphasized on evaluation based on criteria to reflect the actual performance of employees (Narakorn Rachpolasit, Interview, on April 29,

2014). However, in the context of good practice to employees, business owners may consider that they pay salaries so they should obtain value from employees, even though in fact salary is not the answer to everything. Thus, good practice to employees that the business owners should emphasize include (1) Issues related to law and regulations such as labor law, welfare conforming to minimum standard required by law, payroll to meet the agreed date and time, and more (2) Issues related to psychological sense, business owners need to be thoughtful, support employees for their happiness, create brotherhood work atmosphere, insert Buddhist thought, take care employees like family members (Yaowalak Kunakornporamat, Interview, on April 3, 2014), consider how they can support or fulfil their need and how to lead them to successfulness (Phansak Leelasuwankulsiri, Interview, on April 4, 2014).

Most large enterprises will have workers union to protect the interests of employees, but it is unnecessary for SMEs if the owners themselves can be the worker union. So the owner of SMEs can easily be trusted by employees. Employee management is both science and art that take time. Employees need to participate more, once they understand they will take part in making the organization successful in the long term. This will positively result at a time when the enterprise are facing obstacles. These employees will be willing to reduce their own benefits to help sustain and survive the organization (Yaowalak Kunakornporamat, Interview, on April 3, 2014).

B. Good governance attributes of SMEs through good practices to consumers or customers and partners

Good practices to consumers or customers and partners is to focus on the value of goods or services by caring of owners. It starts from selecting good materials, producing products with quality as advertised, until providing after-sales services, compensation and responsibility, and solving problems for consumers (Pipat Yodprudtikan, Interview, on April 8, 2014). Additionally, the goods or services should have a value in the perspective of the consumer. Moreover on confidentiality of customer information, it is important that business owners must respect the right to privacy of others. Especially, in the present, it is the consumer era. Consumers have bargaining power. Even if the business owners do not want to focus on good governance, customer demand is a major factor causing them to change their way of doing business. For example, consumption of non-toxic food, if the operator does not adapt to changing conditions, the consumer is entitled to purchase products or services with other safer operators (Suwanchai Lohawattanakul, Interview, on June 9, 2014). So strategies to obtain repeat purchase of goods or services all need practice the good governance attributes as part in business management.

C. Good governance attributes of SMEs through good practices to society and environment

People commonly alert to social and environmental issue because it has something to do with them and affect the lives of many stakeholders. Business owners need to focus on following laws and regulations on the correct principles in adherence to the concept that the organization will not make trouble and not exploit social community. For instant, Production at the factory must not release

pollutants or waste into the environment, elevating the enterprises as free from drugs under the concept of white factory, segregation of waste, structural design of the plant with higher open on the wind direction to achieve continuous air circulation, and more (Natrapee Hangwongsakul, Interview, on May 6, 2014). Moreover, SMEs in rural areas can also help society and environment because Thailand's rural still needs more help and participation of people in society. For example, plants in communities with temples, schools, hospitals, owner can be a pioneer in the campaign to help the community through a variety of activities (Yaowalak Kunakornporamat, Interview, on April 3, 2014).

However, the relationship between profit making and good governance of social responsibility is a challenge for SMEs at present because it involves the survival of the business. Despite the fact that the maximum profit from the business is indeed the ultimate goal to obtain stability in business administration, what will happen if the context surrounding the business is not booming as vast profits of SMEs? For example, environmental pollution from the wastewater of industrial plants, contaminated food affecting the safety of consumers. These finally will lead to the collapse of the business (Jintana Boonbongkan, 2014). Thus creating a balance between profit and social responsibility in relation to the attributes of good governance is therefore important that SMEs enterprises should pay more attention.

In summary, the practice of good governance attributes of SMEs should focus on three groups of stakeholders including employees, consumers or customers and partners, and society and environment. This is in line with six principles of good governance focusing on sustainable growth, no risk of damage, responsibility to stakeholders, which are employees, consumers or customers and partners, and society and environment (Small and Medium Enterprises Development Institute, 2011) as follows:

1. Good practices to employees who have confidence in the organization that they can work in the organization in the long run through the principles of the rule of law and the principle of accountability in legal compliance for employees. Wages and salaries must be paid at the minimum rate required by law. The enterprise should have transparency in the increase in salaries, wages, and remuneration to employees with clear and acceptable way to the majority. The enterprise should provide participation by allowing employees to express their opinions, to engage in organizational development. The enterprise should employ its human resource as worthy as the wages, benefits, and costs of developing skills and knowledge to the organization's personnel. The enterprise should have virtue committing on providing great things for employees, such as hygienic workplace and accommodation and medical assistance.

2. Good practices to consumers or customers and partners who have confidence in quality products and services and repeat their purchases. The enterprise should have principles, the rule of law in the production of goods and services, including production control systems and defining standards that follow the law strictly. The enterprise should have the moral responsibility to consumers, not fraud or make disproportionate pricing. The enterprise should have responsibility and transparency, using clear and traceable measurement to identify product's information and price. The enterprise should have principle of participation and value in view of its

customers and partners to have interest as their expectation from purchase of goods or services.

3. Good practices to society and environment where the rule of law and the principle of accountability are sincerely practiced for society and environment around to create creditability and acceptance. The enterprise should have morality and cost-effectiveness principles, adhering to good treatment, respecting the right and keeping surrounding society and communities' livable and good environment to maximize public's benefits. The enterprise should have participation principle, enabling society and surrounding communities to engage in awareness and sharing ideas or opinions beneficial to coexist society and environment. The enterprise should have the transparency in the accounting system and clear and straightforward indication of financial status.

3. Review studies on perception and recognition of good governance attributes of SMEs found that the rating on perception and recognition among students about practices related to good governance of SMEs focusing on a single dimension of the six principles of good governance showed that on average 94% of the responses to questions, scores ranged from 3.62 to 3.92 (full score 5.0) which was on the threshold of the opinion expressing "Agree". However, when compared such view with SMEs won good governance of the year, it was found that the overall average opinion level of SMEs won good governance of the year was higher than the level of students. The average of the question could be separated into two groups including the first group not less than 67% between 4.6 – 5.0 which was on the threshold of the opinion expressing "Strongly Agree" and the second group not less than 33% between 3.60 - 4.40 which was on the threshold of the opinion expressing "Agree" with the good governance practice of SMEs. In addition, the standard deviation of each question of students and small and medium-sized enterprises won good governance of the Year was between 0.86 - 1.18 and 0.00 - 0.89 respectively, which was less than 1.25, and it thus meant that the respondents in both groups had opinion on the matter in the same direction.

However, considering the crossroad between the for-profit business and the good governance attributes representing responsibility to stakeholder in the society, it was found that the average of all the questions in view of the students was between 3.52 - 3.81, which was in the range of opinion "Agree" with an emphasis on business profitability rather than good governance. In addition, the standard deviation of each question was between 0.76 – 1.08, which was less than 1.25, and it thus meant that the students had opinion on the matter in the same direction. In contrast to the average of overall SMEs won the good governance of the year, which did not agree with such opinion. Its average of each question 86% was between 1.00 – 2.00 within the range of opinion "Strongly Agree" and "Disagree" with an emphasis on business profitability rather than good governance. In addition, the standard deviation of each question was between 0.00 – 1.00, which was less than 1.25, and it thus meant that small and medium enterprises won the good governance of the year had opinion on the matter in the same direction.

4. Gap analysis on perception and recognition of good governance attributes of SMEs between the students and SMEs won the good governance of the year found that the SMEs enterprises won the good governance of the year significantly had more score on perception and recognition of good governance attributes of SMEs in a single dimension focusing on good practices and responsibility to the stakeholders, than the students. The SMEs won the good governance of the year had t-test score of 9.024, which was higher than 1.67 on the confidence level at 0.00 which was less than the significant level of 0.05.

In addition, considering perception and recognition of good governance attributes of SMEs focusing on business profit rather than responsibility to social stakeholders, it was found that the students agreed with the practices in business profit pursuance without taking into account the good practice in responsibility to social stakeholders. This was reflected from the compared results of average scores. The score of student was significantly higher than the score of the small and medium enterprises won the good governance of the year. Its t-test was 8.409, which was higher than 1.67 on the confidence level at 0.00 which was less than the significant level of 0.05.

5. Proposal of good governance attributes development of SMEs for higher education students

Higher education students had a good level of perception and recognition about SMEs' good governance attributes in a single dimension which was an emphasis on good practice, responsibility to social stakeholders associated with the six principles of good governance. By agreeing with such practices, it reflected the fact that these students had morality, ethics, and good governance concept in their good spirits. However, considering the crossroad between the for-profit business and the good governance attributes representing responsibility to stakeholder in the society, the students agreed with business operations focused on business profitability without good governance principles as part of business management. This crossroad was a challenge for students to leverage their thoughts of creating a balance between the two.

Figure 3, developing students to balance between business profitability and good governance attributes with responsibility to social stakeholders is a priority issue that higher education educators should pay attention because being an entrepreneur is one of the goals of living for many students after graduation in higher educational level. It corresponds to the academic qualification standard framework of Office of the Higher Education Commission who firstly emphasize on the expectation of morality and ethics graduates (Office of the Higher Education Commission, 2013)

(See Figure 3 on the next page)

Therefore, higher education institutions should participate in developing morality, ethics and good governance for students to ensure that they can make their living as entrepreneurs in SMEs with practice of good governance attributes after graduation from university and grow up as desirable students as the ideal of higher education of Thailand.

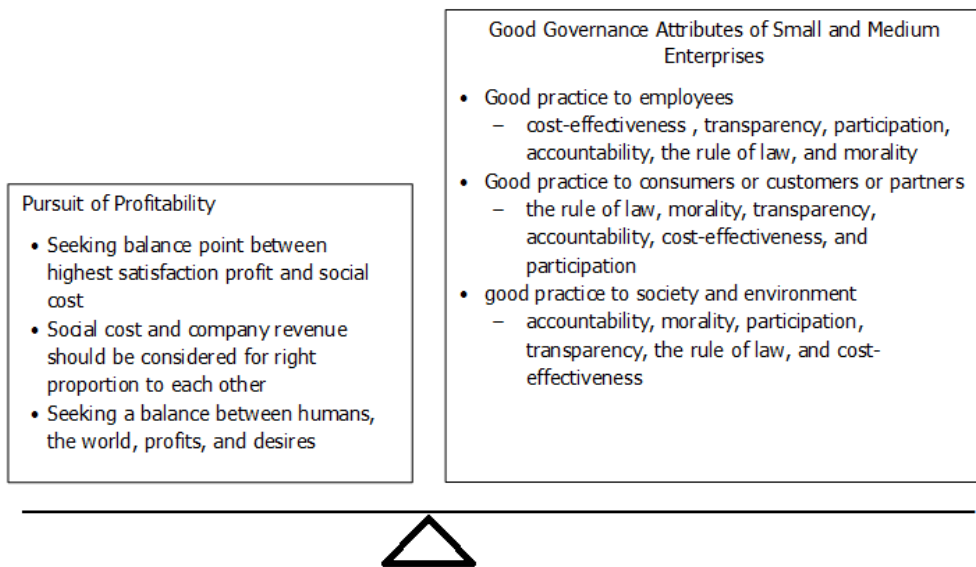


Figure 3: Creating A Sustainable Balance between Business Profitability and Good Governance Attributes of SMEs

Suggestion

Although today institutions of higher education have cultivated and conveyed the concept and practice of morality, ethics and good governance of SMEs in subject contents through teaching, researches and activities of the student affairs, through responsibilities of the three cooperating agencies, including academic work, student affairs, and researches, which correspond with the theory of morality and ethics development for students of Chickering, Reisser, Kohlberg, and Gilligan, promoting student development of morality, ethics and good governance so they can access the whole society value, be responsible and build a peaceful society for social stakeholders as international ethical standards, without different from the context of being SMEs entrepreneurship with good governance attributes.

However, a restriction on practice of morality, ethics, and good governance in academy today is that their cognitive domain, affective domain and psychomotor domain are separated from the actual situation. Students will obtain training related to problem solving, reading and writing, which could not make those teaching and learning can show thinking processes clearly (Collins, 2006). As a result, learners do not understand the essence of the practice of morality, ethics, and good governance. In addition, good governance attributes of SMEs should be conveyed direct experience from SMEs who are good role models, especially from SMEs good governance award of the year by Puey Ungphakorn Institute, Small and Medium Enterprises Development Institute, Thai Bankers' Association, and Bank of Thailand, which is a prestigious award to honor Thai SMEs with good governance business concept.

Therefore, the direct experience of SMEs who won the good governance award of the year, as a reliable mentor, could help convince the students to practice good

governance attributes when they become the future entrepreneurs in SMEs, focusing on creating balance between business profitability and accountability to overall stakeholders, emphasizing good practice to employees through the rule of law, transparency, participation, cost-effectiveness, morality, and accountability, good practice to consumers or customers or partners through the rule of law, morality, transparency, accountability, cost-effectiveness, and participation, and good practice to society and environment through accountability, morality, participation, transparency, the rule of law, and cost-effectiveness.

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