



LUND UNIVERSITY
School of Economics and Management

Master Program in Accounting and Management Control
Spring, 2010

Case studies on “Enhancement to current operations of SMEs in Thailand;
use of target costing and supply chain management applied from IKEA”

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ABSTRACT

Title: Case studies on “Enhancement to current operations of SMEs in Thailand; use of target costing and supply chain management applied from IKEA”

Seminar date: 17th of June 2010

Course: Master Thesis in Accounting and Management Control

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Key words: Thai SMEs, target costing, supply-chain management, IKEA's management, management tools

Purpose: Our aim of this thesis is to describe and analyze weak spots in current operations of SMEs in Thailand and to discuss on the ideas that can be strategically used to refine the process from selected management tools: target costing and supply chain management applied from IKEA.

Research questions:

1. What are the characteristics of Thai SMEs' operation and the common weaknesses?
2. What are the management tools from the chosen benchmark company of good management practice, IKEA, which can be used to refine the existing process of Thai SMEs?
3. Can selective management tools; target costing and supply-chain management be applied to Thai SMEs current process?

Methodology: We start this thesis with the study on actual operations of Thai SMEs using case study as the dominant mean. Since we attempt to come up with suggestions to improve existing process of Thai SMEs by using management tools, in parallel with empirical study, we use normative approach to collect theoretical data from our benchmark company, IKEA, from prior researches and literatures.

Empirical foundation: We believe that the most effective way to gain actual information is through interviews with the persons related to our area of interest. We conducted interviews with key personals of our case studies through telephone and email. Being aware that one single case cannot generalize Thai SMEs in a big picture, we have selected three different companies from different industries and different natures of businesses consists OTOP Nampruk group, Magic Machine Co., Ltd and Su-Chart Co. Same set of questions were asked to each company in order to gain detailed information of current operations. Also, we purposed our findings (ideas of suggestions to improve the weakness in the existing processes) to our interviewees to validate our results and to use the feedbacks to complete our study.

Theoretical perspectives: Theoretical framework is referred from prior studies, academic literatures and information from websites relating to management tools, IKEA management, target costing and supply-chain management.

Conclusion: The most noticeable common weakness found in Thai SMEs' operations are; (1.) weak costing system and, (2.) unhealthy management system. Fierce competition drives Thai SMEs to strike for continuous improvement. In the war of pricing, market price automatically sets ceiling price for businesses, supply surplus leads customers to choose the most quality product (expected quality at less money spent). Target costing (Bang theory) from IKEA is an exceptional model for Thai SMEs to strategically apply in pursue of price competitive edge. However, the success of target costing of IKEA owes substantial credits to its excellence in supply-chain management which resulted greatly from high negotiating power IKEA has over suppliers. In contrast to Thai SMEs who have less influence on suppliers, the success of supply-chain management in implementation is of difficulty. Still, being as a key player in Thai economy, SMEs are profoundly supported and promoted by the government. In attempt to improve the process of Thai SMEs, businesses and government have to take active actions. Business should focus on the weaknesses, in this study we

pointed out costing system, to polish up the process. Given that SMEs are all related to each others in the big picture of the supply-chain, supply-chain management can be used to advance the whole process, however, this has to be done from a macro-level i.e. supporting from Thai government.

Acknowledgment

We would like to start with expressing our gratitude toward our supervisors; Olof Arwidi and Per Magnus Andersson for their kind support in providing us guidance throughout the construction of this thesis. Their in-depth knowledge in management control system has fulfilled us with knowledge in this subject matter and has helped us greatly with our study.

This thesis would have not been possible without the valuable cooperation from our interviewees.

We would like to thank;

Khun Kulwadee Chutchaipolrat, the project manager of Phukiew TAO,

Khun Puddachat Chobkai, the owner of Nampruk group,

Khun Varavach Jimakolkomol, general manager of Magic Machine Co., Ltd,

and Khun Suchat Jamjumrad, the owner of Suchat Co.

We hope to see this paper assisting a future research and a Thai SME as an idea to improve its existing operation.

Sincerely,

Kumarika Maiden

Sopin Cheevapanich

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1. Introduction

1.1 Background

Small and medium-sized enterprises (SMEs) are powerful engines driving the growth of economy and generating employment in society. In 2006, SMEs accounted for 99.8% of all EU-27 enterprises (<http://epp.eurostat.ec.europa.eu>) and accounted for 97% of all businesses in the United States, comprised of more than 53% of labor force. (Ponthiew and Insley, 1996; Coplin 2002) The statistic shows that the two giant economies are immensely influenced by small and medium enterprises. Many researchers have changed the main focus from the study on large firms to the imperative role of SMEs and fostered an effective way to improve their performance. Recently, the numbers of countries have established particular organizations to help and promote SMEs business in order to compete in national market and in international levels.

Thanks to the significant jigsaw in the economy, OECD, international organization encouraging economic growth and financial stability, held the conference in 2004 attempt to promote entrepreneurship and innovative SMEs in a global economy and paved a path to promote the growth of SMEs particularly in developing economies. The conference states that SMEs have a great influence in the economic turbulence by creating new businesses and/or contracting or exiting of businesses. New companies utilize resources for their activities and offer job opportunities to the market when expanding the business. (Coplin 2002) The SMEs dynamic encourages innovative-edged utilization leading to the productivity improvement in the firms and the whole economy. In addition, small and medium firms play a key role in alleviating poverty and increasing opportunities to disadvantaged groups. However, owing to the limited conditions of SMEs such as scared resources, finance and the size, it is important that government should provide programs and support policies to promote SMEs activities. (OECD, 2004)

To look at SMEs in East Asia, Havie and Lee (2005) identified SMEs as the 'Entrepreneurial Engine' for several reasons. Firstly, like Europe and the United States, large companies tend

to downsize and reduce labor force; hence, SMEs sector is the major job market. Secondly, the proportion of people to SMEs in developing economies like China, Indonesia and Thailand is higher in comparison to developed countries, therefore, more opportunities offered for new SMEs. Thirdly, SMEs growth in developing economies induced from business start ups while in developed countries, such as Japan, the growth resulted from expanding existing SMEs. Lastly, SMEs are now tended to be internationalized, for example Japan, Korea and Taiwan, decentralizes their operation abroad introducing technology to become a key factor in the development of SMEs operation.

Like other developing countries, SMEs in Thailand is a key mechanism of the economy. In 2008, the proportion of SMEs accounted for 3.4 billion bath or 37.9% of total GDP. (White paper 2008 of Office of Small and Medium Enterprises Promotion). The statistic from Office of Small and Medium Enterprises Promotion (OSMEP) shows that SMEs hold 99% of total enterprises and provides job opportunities in the cities and rural area approximately 77% of total workforces. The empirical research of Bosma (2008) shows that 42 countries including the United States, Europe, Latin America and Caribbean, and Asia-Pacific, national prosperity is dependent on small and medium firms. (Rungwitoo, 2008) It is evident that SMEs plays such an important business character in economy system. For these reasons, we have confidence that the study of SMEs on how they do their businesses, to address the weakness and, to further develop their existing process is beneficial. The findings will not only benefit to the SMEs itself but to the economy and the well-being of people in the society as a whole.

The aim of this thesis is to discuss on ideas to improve the current process of Thai SMEs. We draw our inspiration from one of the world's best management practice: IKEA. We are attracted to how IKEA is managing their business to their best practice and we certain that IKEA's management practice can be used as a "role model" for Thai SMEs. However, the differences in sizes, nature of businesses, potentials and power between IKEA and Thai SMEs makes impossible to adopt the whole management system of IKEA directly to Thai SMEs. In this study, we focus only on selected management tools, target costing and supply-chains management, as currently being operated by IKEA and apply to refine Thai SMEs current operation.

1.2 Discussion of problems

It is not a big surprise to say that SMEs are currently not operating at their best practices. The obstacles come from both internal and external factors. Gray (1990) believed that centralization of authority where the owner is the primary center to all decision making is a drawback to the smooth running and to the growth of business. Bolton (1971) suggested the most common obstacles for SMEs operation as follows; i) raising and using finance, ii) costing and control information, iii) organization and delegation, iv) marketing, v) information use and retrieval, vi) human resources management, vii) technological change, and viii) production scheduling and purchase control. Given the identified problematic issues suggested by Bolton, we anticipate weakness in current operations of Thai SMEs accordingly. Our main focus in this paper is on the costing and control information. (Gray, 1990) We believe that this snag is within the ability of SMEs to turn this downside to the upside with the right use of management decisions.

Several studies have been conducted as to recommend SMEs to improve their existing process. Gray (1990) suggested that investments in human resources and technology would help the growth of SMEs. While Brimble, Oldfield and Monsakul (2002) believed that the government must play a key part to enhance SMEs growth. OECD states that the most crucial action to develop SMEs is to invest into intellectual capital and monitor the upshots to assess performance. Nevertheless, given that SMEs are limited by resources, investing in what is viewed as marginal cost, for example technology and/or additional training for employees, might not be the most preferred answer to SMEs. In extend to regulations and policies from government, these are an extreme external factor in which beyond control from SMEs end.

We strongly believe that if SMEs urge to improve their operation and performance with the use of calculating efforts and less being effected by external factors, they must first begin it internally. One way of getting self-improvement started begins from selecting a role model of good practice that they can lean on, then study on how they do things with fully concerns on the differences between the company and the benchmark. After that, they can analyze each alternative and choose to apply only the approaches that can be best used in their own ways.

We drew our inspiration of this study on the mentioned scenario; realizing existing weakness in current Thai SMEs operations, choosing IKEA as the benchmark company of good management practice, studying on IKEA's way of operation, focusing on particular techniques used by IKEA (Target costing and Supply-chain management), analyzing the pros-cons of the techniques in applying in practice.

Why IKEA?

During the course in our Master in Accounting and Management Control Program, we have had a chance to study the history and success of IKEA from our guest lecturer, Rolf Larsson. The lecture has inspired us greatly on how IKEA, started from a small-sized business, has managed its operation to its excellence and has become one of the world's largest companies. IKEA began its business from selling matches, watches, pens, jewellery etc., at lower prices. Now IKEA is the world's largest home-furnishing company but still the ideas of "down to basics" is still comprised in every step of activity. (www.ikea.com) IKEA's initiatives, for example, flat-packed furniture, carefully designed to the most production and transportation convenience, can be taken as an evident of IKEA's easy way of doing things.

Unlike other companies with good management practices; Nintendo, Google, Apple (World's best company 2009, Bloomberg), IKEA has an uncomplicated operation and to understand its process is can-able.

As mentioned above, added to our own admirations to IKEA's management, we believe that IKEA is the most suitable company to use as a benchmark of good company practice for Thai SMEs. We believed that the selected success management tools in IKEA, target costing and supply chain management, can be applied to develop the current process of Thai SMEs to attain our aim of the thesis.

1.3 Formulation of problems

1. What are the characteristics of Thai SMEs' operation and the common weaknesses?
2. What are the management tools from the chosen benchmark company of good management practice, IKEA, which can be used to refine the existing process of Thai SMEs?
3. Can selective management tools; target costing and supply-chain management be applied to Thai SMEs current process?

1.4 Purpose

The purpose of the thesis is to describe and analyze the weakness in existing operations of SMEs in Thailand from selected case studies and to discuss on the ideas that can be strategically used to amend the process with the use of selected management tools: target costing and supply chain management applied from IKEA.

1.5 Outline

The thesis begins the first chapter with board scope of SMEs in general and then we portrait our focus on SMEs in Thailand as to how they play as a key role in Thai economy and why we believe it is worthwhile to explore our study in this area. We also give a board picture of how Thai SMEs are currently operating their business in general and why we think that there are some areas of improvement that management tools can be used to refine the process.

Emphasizing on empirical framework in parallel with theoretical body, the method we use to approach to the thesis questions are described in Chapter two. In this chapter, we also give reasons to explain how and why the interviews are constructed that way. Being aware that selected companies of our case studies is inadequate to represent the whole Thai SMEs; thus, this chapter ends with limitations and critics regarding the sources and the chosen methodology.

We use case study method as a dominant mean throughout our study. We selected three Thai SMEs from different nature of businesses from different industries as our study cases. We have conducted interviews with key personal in each firm to acquire general background of the business and extend to in-depth information from actual operation in relevant to our area of interest. Detail information on our empirical study is described in Chapter three.

In chapter four, we describe theoretical framework of the management tools in general and how they can be used to improve and refine business performance. We have chosen IKEA as an example of good management practice; hence, we extend our study further on IKEA's management. Being world large company, IKEA has implemented numbers of management techniques but we narrow our main area focus particularly on its Target costing (Bang Theory) and Supply-chain management which are illustrated in this chapter.

In the analysis and discussion part, we will combine the fact we found from our case studies and theoretical standpoint to attentively approach to the thesis questions in attempt to come up with the ideas of suggestions in improvement of Thai SMEs using target costing and supply-chain management.

In chapter six, we have concluded our findings as well as the responses received from our case studies to our suggestion on improvement. We also suggest opportunities for future research in due regard to this subject matters.

2. Methodology

This session we describe our research approach, including our methods in collecting empirical information and theoretical information towards the thesis purposes.

2.1 Choice of method

The definition of research method given by Bryman (2007) is a technique for gathering data involving several instruments such as self-completion questionnaires, interviews and participant observations. There is no certain rule to identify which is the best methodology, either quantitatively or qualitatively. Olsson (2007) suggest that the best methodology is the one that suits the most for each particular study to obtain relevant data.

Our thesis aims to identify and analyze the current operation of Thai SMEs to develop ideas aiming to improve the existing process by using selective management tools; target costing and supply-chain management adopted from IKEA. By focusing on the actual operations rather than statistical analysis, we believe qualitative approach through interviews and documentation reviews to collect empirical data is the appropriate approach for our study. Qualitative approach defined by Denzin and Lincoln (2005) comprises of a set of interpretive, material practices for example interviews, conversations, photographs and recordings to understand the relation of people in a situation (action, decision, values etc.). While quantitative method is derived from the collection of numerical data. (Bryman, 2007)

This paper consists of two main parts, empirical and theoretical. In parallel with empirical wise, information regarding theoretical framework is gathered from prior studies and academic literatures in relevant topics.

2.2 Case study design

Case study is a common-use qualitative method in business and management researches designed to obtain detailed and intensive analysis of a single case constructed from participant observation and/or in-depth interviews (Bryman, 2007). Case study approach allows researchers to comprehend specific problems. (Gable, 1994)

Yin (1994) suggests four steps to case study methodology: (1) design the case study, (2) conduct the case study, (3) analyze the case study evidence and, (4) develop the conclusions, recommendations and implications.

The first stage is to design the case study protocol which required assessment of researcher's skills such as the ability of asking questions, interpreting the responses and inter-personal skills. The researcher develops and reviews the protocol of the case study in this stage as a guideline for the following steps. Formulations of the case study developed in this stage enable the reliability of the case study.

The second stage is the conduction of case study including preparation for data collection, distribution of the questionnaire, and conducting interviews, contributing to the achievement of the project. Variety of sources such as documentation, archival records, interviews and direct observation, should be obtained to gain evidence supporting the case study research. Stake (1995) pointed that all sources are not necessary to every case study, but multiple sources of data increase the reliability of the study.

After collecting data from the previous stage, the third stage is to analyze case study evidence needed the researcher's experience and the literature in order to interpret the evidence in various aspects.

The final stage comes to the conclusion, recommendations, and implications so that the researcher is able to communicate the result to the user or the reader.

We follow Yin (1994) suggestion on thesis methodology; starting with case studies of Thai SMEs, understanding the nature of business and then identifying and analyzing weak spots in

the current operations. Further, we intensively interviewed with key personals of our selected companies to obtain in-depth empirical information of the actual processes. Then, we gathered information and developed ideas of suggestions to the area of improvement using selective management tools developed from IKEA.

2.3 Selection of case Study

We focus in the pursuit of obtaining in-depth empirical data. The fact that case study method is a specific study of selected case (Gable, 1994); therefore, the result might not be regarded as a good representative of the big picture for instance, in this paper, the Thai SMEs. Being aware of that, we diversify our studies on several cases from three different industries with different natures of businesses and different constraint to minimize the drawbacks from this methodology. Because we aim to get intensive information i.e. costing, therefore, the selected companies are only those we have prior contacts with and that we can contact with the key personals where in-detailed information can be attained.

Case study I: Phukiew OTOP, Namprik group

Thai OTOP is a small business with unique characteristics comparing to other types of SMEs. OTOP is a governmental program and also is directly supported by the government. OTOP product is a selected product from sub-province (Tumbol) which local government chooses to promote this product as the representative of its sub-province. (We have described in-detailed characteristic of Thai OTOP in Chapter three) Namprik OTOP is the selected group of Phukiew sub-province. The group has the strong point of highly-demanded product but the management and existing operation are, somewhat, considered weak. Currently, Phukiew local government (Phukiew TOA) is developing a project to improve Namprik group managerially and operationally to encourage competitive edge to complete in national market. We found this as a great opportunity to study on Namprik group because after we identify and analyze the pitfalls in the current process and we can also purpose our findings to the Namprik group and the Phukiew TOA to validate our results. We have conducted three phone-interviews with Khun Puddachat Chobkhai, the owner of Namprik group and four phone-interviews with Khun Kulwadee Chutchaiopolrut, project manager of Phukiew OTOP from Phukiew TOA.

Case study II: Magic Machine Co., Ltd.

Magic Machine is small-sized business operating in advertising media industry. The company provides wide range of advertising media for instance advertising printing, billboard and light boxes on customers' demand. Two main groups of products are; a.) project work, customized product, and b.) typical product. In dealing with project work which requires different materials, hence, different costing and different procurement is appealing to us. Added to the nature of intense competition in advertising media industry which induces market price war, Magic Machine has to position itself using lowest-possible-cost strategy in order to survive in the competition. For these reasons, we selected Magic Machine to study on its process as an example of a customized product provider fighting in a fierce market. In order to obtain to gain in-depth information, we have conducted intensive interviews with Khun Varavach Jimakolkomol, general manager of Magic Machine Co., Ltd.

Case study III: Su-Chart Co.

Su-Chart Co., established in 2004, is a family-owned wholesale and retail business serving wide range of products ranged from consumer products to equipments and tools for household and factories. Target customers are individuals and businesses nearby its location. Su-Chart Co., is known as the biggest retail and wholesale in Samut-sakorn, being a family-owned business with all employees are family members tempts the company to develop a healthy relation with customers to gain royalty. Su -Chart Co., has its competitive edge at variety of products offers and at the considerably lower than market price. In addition, Su-chart Co. has competitive edge over rivals from its location of being in the heart of the city and royalty from regular customers. However, with recent expanding of international hypermarkets i.e. Makro, Tesco, BigC, the sells has been decreasing. Su-chart Co. is now striving to compete with the new potential rivals in this intense price competition. We have selected Su-Chart Co. as our third case study in attempt to use management tools such as target costing and supply-chain management to advance its current operation to gain its competitive edge back in the market. The interview was conducted with Khun Suchat Jamjumrad, the managing director of Su-Chart Co.

2.4 Theoretical Approach

A number of researches have been conducted regarding management tools and how it can be used to improve a firm's performance. Different firms, different management style requires different management techniques. There is no fixed model of management which can be applied to all type of businesses. However, the authors believe that if a company has good management practice, even though it might not be possible to fully apply the practice to another company, it can be used as a model. Instead of studying through management theories in general, the authors believe that studying in depth on one selected company with a good management practice is more beneficial. During the course of Management Accounting and Control, the authors had come across to IKEA's management practice. IKEA started from a small business in Sweden and has been continuously growing until it has become one of the world's largest companies expanding globally and is still keep growing. IKEA's products are well known of great quality at a very low price. The vision of low cost strategy is embedded at every activity in value creation of IKEA. (www.ikea.com) IKEA manages its operation to its excellence is very appealing to us and is where we drew our inspiration of good example of management for Thai SMEs from. In this paper, we only focus on two selected management tools used by IKEA; target costing and supply-chain management. The reasons behind the selections derived from the actual problems we found in our case studies and we believe that studying these two techniques from IKEA will give us some ideas with our thesis problems.

2.5 Gathering of data

Two types of data collected in this thesis; primary data and secondary data. The primary data means to collect of new unwritten information directly from the sources for instance interviews. Secondary data is to study on prior studies. (Olsson & Sorensen, 2007)

2.5.1 Primary data

The purpose of this thesis is to analyze the current management practice of Thai SMEs. We chose interview methods to collect primary data to obtain a deeper understanding of the case studies. We conducted a set of questions regarding business background and questions relating to the content of the study. The questions were sent to the interviewees in advance to introduce our purpose of the study and to inform the required information. Then, the in-detailed questions were asked to gain intensive information. The questions and interview were carried out through e-mail and telephone.

Special note in regard to political crisis in Thailand in May 2010

We had planned to observe actual operation of Nampruk group on site in Thailand and had scheduled the meeting in persons with the owner of Nampruk group and the key person from Phukiew TOA on 17th of May 2010. The meeting was planned to present the proposal of suggested ideas to improvement of current process and to gain instant feedbacks. We believed this practical method would validate the findings as well as assess the upsides and downsides from our suggestions in practice. Regardless of the unexpected extreme political crisis in Thailand during the 15th - 22nd of May 2010 (the period of author's visit to Thailand), the scheduled interview was cancelled. The state of emergency had been declared from central government resulted in officially closed of government sectors from 15th of May 2010. For this reason, we could not obtain feedbacks as planned from the Phukiew TOA until 1st of June 2010 and the interviews and presentation had been conducted through the phone.

2.5.2 Secondary data

Secondary data is used in this thesis to explain the general information and the importance of SMEs in economy system, as well as to exemplify IKEA's management system. The data was gathered from several sources including articles, journals, academic texts, prior thesis and websites of relevant organizations. The secondary data benefits in time saving and cross-validation from various sources.

2.6 Trustworthiness of the thesis

2.6.1 Reliability

Bryman (2007) described reliability as one of salient criteria in the evaluation of business research. Reliability refers to the repeatability of the result based on the questions and measures which are utilized in the research. The reliability of this thesis is important and will be useful for future researches.

For the reliability of the theoretically part, the authors collected secondary data from many sources such as academic texts, journal, magazine and relevant articles, not only to obtain data from various means, but also to enhance reliability by examining collected data from different sources. Furthermore, the authors of primary sources and the publishing institutions are concerned to ensure the quality of information. It is undeniable that the researchers have currently kept updating information to come up with the best solution and serve the change of business situation. The authors realize the benefit of current information; the references used in the thesis, therefore, have been combined between the traditional idea and articles published in recent years. The authors believe that the consideration in literature review process contribute the reliability in the thesis within the timeframe given.

2.6.2 Validity

Validity is established by the integrity of the conclusions developed from a piece of research. Thus, the validity of the research is based on the completeness of questions and the ability to measure the research purpose. (Bryman, 2007)

Before having an interview, we sent questions via e-mail to interviewees so that they could prepare some information and the questions guided them to the purpose of the interview. The specific questions were developed during the interview aiming to gain additional information. Both questions and interview comprised of open questions to acquire general information or idea of the respondent, and also close questions for specific points. The questions have been established in a clear way to avoid being misunderstood by interviewees.

Moreover, the literature reviews play a significant role in both empirical and theoretical frame. The authors collect especially relevant parts which support the purpose of the research and help in analyzing to find the final conclusion. Given the high concern regarding the ultimate purpose along the process of research, the authors believe to attain high validity in this thesis.

2.6.3 Method critics

In the thesis, we have developed the selected management tools from the success of IKEA to apply to Thai SMEs. The authors realize that IKEA has a complex structure and has a huge powerful in negotiation among suppliers and distributors; in contrast, the small and medium business encounters the pressure and less negotiating power in their business because of size. In order to find the ultimate solution fitting to the operation of small- and medium-sized business, we studied and compared several management tools applied by IKEA with concerning of the possibility and usefulness in SMEs implementation and, then, decided to choose two particular dominate tools consisting of target costing and supply chain management. The authors expect that the sized-difference consideration in the first step of the research can reduce the risk of unpractical implementation.

According to Bryman (2007), a single case study cannot be the representative to apply generally to other cases. They believe that a case study does not imply as a simple of one. However, our case studies consist of three different types of Thai SMEs in order to gain the best possible picture of Thai SMEs. We believe that the research will not only enhance the management efficiency of our case studies, but also pave a path for other Thai SMEs in striving to refine and develop their operations for the growth and competitive edges.

2.6.4 Source critics

The academic texts with in-depth descriptions in theories of our main focus: target costing and supply-chain management were use as the main sources in our theoretical part. Information from academic texts has high reliability considering the process before publishing and certifications from well-known institutions.

Asides from academic literature, journals, magazines and articles from ELIN@Lund and information from internet are our secondary sources. They offers updated information, wide ranges of information and specific information on our area of interest. Additionally, organizational websites, both governmental and private, are the primary sources to find preliminary information such as characteristics of the organizations; goals, visions, policies etc. allows understanding and is the starting point of further research.

Yin (1994) suggested that a single source cannot have a totally advantage over the others; they could be used to complement each other. We used several sources to gain broad perspectives in each topic and to enhance the reliability of the contents in this thesis. According to Stake (1995), multiple data increase the reliability of the study.

2.6.5 Limitation

This thesis emphasizes on empirical research in which specifying in three selected SMEs in Thailand. The sampling size of three is inadequate to represent Thai SMEs in general. Additionally, each small-sized entity has different characteristics depending on nature of business and the industry of existence.

Due to unfamiliar topics: target costing and supply chain management, the interviewers had to explain the concepts to the interviewees for common understandings. However, this has shown that we have limitations on managerial knowledge of the interviewees.

Several researches provide wide range of information of IKEA, unfortunately most of them conducted in Swedish. Few numbers of studies on IKEA conducted in English and limited numbers of them mention about our area of interests. However, we gained most of the information from literatures as well as from valuable advices from our professors which are the main sources of theoretical frameworks in this paper.

3. Empirical frame

3.1 Overview of SMEs in Thailand

Before 1997, Thailand enjoyed double digit economic growth and was considered as the fastest-growing economy of Asia. The turning point was in 1997 when the financial crisis emitted massive negative impact on Thai economy. Many plans and projects had been launched from the central government to tackle the situation. Madden (2004) studied on Thailand economy recovery plan after 1999 and found that to retrieve and foster the economy of Thailand, small and medium-sized enterprise (SME) is an adept catalyst who plays the most essential role in Thai economy. Numbers of SMEs founded, accounted for ninety-five percent of the total number of business entities in Thailand serving employment to the labor market of over twenty percent of the total industrial workforce. (Office of Small and Medium Enterprise Promotion)

3.2 Case study

Case study I: Phukiew OTOP, Nampruk group

Background and structure of Thai OTOP

“One Tambon One Product” (OTOP) is a special type of Thai SMEs developed by Thai Government in 2001, originated from Japanese project of one Village One Product (OVOP). OTOP was invented to improve the quality of local products from each village and to cultivate the product to compete in national market and further to international level. OTOP was introduced in response to King Bhumiphol's philosophy of “The economic Self-Sufficiency” for sustainable rural development at grassroots level. (Punyasavasut, 2008) Necessary inputs of OTOP for instance product design and development to financial capital and intellectual capital are fully supported by each local government, Tambon (sub-district) Administrative Organization (TAO).

Phukiew OTOP: Namprrik group

Phukiew is a sub-district (tambon) in Chaiyabhum province located in the Northeast of Thailand. Tambon Phukiew joined OTOP program in 2004 offering variety of products such as Chattong Thaisilk, chili paste (Namprrik), thai traditional sausage, shredded pork. OTOP product of Phukiew has been successful and become well-known in international level. In 2010, Phukiew TAO has selected Namprrik group as the representative OTOP product of Phukiew and is currently striking to improve the quality of Namprrik in both product-wise and operational-wise.

Namprrik group was established in 2009 presently has 20 members. The group is supported by Phukiew TAO financially and operationally. The main product is Thai traditional chili paste called “NamPrik”. The product is fresh-made daily. Each year approximately 60,000 units produced. Final products sold in local area through; local market, front office, local restaurants and small retailers such as petrol stations.

Raw materials are supplied by the other members of Phukiew community and purchased on a daily basis from local market at every early morning. Labored are the members of the group at a wage rate of 150 baht per day. Each unit contained 25 grams and has product life of 4 days.

Table 1: Costs and Benefits of Namprrik (in Thai Baht for batch of 200 units)

Item	Cost per 200 units	Average cost per unit
Raw Materials	1800*	9
Labour (5 persons @150TBH/day)	1200	6
Packaging	400	2
TOTAL COST	3400	17
Sales Price @ 25/unit	5000	25
Profit	1600	8
Margin		32%

Planning

Being a small-sized business with lack of intellectual resources, Nam prik OTOP does not have any planning process either cost planning, sale forecast or production planning. Expenses are collected at the actual spending, however, there is no evident on costing control detected. Currently, the group produces final goods approximately 200 units each day but the production volume is not stable and relies largely on the ability in obtaining raw material for each production day.

Procurement

Suppliers are procured in a very traditional way- a member goes to the local market in the morning, purchases raw materials, comes back to the workshop and starts production. The amount of final product depends solely on the quantity of raw materials obtained each day. Even though the group usually purchases from one regular supplier, which is the member of Phukiew community (under the same TAO) but no direct contact or relationship with this supplier established. Nam prik obtains suppliers from intermediate market which means the purchasing prices are included markups.

In this current process, the group faces uncertainty in both price and quality of raw materials owing to lack of proper design of procurement system.

Production

Apparently, the group has no existing control in the process at all. Apart from the fact that the final products depends largely on the ability to obtain raw materials for each production day, there are limited members who do all the mixing of ingredients. The group faces the risk of production flaw in case the key members unprompted. Lack of proper knowledge transfer and inability to set targeted units of production leads the group to encounter additional difficulties such as inconstant of product quality that would avert the ability to meet break-even units of production.

Process inefficiency

The group fully operates self-logistic from procuring raw materials to delivering end products to local market. Self-logistic is time and cost consuming, given limited human resources, this process could have been improved.

Case Study II: Magic Machine

Magic Machine Co., Ltd., a family owned small-sized business, founded in 2003 as a production company offers wide range of advertising media from indoor printings, light boxes, advertising displays to billboards. Two main groups of products offered by Magic Machine; a.) project work, made-to-order products and b.) typical product. Currently, the company has of 34 staffs work in four different departments; management, design, production, and accounting and human resource.

Being a family owned and a small-sized business, every activity is reported and approved by management (the owner). Apart from on-the-job production, management plays a complete role in administration from costing to selling and marketing.

Main incomes of the company generated from projects for Thai big companies, accounted for 80% of the total income, despite the fact that big company customers are only a small proportion (20%) of its total customers. In complimentary to higher incomes to the company, Magic Machine prefers big-sized customers as to production planning can be predicted accurately regarding contracts provides less risk for the company comparing to the small-sized company customers. Additionally, big projects allow Magic Machine to take advantage from economies of scales when ordering raw materials in big batches from suppliers.

The company dominates in low-cost strategy. The intensity of competition in this industry has been increasing substantially in the past few years. In-complexity of the business and low investment invites numbers of new competitors entering to the market, plus emerging of companies has led to market fierce. However, having invested in large machines, Magic Machine has superior advantages in production capacity. Added to the strong position in low-cost strategy has put Magic Machine in a favorable competitive edge over some competitors.

When first started, the products of Magic Machine were only printing media. Now the company has expanded both the size and product lines, offering products to customers as a fully-media producer. The expansion has led to organizational changes such as intensive recruiting for skilled-labors and investing in hard machines, in extend, Magic Machine had moved its office to the current location for a larger area of production capacity and easier access for customers as well as taking location advantage to reduce transportation costs. What comes with the product expansion is production complexity; Magic Machine is in an on-going process of searching for suppliers who can provide them the right materials to serve their special needs.

Procurement

Two main sources of Magic Machine to procure materials are from domestic market and international market, China. Magic machine stocks raw materials to prompt for typical productions - historical data used to examine which types and the quantity of raw materials to be maintained and procurement normally made domestically. Being a customer-based producer, a special project that requires special components aside from typical stock, for such special materials, Magic Machine imports them from China. Decision-making in regarding to choosing of suppliers depends solely on the Owner.

Import materials from China suppliers

Magic Machine deals with suppliers in China through Chinese intermediary in due regard to language barrier and culture differences in doing businesses. Main advantages of suppliers in China are price competitive, approximately 20% less than domestic market, and variety of products offered. Nevertheless, importing materials oversea comes with extra cost such as taxes freight charges, agency fees and custom fees (for some products), plus transaction has to made in cash only. Therefore, cost-benefit has to be taken into consideration before making an order. Normally, Magic Machine orders materials of big projects from China to gain advantages on cost-savings from economies-of-scale. But for some special orders, Magic Machine has to find the right materials from a new supplier where the company has no negotiating power at all.

Domestic suppliers

For low volume demands, urgent needs or in case that import- material delay, Magic Machine procures from domestic suppliers. Product prices and quality is the main concerned in selecting process along with the payment condition and speed of delivery.

Pricing

Having two types of products with different natures, Magic Machine has different pricing strategy for each type of the product.

There are two main types of products namely project and general products. As discussed above, project products create high revenue to the company and are dependent on customers' needs. Hence, the company pays more attention to pricing products properly so as to gain advantage over competitors as well as cover costs occurred.

Project products

Project products generate high incomes for the company and less risk in the case of noncollectable situation with customers. In addition, big projects with big companies help Magic Machine to promote its reputations and enhance reliability and credibility not only to customers, but also other stakeholders such as creditors, suppliers.

The management is responsible for product pricing based on several factors. Initially, order volume and credential of customer are the main concerns to ensure the reliability of payment capability. Then, assessment on production process and relevant costs are calculated to set minimum acceptable price. Special conditions and time constraint required by customers are also concerned. In some cases, Magic Machine would decide to work on some projects which barely yield margins to develop relationship with customers for future business opportunity.

General products

The management has set the standard prices for typical products frequently ordered. For products not in the lists, the prices will be set from management.

In order to compete in such a fierce market, Magic Machine has to set its strong position on high quality with low price. To achieve the ultimate goal of the company, Magic Machine cannot draw its main focus only on selling and marketing, but also to cost management and production efficiency to maximize its profits. In current operation, Magic Machine faces difficulties which are;

- Direct Labors

The nature of production requires skilled labors. Incompetent technical-skilled labors bring about over materials and time consumption, wastes, scraps and spoils. In such circumstance, estimated cost will be distorted. In extend to the delays; customer satisfaction might have negative effects.

- Finance

Because of low negotiating power to suppliers and customers, Magic Machine purchases materials on a cash basis while big customers purchase services on accounts. On going production requires working capital, Magic Machine encounters financial difficulties at times.

- Conflicts of owner's position

Central decision authority is held solely by the owner who works for both management and marketing. Being in a marketing role, selling and marketing activities are the only main focus since it is where the income is form. The owner will likely to accept any project offers without paying proper due regard to cost-benefits. Sometimes the project is found at loss because of wrongly cost estimations, due to improperly evaluate in cost structures.

Case Study III: Su-Chart Co.,

Su-Chart Co., named after the owner Khun Su-chart Jamjumrad, founded in 2003. Su-Chart Co. is a large-sized retail business providing wide range products from consumer goods, tools and equipments for households and manufactures. The company located in the heart of the city and with this location advantage and serving customers with complete range of products the company becomes a huge success. The owner then expanded the selling spaces to 1,600 square-meters (approximately 250% of the old size) induces customer recognition of being the large retail store. Su-Chart Co., is a family owed business, currently nine family members are running the business. Target customers are individuals and small retail businesses around the area. The company is now facing a high competition when giant international hypermarket such as BigC, Tesco, Makro opening their stores around this area. In the last fiscal years, Su-Chart suffered from substantial decrease in sales volumes, for this reason, the company now urges to change itself to compete with these high potential rivals.

Procurement

Offering wide range of products required Su-Chart Co., to deal with numbers of suppliers. The company ceases to procure products at the most possibly cheapest cost, however, Su-Chart company has not established any contract with any supplier in due regard to lack of proper concerns. Most of products purchased on cash basis in order to gain discounts from suppliers. Products are procured through two main schemes which are;

➤ *Direct contact from manufactures*

For the suppliers with long term relations, Su-Chart Co. has informal contact directly with suppliers. However, only few suppliers the company has direct contact with.

➤ *Sale representatives*

Su-Chart Co. procures goods mainly through sale representatives. The upside to this approach is that the sale representatives visit the store frequently that makes the company can

make an order at their convenience. Furthermore, they always provides after sale services for instance sampling products and special delivering options. However, purchasing from sale representative normally includes markups.

Pricing strategy

Being a merchandiser, Su-Chart set the price by marking up from cost of products. The company is trying to position itself as a low-cost leader to compete with international hypermarkets; therefore, the prices are set based on hypermarket prices.

Location

Being located in the heart of the city nearby factories, schools, business and living area, only 15 meters away from the main street added to noticeable size of the company which allows customers to recognize and assess to the stores easily, contribute to great advantage on location.

Selling and services

Most of the customers are regular customers. Su-chart co has developed good relationships with customers. This is the quality that the company has superior the new rivals.

4. Theoretical frame

4.1 Broad view of management tools

Management tools are key components to improve business efficiency and performance. Globalization is now changing the formation of management in organizations in due regard to the dramatically increase in competition of the market, variety of distribution channels and new business opportunities. Moreover, technology makes the business activities faster and easier to access from anywhere and at any time. (Hopper, 2007)

Two main recent trends of inter-organizational relationship are known as closer business relationship and outsourcing. Organizational relationship between buyers and sellers has been shifted the focus on long-term approach. Numbers of contractual projects between buyers and sellers have been created in order to develop common understanding of specification and quality of products along with enhancement on good relationship and team spirit atmosphere. It is noticeable that the new management tools encourage the relationship between buyers and sellers for example CRM (customer relationship management), KAM (key account management) and supply chain models. The other trend is outsourcing to decline cost of inefficient functions and focus on the profitable activities. (Hopper, 2007)

4.2 Management system used in IKEA

4.2.1 IKEA general information

IKEA is established in 1943 by Ingvar Kamprad from small business selling matches, watches, pens, jewellery etc., at lower prices. Until now, IKEA has continuously developed its business in various aspects for example designing flat-packed furniture, initiating new products, complementing services in the stores and adopting environmental policy. All processes are developed under the concept of low-priced products without compromising the quality. (www.ikea.com)

The accomplishment of IKEA, a home furnishing products provider, is obviously seen from fact and figures of the IKEA Group. In the fiscal year 2009, IKEA created sales 21.5 billion

euros from 267 stores in 25 countries and it worked with approximately 123,000 co-workers in various functions. In addition, IKEA deals with around 1,220 suppliers in 55 countries and also involves the production, prices, quality and social effects of those suppliers. The growth of IKEA is created by its own performance, not depended on investment in stock market. (www.ikea.com)

One of the remarkable characteristics of IKEA is a way of improvement, turning to basic and making it simple. It comes up with solutions by using a traditional way and centralized system with the consideration of customers' needs and the company's goal. For instance, in 2003, IKEA held the meeting with 52 stakeholders including suppliers, customers and line staff from many countries to discuss about the existing system, the new requirement and an implementation plan. The meeting led to the company's improvement with stakeholders' satisfaction. (Weisbord, 2004)

According to the above reasons, we found that IKEA makes its operation simple ultimately concerning the main concept of the company. The success and its characteristics inspired us to study in IKEA rather than other companies. We believed that the selected success management tools in IKEA can be applied to develop Thai SMEs operations which are the main purpose of the thesis.

4.2.2 Management control system being used in IKEA

"The IKEA concept is based on offering a wide range of well designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them" (www.ikea.com)

Management control system of IKEA is applied corresponding to IKEA concept. Many management tools are implemented to develop the operation and performance of the company. We presented some management tools used by IKEA as following. (Andersson, 2006)

- IKEA pays attention to all activities along the process from supplier cooperation to customer value creation; on the other word, it manages the supply chain. Because of different location of suppliers, warehouses and stores, IKEA of Sweden (IOS) is

developed to control the operation between different units in the network from suppliers' supplier to end customers.

- One dominant approach to save transportation cost is flat package which decrease the space of carrying products during transportation and also reduce delivery cost. The idea leads to the change in design phase to develop easily-assembled products and minimize the size of packaging while keeping product functions.
- Swedwood is furniture manufacturer owned by IKEA and providing products to IKEA only. Besides of IKEA's suppliers, it performs as a knowledge center regarding production, purchase and sale activities.
- Bang project was generated in order to control price and cost of mugs. The management determined the target price and cost of the product. Then, IKEA creates product development through design, materials, suppliers and distribution to minimize the costs to the target as well as reserve the product quality.
- IWAY, code of conduct of IKEA, is established to determine minimum requirements for environment and social working condition of suppliers. The standard is the guideline for consideration of purchasing products, materials and services. (www.ikea.com)

All management tools cannot be fit to Thai SMEs; thus, we focus on two management approaches namely target costing (Bang project) and supply chain management to apply to Thai SMEs for several reasons. Many SMEs tend to be limited their product prices because of market mechanism. Therefore, they cannot set high prices and turn to cost emphasis instead. We believe that the target costing approach will possible be guideline for Thai SMEs to control their cost. Moreover, supply chain management concerns all parties related in the whole chain. It encourages good relationship as well as enhances the effective operation both the SMEs and related parties in supply chain.

In this paper we draw our main area focus on two selected management tools as followings;

4.3 Target costing

Target cost has emerged by taking market price into account instead of just relying on information in the past. The general idea of the target cost considers competitive market

prices in the industry to be the basis of setting product cost and enables the company to reduce costs occurred in the early phase of product life cycle. The approach has become a main strategic tool in several organizations, such as the Boeing Company, Caterpillar and DaimlerChrysler, in order to increase competitive advantage in current fierce market. (Rhodes, 2006)

The concept of target cost management (TCM) originated from cost engineering and cost management. Recently, the concept has developed and extensively implemented in business control and management.

TCM seems as management advancement employing scientific principles and technologies to determine a cost target, analyze cost components and develop cost management. This method is applied through the life cycle cost starting at the development and design, production, sale and after-sale services so that the target cost is able to implement within product specification cost. TCM can be defined a management methodology and technology tool which encourage firms set a new product cost reasonably and accomplish the cost target through the development and design stages. (Tanaka, 1993)

Target cost concepts

Several researches illustrate that target costing approach is applicable particularly in the early phrase of product life cycle. According to the target costing concept of The Consortium for Advanced Manufacturing-International, it explains as follows:

"Target costing represents a set of management tools and methods designed to direct design and planning activities for new products, provide a basis for controlling subsequent operation phases, and ensure that products achieve given profitability targets throughout their life cycle."

The significant point describes that the target cost

- (1) arisen from estimated prices and required profits
- (2) adopted in the early stages of product life cycle. (Rhodes, 2006)

While some researchers argued that target costing can broaden its scope applying to the whole product life cycle for example Horvath (1993) shows this idea: target costing is just a part of the cost-management function for a product throughout its life cycle. (Rhodes, 2006)

Tanaka (1988, 1993) explained that target cost can be divided into two types consisting of the manufacture-related costs and the customer-related costs. The target cost in manufacture arises from the activities of planning, design, production and sales expenditure whereas the target costs related to customers include costs of operating, maintaining and disposal of products.

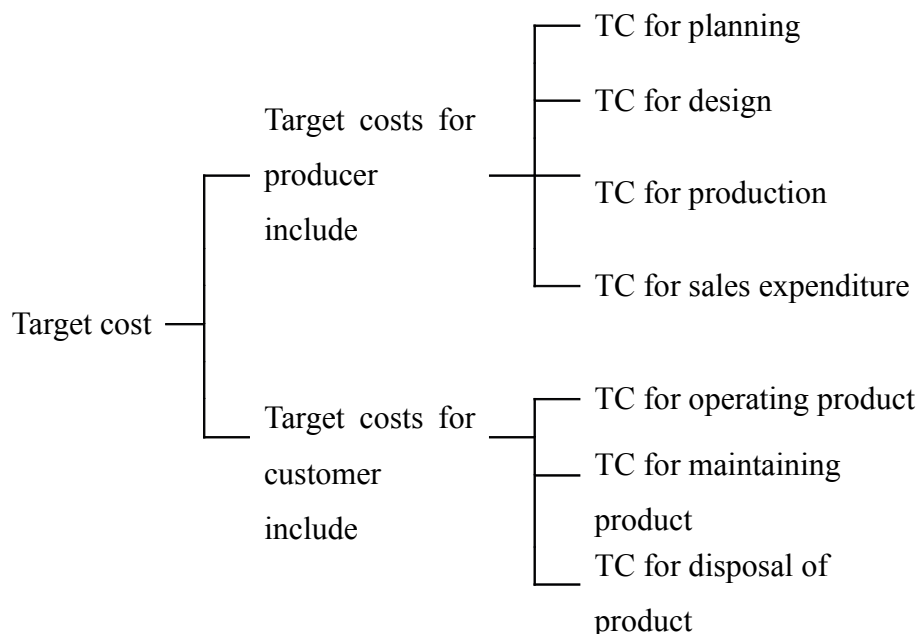


Figure 1: Different characteristics of target cost (Tanaka, 1993)

The producers usually emphasize on the manufacture target costs. However, both manufacturing and customer costs are expected to take into consideration in the future since the management broadens point of view over product life cycle to gain competitiveness in the market. The target cost setting of each companies differ in practical actions depending on the difficult to accomplish and firm's experience.

Target cost can be used in various levels such as departments or activities to be the motivational factors as well as the cost controls in regard to cost objects. This tool can

support the process of cost reduction in terms of determining the goal where the firms are direct to. The specific target is more useful in operating action plan; on the contrary, overall target offers a room for flexible implementation to reach the target. (Tanaka, 1993)

After we understand various types of the target cost exist in many stages, we will consider the establishment of a target product cost.

The setting of the target costs

Tanaka (1993) divided three basic methods describing the target cost setting. Firstly, the target cost is set based on the market or competitors' prices being a so-called 'subtraction method'. This method traces the prices in the market backwards to the target cost. The method enables the company to compete its rivals, but the target might be unpractical since it ignores the company's capacity and existing technology. On the contrast, the second method, 'addition method', uses company's history data and evaluates its existing technology to determine the target cost. The target result can usually be achieved due to the fact that it is extended from the company's operation and its subcontractors. The drawback of addition method shows the lack of market-oriented consideration which causes the company losing the potential in competition. As a result of the weaknesses of the two prior methods, the third method, 'integrated method', has been developed. It improves the leadership of management and becomes an important tool to guide activities in the company. Further, integrated method can be used to solve a number of difficult problems and achieve dealing with negotiation.

The expected target cost is desired to achieve by the top management; thus, the important characteristics of target cost should be attainable and motivate workers to put their ultimate effort to accomplish the expected cost. (Monden, 2000) In the behavioral meaning, the target cost setting is viewed an art much more a science because the companies need to adopt not only physical calculation, but also experimentation and experience in order to apply in their environment and situation properly. (Tanaka, 1993)

4.3.1 Target costing adopt by IKEA

IKEA’s corporate mantra is “Low price with meaning”. The firm proposes the ultimate objective to reduce the price as well as not to make customers feel cheap; on the other word, less expensive without compromising quality. IKEA establishes its own dominant way including tastefully, methodically, cheerfully and differently than any other competitors. The firm considers at the beginning of the process starting with design process to distribution to end customers. Because IKEA adopts a policy of target pricing, there are five steps from price target to distribute the final products to customers. (Margonelli, 2002)

- 1 Pick a price; IKEA prioritizes the product sale price as the target determined by product developers.
- 2 Choose a manufacturer; IKEA seeks a manufacturer which is able to offer the prospect product with acceptable cost.
- 3 Design the product; IKEA adopts internal competition to find a designer and select a design for production. The appearance and utility are only part of IKEA’s design ethos.
- 4 Ship it; IKEA pioneered the concept of flat package. IKEA products have been designed to ship disassembled. The flat package is also an excellent way to lower shipping costs by maximizing the use of space inside shipping containers.
- 5 Sell it; to keep prices low, IKEA needs to sell furniture without salespeople or conspicuous price reductions.

4.3.2 Bang project

A challenge project of IKEA, so-called ‘Bang’, involves target costing of a mug. This project is based on cost-chasing method by developing process in a particular condition. This project can be seen as an example of target costing. This idea originated from Kamprad, IKEA’s founder, to reduce its product prices. Kamprad noted that customers have to buy a mug at IKEA in a cheap price, from 10 SEK to be 5 SEK, without compromising of quality and good-looking shape. *Björnsson* cited that the price is the beginning point of design. He explained: “*a five-kronor products means that the government gets one krona, one goes to IKEA and the producers and carriers get three.*” The strategy gets high success showing in an increase of sales volume to 10 million mugs since the first year. (Andersson, 2006)

Björnsson reduces the cost by changing the order of Bang mugs 4-5 million a year with a three-year contract instead of 1-2 million a year with annual contract. This method enables IKEA to decrease the purchasing cost over 10% per piece. In addition, the company paid attention to the material, colour and form of the product. It decided to use particular colours including green, blue, yellow and white because of cheaper pigments. The product was redesigned by less tall and chaining handle in order to be easy to pack and use as least as area in transportation, warehouse and stores. Generally, IKEA well organizes in distribution and logistics to minimize relevant costs. Any packaging is collected and brought to recycle. Bang strategy reflects the main concept of IKEA by using cost-chasing method. This approach increase customer satisfaction as well as improve its operation more efficiently. (Andersson, 2006)

4.4 Supply-chain management

In the 1990s, supply chain management (SCM) emerged and played an important role in various industries including retailing, automotive and textiles. The increase in business relation and information technology has driven new organizational structures considering not only internal activities, but also external factors relating to organization's performance. Therefore, supply chain management is taken into account to obtain the balance and concern demand and supply in the whole value chain. Nowadays, SCM becomes widely used in several businesses for example aerospace, pharmaceutical, telecommunications and food companies. (Ivanov, 2010)

Definition of supply chain management

The supply chain is defined by Christopher (2005) that "the network of organizations that are involved through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services in the hands of the ultimate consumer". The supply chain management is established on the basis of co-operation and trust and recognizes the phrase 'the whole can be greater than the sum of its parts'. On the contrary, traditional definition is rarely referred to the organizational dependence in the chain.

Christopher (2005) explained that the trend of management idea emphasizes organizational strategies to establish superior value contributing to customers. The research of Michael Porter has a significant influence on the management and strategists in the concept of 'value chain'. The activities in value chain can be divided into two main parts.

- *primary activities*: inbound logistics, operations, outbound logistics, marketing and sales, and service
- *support activities*: infrastructure, human resource management, technology development and procurement.

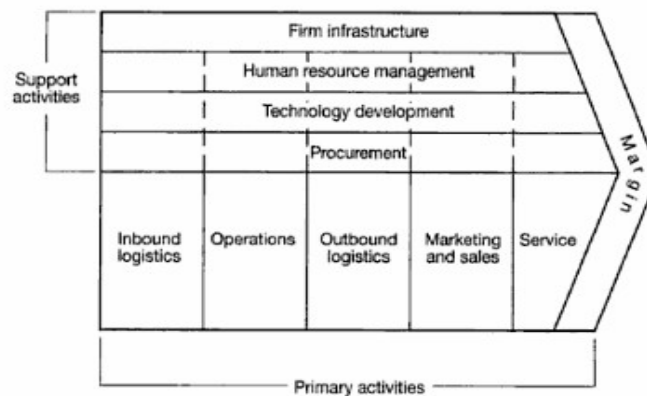


Figure 2: Value chain by Porter

The business activities, both primary and support, play an important role in supply chain success. The relationship should be considered starting from the supplier's suppliers through the customer's customers in the whole value chain. The value creation and customer satisfaction will lead to the increase in organization's profitability and competitive advantage. (Mentzer, 2001)

The coordination among the organizations is crucial to drive the whole supply chain reach the ultimate goal; thus, the dealings across functions and corporations should be investigated and taken into the management's consideration. Inter-functional coordination is performed based on trust, commitment, risk and dependence. In addition, the underlying activities which encourage inter-corporate coordination including functional shift within the supply chain, the role of third-party providers, relationship management among companies and a variety of supply chain structures. Moreover, the powerful of the global environment influence overall supply chain. (Mentzer, 2001)

Nowadays, information technology (IT) is adopted in every industry which change the way of business operation. The speed and flow of information can be faster and more efficient. In addition, IT enables the organizations to control their operation and information transfer across organizational boundaries. Since the enormous power of IT, the business should not ignore and gain advantage from it. (Normann, 1993)

Supply chain inter-organizational structures

Different companies and industries have different supply chain structure. Ivanov (2010) identified the key five components to examine organizations and their environment before structuring supply chain comprising of competition, supplied and replenished products, production, and export-import relations. Then, the organization collects data and analyses to establish a model of supply chain structure which differ from each organization.

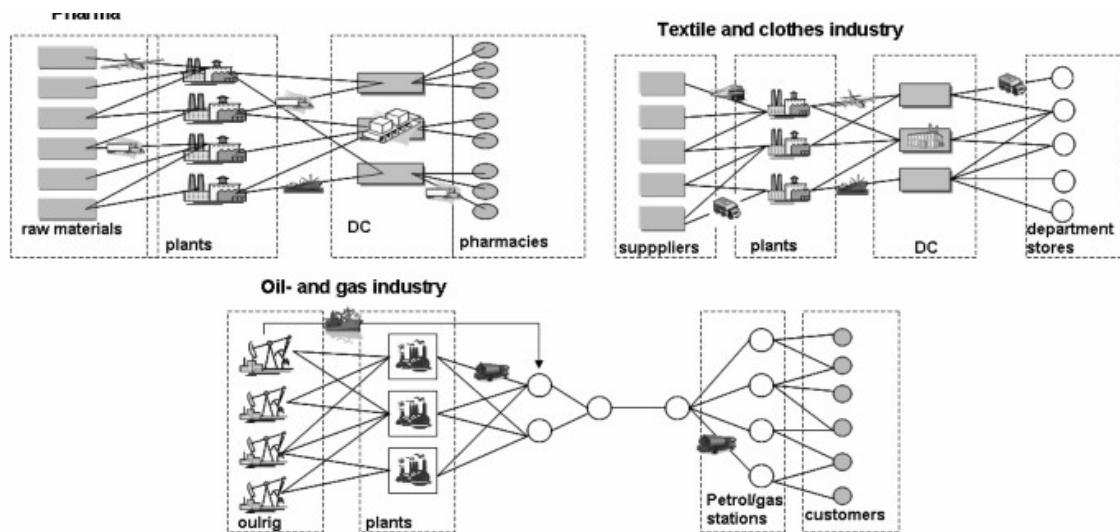


Figure 3: Examples of supply chain structures

Key success characteristics in supply chain

To be success supply chain organization, some characteristics should be distinguished. The **cooperation** between suppliers and customers in the form of long-term contracts is able to manage and control supplies and demands in the business. Various channels are created to

communicate information within and outside companies whereas the information **integration** such as e-mail, fax and ERP system has emerged to transform and share information rapidly. When many channels are systematically integrated in order to promote information interchange, this called **coordination**. The coordination among channels and enterprises leads to data sharing which benefit in several functions for example demand planning, inventory level and shipment control. In addition, the company makes **collaboration** with others such as joint business strategies, technological know-how sharing and process synchronization, to complement organizational functions and strengthen its core competency to be more efficient and effective performance. In practice, however, there are hardly enterprises accomplish the highest collaboration stage. Most organizations develop in the level of communication, integration and simple coordination while some organizations enhance supply chain activities in advanced coordination. (Ivanov, 2010)

What supply chain management theories advocate

Recently, the organizations get benefit from adopting supply chain management including stock minimization, lead time reduction, value addition, supply chain integration, system and professional activities. These underlying characters bring about the best practices employed by innovative organizations and they are general recognized and responded by practitioners along the whole supply chains. (Shinohara, 2006).

4.4.1 Supply chain adopted in IKEA

IKEA of Sweden (IOS), located in Älmhult, Sweden, plays an essential role in IKEA information network. It controls the range of activities for example design, purchasing strategy and product logistics. IOS is responsible for the major functions of the company including product line, purchasing, storage and retailing. However, the operation of IOS is based on the IKEA main concept to get lowest price with available quality. (Andersson, 2006)

IOS has an influence on the physical flow starting from suppliers or suppliers' supplier, through warehouses and department stores and finally to customers. The below model demonstrates the role of IOS in the network. The thick arrows show the physical flow while the broken lines with double arrows present the flow of information and influence. (Andersson, 2006)

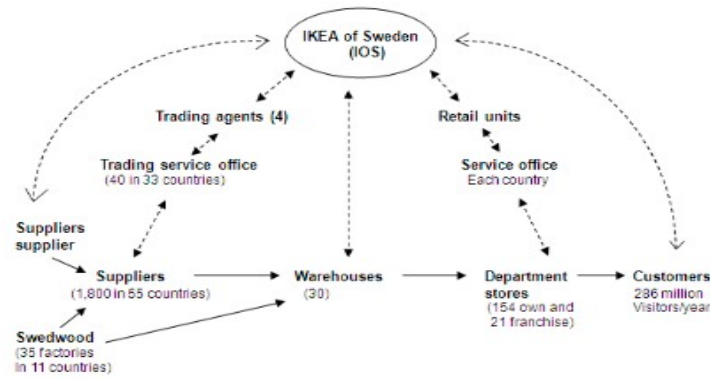


Figure 4: the relationship IKEA of Sweden (IOS) in the supply chain (Andersson, 2006)

IKEA Trading involves all trading activities occurred by IKEA. They coordinate jointly to suppliers in several countries around the world. Each trading office works with suppliers in its area. Their responsibility is to ensure that the suppliers have abilities to produce the products which meet the requirement of the company. Communication between IKEA and the suppliers becomes necessary to accomplish the ultimate goal together. (Henningsson, 2005)

Instead of simple storage function, IKEA distribution center have a duty to control logistic, consolidate and be a hub of product transit. They contribute to integrate demand and supply and also coordinate to stores to evaluate needs and reduce shortages. Furthermore, they organize to shorten lead times and decrease carrying cost. (Normann, 1993)

IKEA stores are responsible for selling their products to customers. (Henningsson, 2005)

4.4.2 IKEA techniques in supply chain management

One effective way to reduce logistical cost is to decline stock in the supply chain. IKEA adopts many techniques in its distribution system and Vendor Managed Inventory seems a dominate method being widely used in the chain. This technique allows suppliers get access to customer's stock information in order to take a responsibility in managing and replenishing inventory to maintain the inventory at the agreed levels. (Henningsson, 2005)

Because of over 1,800 suppliers in 55 countries throughout the world, IKEA works with its suppliers in a way of information sharing and bargaining so as to seek suppliers which are able to provide low cost as well as good quality. IKEA pays attention to the process of searching and evaluating possible suppliers to ensure that they can be fit in the puzzle of IKEA business system. (Normann, 1993)

IKEA establishes long-term relationship to its suppliers encouraging them to compete in global economy. In addition, both IKEA and its suppliers can take advantage from sharing technical assistance, lease contracts and suggestion to develop their products to reach world quality standards. IKEA, thus, works closely with its partners to improve their business infrastructure and production standards. For instance, a technical department of IKEA, so-called 'IKEA Engineering', serves its suppliers in a term of technical assistance. Another example shows Vienna-based business service department collects a database to foster suppliers seeking raw materials and new business partners. The example shows that IKEA concerns not only to its suppliers, but also supplier' suppliers. (Normann, 1993)

To keep the main concept of low cost, two key concepts are adopted by IKEA. The first is to gain components from dispersed sources. For example, a chair consists of back and seat made in Poland, the legs delivered from France and the screws to attach them together made in Spain. The second concept applies the idea of economies-of-scale; on the other word, IKEA purchases in high volumes. The combination of two main factors brings about the efficiency of ordering system, integrating process and logistic in the supply chain, which declines the inventory cost. (Normann, 1993)

The unique creativity of IKEA is flat package which is designed to save shipping cost. This idea needs the coordination from customers to assemble products by themselves because the furniture is packed unassembled. In this way, the package can be smaller which decrease labour, shipping and storage costs. The most important thing is IKEA can offer their product at low prices. (www.ikea.com)

Technology becomes an integral part of inventory process. The sales information is electronically transferred from cash registers at IKEA stores to the nearest warehouse to make orders. Meanwhile, the information is linked to the operational head office in Älmhult to review and analyze sales and logistic around the world (Normann, 1993)

5. Analysis and Discussion

In this session we analyze the findings from the case studies, identify areas of improvement and discuss on possibly alternatives we derive from the study on IKEA operation to enhance current process of the case studies.

5.1 Analysis of current process of the case study

The three case studies show the ideas of organizational practice of SMEs in various types of business reflecting the similarities and differences in many aspects. Based on our case studies, the common characteristic of Thai SMEs is being major controlled by the owners. Owner plays the role as a managing director, significantly involving in the whole process starting from procurement, production, sales and distribution. Therefore, competency and attitude of the owner has massive impact in directing the business. The next section will be the analysis of each case study;

Case study I: Phukiew OTOP, Nampruk group

Numpruk group is a small-sized local business. The current process is more of traditional without systematic process. The problem they face ranged from the stage of production planning to delivering final product to customers.

Analysis of costing system

Based on the current process, costing system does not exist. Originated from a small family-owned business, OTOP Nampruk was not motivated in entering the business into a big market. Before the promotion from the government, its products are sold and distributed to local market nearby. Therefore, the costing system has never been taken into consideration. As being promoted from the local government, OTOP Nampruk now urges to expand target customers to mass market and cost management has become center focus for OTOP Nampruk.

Analysis of Supply chain management

In this current process, the group self-operates the whole process from procuring direct material to delivering finished product to end customers.

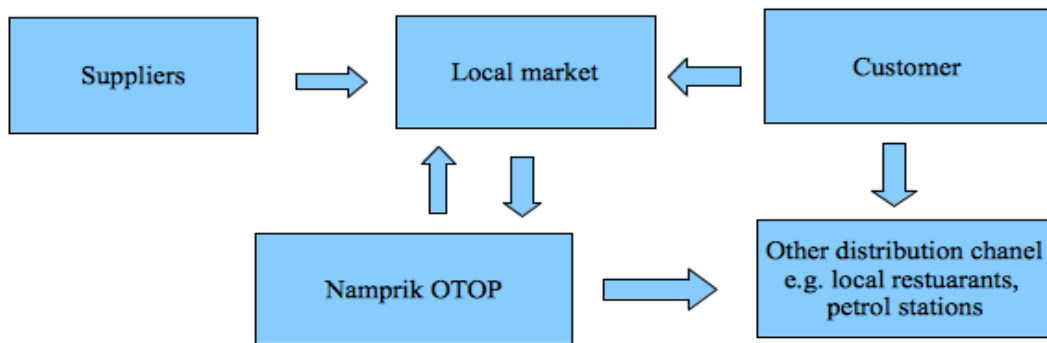


Figure 5: Current operation of Nampruk group

Figure 5 shows that the group is doing self- logistic in the current process and there is no touch point between OTOP Nampruk and customers. The group does not have relationships with its regular suppliers despite the fact that they are in the same sub-province and under the same Phukiew TOA where connections can be easily established. Distribution of final products to customers mainly through local market and nearby with no touch point between OTOP Nampruk and customers. OTOP Nampruk located nearby local market, hence, self-logistic is not that considerably cost consume. In addition, OTOP Nampruk can also take this location advantage of being in the city as a distribution channel at its very front workshop.

Case study II: Magic Machine Co., Ltd.

Analyze of costing system

The nature of the business provides made-to-ordered products; thus, the costs of each product vary from each requirement. Typical production and big order serve cost saving in comparing to complex production that required special raw materials and muddle productions. Being an intense price competitive market, Magic Machine tends to set the lowest price to compete with its rivals to win the projects. Since the owner solely holds decision-making on price setting using cost estimation from personal judgement and experience; thus, miscalculation possibly leads to underestimated pricing. This is the frequent situation found in Magic Machine.

The owner of Magic Machine plays the complete role in value creating activities from procurement to delivery final product to customer. Mainly focus on selling activities aiming to increase sales distracts the proper intention on costing. Prioritize on delivering finished products divert emphasize to production rather than cost controlling. The main raw materials are ordered from Chinese suppliers since the price is normally at 20% lower than domestic suppliers. However, in practical, numbers of obstacles arise in dealing with Chinese suppliers. For instance, in response to language barrier, Magic Machine contacts suppliers using agency services. This leads to other factors effecting product costs in dependence on the competence of the agency to negotiate prices from suppliers, as well as to add marginal cost from agent commission and fees. In some cases that required components of project work cannot be supplied from regular suppliers, Magic Machine has to seek for supplier without prior contact. Being a low volume and non regular customer in such the case, Magic Machine has less power in negotiating on prices with suppliers resulted in uncontrollable and unpredictable cost of production.

Analyzing of supply chain management

Because Magic Machine provide customized product; thus, it makes difficulty to the company to stock raw materials since different project requires different components and the demands is unable to pre-known. The company only stocks general components. Special material will be purchased at the point of project agreement – to best satisfy customer

demands. Since most of company's suppliers are in China, with the cultural differences in doing business, for instance, purchasing on cash basis and unreliable in scheduled time of delivery, are the main obstacles for the company to develop a long-term contact with suppliers. Plus, inconstant in purchasing quantity caused less negotiating power. For these reasons, supply-chain management is of difficulty in implementing to Magic Machine with its Chinese suppliers. However, Magic Machine is supplied from both domestic and international. The company will get supplied from Thai suppliers in cases, such as, delivering from Chinese order is delayed or the materials cannot be founded from China. The healthy relationship between a business and its suppliers should be set on the concept of win-win situation. Since Magic Machine cannot provide constant orders to Thai suppliers and it has uncertainty requirement depended on customers' needs, implementing relationship with suppliers is also considerably of difficulty.

Case study III: Su-Chart Co.

Analyze of costing system

Su-Chart Co. is a large retailer and whole-seller known as the cheapest local store with wide range of products in Samutsakorn. Positioning itself using low-cost strategic the company is striving to minimize cost. Being a merchandiser, prime cost is cost-of-goods-sold; thus, the company tries to save cost by purchasing on a cash basis and in big volume and to get discounts. The new entering of potential rivals are international giant hypermarkets; Makro, Tesco and BigC. Su-Chart Co. is now competing in a fierce market of price competition. Competitor prices set the ceiling prices for the company. Since the prices are set based on the product costs plus mark-up required profits, the prices do not reflect the total costs occurred from the operation for example labor cost, rent and delivery cost. Lack of proper concerns in costing, it is difficult to Su-Chart Co. to identify whether the prices are correctly calculated.

Recently, Su-Chart Co. escalates its order volume which leads to increasing in negotiating power to suppliers in respect to the growth of the company.

Analyze of supply chain management

Su-Chart store comprises of a lot of products; thus, coordination with suppliers is the main function to gain required products with acceptable prices in the right time. The company deals with domestic suppliers to avoid transportation costs. Being located in the heart of the city, the suppliers can deliver their products to the store, however, the company currently has few suppliers with direct contact in regard to lack of concerns in the benefits of supply-chain from the owner. Additionally, without proper record of product movement, the company faces stock shortage at times and the company cannot get instant respond to the dearth. Su-Chart Co. deals with suppliers through sale persons in favor of convenience. Being a family-owned business with all employees are family member, Su-Chart Co. views contacting with suppliers through sale person instead of directly contact to the manufacturers as assistance to the business because the sale persons will take care of the whole process from seeking for the right manufacturer to delivering products to the company's site.

One similarity illustrated by the three case studies is that the companies set its position at low-cost strategy and, at this time, urge to gain price competitive edge. In fierce market competition, ceiling price is limited by market price. The company is to positively respond to the constraints otherwise they cannot survive in the competition. However, we found proper costing does not exist in the current process of our selected companies. They usually focus on the physical costs, particularly on main raw materials. The costs have a tendency to reduce by negotiating to suppliers and purchase in big batches, so-call 'economies of scales'. While inapparent costs for example labor cost, rent and transportation costs are rarely considered by the owners. In addition to poor recording, transactions are not collected properly resulted in insufficient information to analyze the cost of products. We utilize target costing from IKEA to each case study and proposed our suggested targeted costing to gain responses and feedback on our ideas of suggestions.

Supply-chain management is an interesting concept but in attempt to implement in practical, we found that the companies face too many constraints. The major constraint derived from weak negotiating power to other related parties in regard to the size. Because the uncertainty of production and volume of sales in small businesses is high, the owners avoid committing long-term contract to suppliers and customers. We learnt from Magic Machine case, SMEs face to the difficulty in doing business with foreign companies. Besides from the extra

expenses from the imported materials, Magic Machine is charged for agency fees and have no direct access to negotiate with its suppliers. The case of OTOP Nampruk has demonstrated the situation where SME wants to expand its production to mass market but lack of knowledge and competence and supports from outsider, for instance, the government is compulsory.

In extend to limitations in resources financially and intellectually, we found that attitude and competence of the owners are important factors in directing the company since they hold full decision-making in the company. These are common weakness found in current operation of our selected companies.

5.2 To apply selected management tools to area of improvement

5.2.1 Applying target costing

“Bang Theory” from IKEA is an excellent model to refine costing system for the case studies. IKEA starts their production with research on competitors then set the competitive price and design the product and production to meet with the settings.

Nampruk group

Nampruk group can stick with its current selling price at 25 Thai Baht where current market prices are at 30-35 Thai Baht (5-10 Thai Baht or 17 - 29% less than market prices), and focus on cost control.

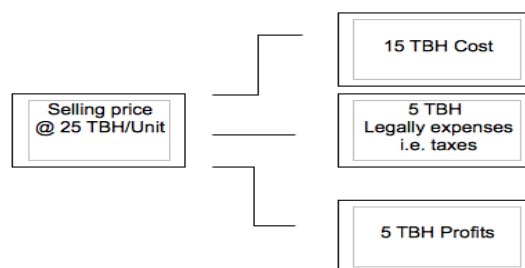


Figure 6: Suggested Target Costing for Nampruk group

Figure 6 shows target cost of production of Nampruk at 15 Thai Baht. Nampruk can manage its cost by establishing direct contact with its regular suppliers, as being under the same local government (Phukiew TAO) and with the will to promote the group. We believe this action can be possibly made. Since Nampruk currently procures from local market where the prices including markups, current production cost is at 17TBH (estimated based on the highest possible prices of raw material since prices of agricultural products may fluctuate seasonally), direct agreement will definitely cost less money spent from Nampruk group.

Feedback

We have had a very well response from Nampruk when introducing the target costing approach. Given that the group currently not operating systematically, target costing will help them from production planning to profit planning and control. Nampruk verified the possibility of target cost of production at 15TBH, since approximately cost are around that. But, the concern was on the quality of the materials. The quality of the product depends heavily on the quality of the raw materials which Nampruk believe that to handpick the materials directly from various suppliers will be the most proper way to procure inputs. We proposed the group to have pre-qualification and communicate with suppliers. However, in Thai business cultures, the reliable in meeting the contracts is in doubt. The feedback from local government, on the other hand, is of favorable. Phukiew TAO agreed that costing system should be instantly appointed in action.

Magic Machine Co., Ltd.

We focus on the project works as to being the main source of income of the company.

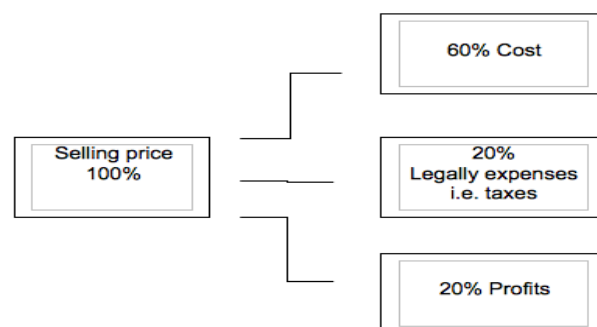


Figure 7: Suggested Target Costing for project work of Magic Machine Co., Ltd.

Figure 7 illustrates target cost for a project work of Magic Machine. Because of the low-cost strategy 5-10% lower than market price or competitor price should be the set as a target cost. Non profitable projects in which offer less than the target margins should not be taken. Nevertheless, many qualitative factors influence the acceptance of a new project for instance, reputation and future project opportunity which may drive the company to take some lower-than-expected margins offers. Since Magic Machine provides customized products which some project might require specific costing, however, this model, with the use of historical data, suggests the generalization.

Feedback

The concept of Target costing is a new idea for Magic Machine. The owner has shown interest in the concept but doubted on the possibility in cost controlling. Specifically to project work, estimation of cost is unattainable; thus, cost control is unworkable. And being a labor-based product, human errors occurred and that leads to unpredictable cost of production.

Su-Chart Co.

As being a large retail and wholesale business, So-Chart Co. emphasizes on sale volume rather than margin per unit. Furthermore, the high competition in the industry brings about the low price setting. The target costing model for Su-Chart Co. should be as follow.

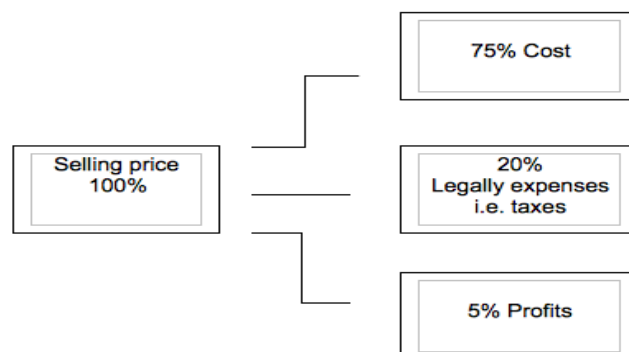


Figure 8: Suggested Target Costing for Su-Chart Co.

Estimated profits are low due to the low price setting. The 5% profits is the minimum requirement which can vary for different products.

Feedback

The owner appreciates the target costing method because the purpose of the company is to sell low-price product and the recommended approach make them concern the cost occurred. However, even though the purchase directly from the factory probably gain lower price, the owner chooses to contact via representative in order to gain the services which is worth compare to insignificant differences of prices. Moreover, the owner is going to find the location for a new store. He believes that he will obtain price discount because of economies of scales.

5.2.2 Applying supply chain management

We are convinced that supply-chain management plays dominant role in IKEA's excellent operation. Some distinct factors contribute to the success of IKEA supply-chain management are; 1.) substantial power over suppliers, 2.) successful establishment of IOS. Being able to control the whole value chain allows IKEA to be able to manage costing system as targeted and is capable of cost targeting. This concept of supply-chain management appeals to be of interest for all businesses since it will steer the process to its optimality. However, not all business can apply this concept into action regarding limitations and differences of one business to IKEA.

The feedbacks from our case studies when purposing the idea of supply-chain management are of critic. Significant concerns are paid on cost-benefit; SMEs believe that supply-chain management brings marginal cost rather than cost reductions. Particularly in Thailand, reliability of quality, quantity and time in delivering are infirm especially from a small-sized or medium-sized business partners. In such the cases, it is controversial that supply-chain management will help refining the process or invites more troublesome to the current operation. For SMEs, the ability to establish supply-chain management is inept. Nevertheless, considering the use of IOS in IKEA, supply-chain management for SMEs might be practicable with assistance from a macro-level, for instance, the government.

The case study of OTOP Nampruk demonstrates area of improvement in procurement. In existing process, Nampruk procures raw materials through local market. Despite the fact that the regular suppliers are under the same local government, Nampruk group has not established a relationship with its suppliers. Figure 5 shows the current process of Nampruk group in procuring materials through immediate and no touch point with customer. The current process of self-logistic in procuring and distributing final products through local market can be eliminated by the advantage of its location and in initiating contract with suppliers. Figure 9 shows suggested operation for Nampruk group.

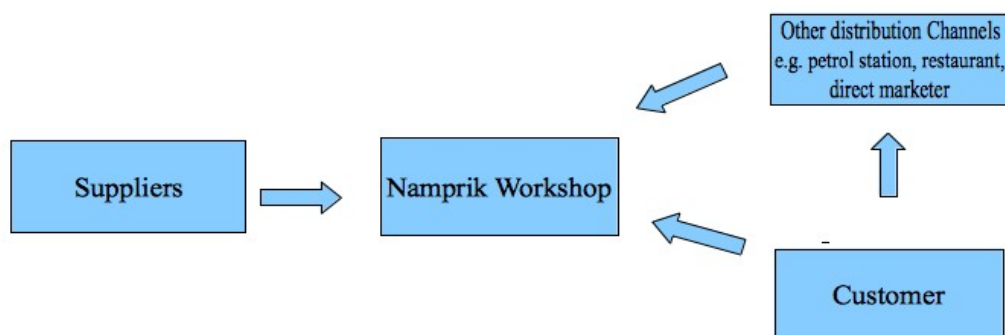


Figure 9: Suggested operation for Nampruk group

Feedback

Unlike other two cases, Nampruk has a full support from local government. In attempt to promote OTOP Nampruk from Phukiew TAO has allowed the possibility in applying the suggested idea of operation fundable. Yet, the group raised numbers of issue that might occur in using Supply-chain management. First, the quality of the product depends largely on quality of raw material. Procurement from local market allows opportunity to handpick materials of qualification. Second, without enough power over suppliers, the group concerns on the reliability of suppliers not to meet the contractual quality. Last but not least, the group claimed that procurement from local market offers more choices of suppliers and the group can choose the best among suppliers in both prices and quality.

Given the points of concerns from OTOP Nampruk, the controversial can be put into an end with enforcing and supporting policy from Phukiew local government to enhance a sound business environment for both the suppliers of Nampruk and Nampruk itself. In the Phukiew TAO front, the success in promoting supply-chain management for Nampruk group will not only benefit to Nampruk but to the whole economy of Phukiew province. This, too, can apply to the other two cases and to Thai SMEs in general. Being aware of the importance of SMEs, and the linkages between each SME in the big picture of the economy, the supports from government to encourage a healthy business setting is a key factor for the improvement of Thai SMEs.

Nevertheless, the findings from Su-Chart Co. can be viewed as an example of a SME with potentials to implement supply-chain management, but, rather prefer its existing process as to the favor of convenience. This has shown that the competence, attitude and awareness of the owner in management system are the key factors in running SME and administrating its direction.

6. Conclusion

Our case studies illustrated that management system has not been implemented properly for Thai SMEs. The crucial common weakness found in the operations is the lack of proper control in costing system. Being limited by resource both in financial capital and intellectual capital might be the obstacles for Thai SMEs to appoint a sound operation. However, the close-look into existing operation displayed area of improvement which management tools can be used to refine the current process. We have chosen IKEA as a model of good management practice and studied on its operation particularly on its target costing and supply-chain management. Being aware of the differences between the world's largest home-furnishing company, IKEA, and the Thai SMEs, successful operations of IKEA does not guarantee the success of implementation to Thai SMEs given the limitations of sizes, powers, resources, intellectual capital and financial capital. Despite that fact, we have found that the target costing as being used in IKEA can be strategically apply to Thai SMEs and can yield benefits of competitive edges. The nature of competition of The SMEs is intensively on pricing, entrepreneurs (those who do not set themselves using differentiation strategy) are now competing in price war. Market price is automatically taken as ceiling price for each company. In a company wants to gain its price competitive, a SME can start with identify their direct competitors and research on the market prices and competitor prices before set up the target cost (which should be lower than market price and/or competitor prices) which can yield acceptable and reasonable margins after deductions of necessary costs. In this study, we came up with cost models of our suggestions to each of the case study to validate our findings through the responses from each company. The responses to the target pricing idea are of favorable, the owners of Thai SMEs are convinced that cost management using target costing (adopted BANG theory from IKEA) can benefit their companies and this idea is regarded as a new concept for Thai SMEs. However, the questions are raised when it comes to the possibility of SMEs to control the target cost.

The success of targeting costing in IKEA owes substantial credits to its excellence in supply-chain management. Efficiency and effectiveness in supply-chain management allows IKEA to be able to control product cost completely. It is undeniable that key success in supply-chain management of IKEA results from the fact that IKEA plays the most powerful role in the supply-chain and have high power on its suppliers. In contrary to Thai SMEs who play

feeble parts in the supply-chain and, therefore, have less negotiating power over suppliers. Based upon the responses from the case studies, supply-chain management is viewed as of luxury and not applicable for Thai SMEs to adopt it practically considering cost-benefit. For that, the idea of supply-chain management for Thai SMEs is of difficulties in practical. Yet, the responses we received from government institution (Phukiew TAO) have shown interest in these techniques. Since, Phukiew TAO plays superior role in the Nampruk supply-chain, we can view Phukiew TAO plays the same role as IOS IKEA, therefore, Phukiew TAO can support Nampruk group in establishing relationship with its suppliers and support the whole supply-chain system for both ends to accomplish the ultimate goal of Phukiew OTOP in the big picture.

Developing countries like Thailand have urgent needs in the areas of management. Recent studies highlighted various common limitations of SME operations: lack of management capabilities, limited access to market information and promotional services by government agencies, shortage of working capital, inadequate skilled labor, and uncertainties in governmental support programs. In order to improve Thai SMEs, actions have to be made from macro-level. Thai government is now striving to improve the standards of SMEs and numbers of projects have been implemented to advance Thai SMEs. The Office of SMEs promotion has announced the SME Promotion Plan of 2007-2011 to enable SMEs to grow with continuity, strength, and sustainability in terms of knowledge and skills includes; a) product quality improvement; b) establishing business incubator centers in regional and local areas; c) trade fairs; d) setting up of exhibition centers for SME products throughout the country; e) improving logistics or distribution channels; f) creation of industrial clustering and networks. We view the existing obstacles for Thai SMEs in which prevent effective supply-chain management caused by low negotiating power of one's company and lack of sound relationships between a company and its suppliers. However, we believe that supply-chain management is a crucial success factor which, if taken into places properly, with supporting from government, will not only benefit one company but every company related in the whole supply-chain.

Concurrently, each SME can be viewed as a co-related actor supporting each other in the big picture of SMEs supply-chain, for example, one SME is a supplier to one SME, and that SME is to provide service for another SMEs. With this scenario, if SMEs cooperates and create supply-chain management, this is best believed to benefit all business partners in the

value chain to chair common goal at optimal operations. However, the thesis in regard to this stance has not been conducted at this moment. This allows opportunity for future research in board area related to supply chain management for SME, to management tools of big company in applying to SMEs operations the do's and the don's. We hope that this thesis can assist future researchers regarding this subject matter and we believe that the study in this area will make valuable contributions to developing country to encourage its economy system, for instance, Thailand.

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Appendixes

Samples of interview questions used in interviewing Nampruk OTOP, Magic Machine Co., Ltd and Su-Chart Co. (Interviews were originally conducted in Thai)

Questions about current operation and management tools used in Thai SMEs

We are students in Master Program of Accounting and Management Control, Lund University. These questions are part of master thesis studying on “Enhancement to current operations of SMEs in Thailand; use of target costing and supply chain management applied from IKEA”. Your information will be useful for our research. We would like to acknowledge that the set of questions will be performed in the interview.

1. Please introduce yourself and your responsibility in the company
2. Please give information about the company’s profile
 - Year of establishment:
 - Registered investment:
 - Address:
 - Objective:
 - No of employees:
3. What is the organizational structure of the company?
4. Please describe business nature of your company as following sub-topics
 - 4.1 Products
 - 4.2 Procurement
 - 4.3 Sales
 - 4.4 Transportation (from suppliers to the company and from the company to customers)
 - 4.5 Others
5. Please describe the industry and competition in the market recently and a trend in the future
6. Please describe the position of company in the market currently

7. Please give explanation of plan or future projects of the company
8. Please give ideas about the strength and weakness of the company
9. What is your strategy to compete to rivals? (For example low cost, differentiate product)

Price setting and cost control

10. What are the criterion used to set product prices?
11. Which method does the company use to control and manage cost?
12. How does the company estimate product cost?
13. What is the problem in price-setting process?
14. Do you know management tool "target costing"?

Relationship to suppliers

15. What is the relationship between the company and suppliers?
16. What is the strategy to negotiate to suppliers?
17. What is the problem to do business with suppliers?
18. Are you familiar with the concept of supply chain management?

Thank you for your coordinations.