



Thai Service Sector SMEs: Is Tacit Knowledge The Key Entrepreneur Success Characteristic?

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Abstract

The research this paper reports is a part of a wider project undertaken by economists from Auckland University of Technology in New Zealand in collaboration with business educators from The University of the Thai Chamber of Commerce in Bangkok, Thailand. The project's objectives include exploring the validity of models of SME/ entrepreneur success developed in industrialised jurisdictions in a differing cultural and economic development context, and to identify if possible, factors linked to entrepreneur success in the Thai economy following the macro shock of the so called "Asian Economic Crisis" of 1997. The empirical basis of the research is the development of a generalised difference equation to estimate an econometric production function extended to include entrepreneur characteristics and control variables. The data for the study reported in this paper comes from a service sector subset of responses from a survey of Thai SME entrepreneurs in October 2000 by graduate students of The University of the Thai Chamber of Commerce.

The principal innovation in the study is that the core production function variables are collected as percentage changes. This feature allows the model specification to include percentage change in sales as the response variable. The rationale for the innovation is to address two factors. First, a contemporary literature perspective that views entrepreneurship in terms of innovation that leads to growth, and secondly, to overcome non-response and data fouling problems in data collection in entrepreneur research. The explanatory variables in the model include entrepreneur characteristics, with percentage change to capital and labour inputs and a competitive conditions index as controls. Within the limitations of the data, the collection methods and the analytical techniques, there are two outcomes of interest. First, that a non-specialised econometric production function has relevance in the Thailand context,



one culturally and economically divergent from its origins. Second, that the only statistically significant feature amongst the model's entrepreneur characteristics is the length of ownership of the service business by the entrepreneur. A plausible explanation for this finding is that the entrepreneur's tacit knowledge is a crucial determinant of success in Thai service sector SMEs.