Challenges and Obstacles of Small and Medium Enterprises Under a Creative Economy: The Case of Thailand

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Abstract: Most Small and Medium Enterprises (SMEs) have acquired the status of being either creators or outsourcers, the latter referring to SMEs that are part of the production chain of large companies. Different roles in the production value chain lead to business strategies that vary for each type of creative industry. Those SMEs face many obstacles and challenges such as an inability to meet the needs of the consumer, reliance on large companies for the distribution or delivery of their products to the market (the humdrum factor); problems adapting existing products to suit the needs of some markets; overlooking the importance of Intellectual Property (IP) registration for creative products and not being able to obtain adequate sources of funding especially for those that do not have the necessary collateral. Therefore, the following strategies have been proposed in order to develop SMEs into becoming creative enterprises, namely; modifying the organizational structure; creating a business network; creating unique business strategies; focusing on public relations; market development by utilizing electronic commerce and by creating strong commitment within the organization. Business strategies that suit a creative economy are different for each type of organization; different for each organization's role in the production chain and as mentioned before, different for each type of creative industry. The challenge for an entrepreneur is to develop the organization towards becoming a creative enterprise that has been able to find a structure that is a perfect fit.

Keywords: Creative economy, small and medium enterprises, organization, industry, status, Thailand

INTRODUCTION

In the past, Thailand’s format of development emphasized economic growth with a dependence on affordable raw materials (a factor-driven economy) coupled with a reliance on private sector (an investment driven economy). However, the major economic crisis in 1997 resulted in a reduction in value of the Thai baht and a change from intensive domestic investment to innovative-led growth emphasizing the growth of new sectors related to innovation, invention, creativity and Research and Development (R&D).

The Thai government announced that it would promote a creative economy in its National Agenda by including it in the upcoming National Economic and Social Development Plan (2012-2016) which would target to elevate Thailand into a hub for creativity in the region and increase the economic value of creative industries. Private enterprise is seen as being main driving force to help Thailand achieve these goals. The private sector can be compared to the engine of a car whose primary role is to move the car from point A to B. Without the engine or if the engine malfunctions, it would be impossible for the car to reach its destination whilst a high-performance engine allows the car to reach its destination with minimal interruptions. Both Small and Medium Enterprises (SMEs) and large enterprises play a role in the creation of innovation.

Private enterprises are seen as the main creators and innovators because of their ability to attract the most skilled and talented employees. At the same time, they are also leaders in the commercialization of those creations and innovations; introducing them into the market, exporting those goods or services to other countries and furthering the private ownership of Intellectual Property (IP).

In practice, the private sector (especially SMEs) encounters supply and demand problems which can arise from the production structure, the supply chain, limited resources (a lack of skilled labor and capital), corporate

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strategy and a lack of marketing and entrepreneurial skills, especially in international markets. To be successful, businesses in the creative industry need not only creative and artistic skills in order to produce unique products but also strong business skills. Often, small businesses in the creative economy have the ability to produce inventive works and innovations but often lack the ability to commercialize them.

This study will analyze the role of private enterprises especially SMEs as drivers of the creative economy, it will include links to the challenges faced in its administration, innovation management and employment. Business strategies that are crucial in today’s world which will help to nurture creative enterprises will be provided.

In addition, by widening the understanding of the relevant issues and constraints, it will lead to the government bringing out policies that are geared towards supporting the removal of these constraints.

**SMEs AND THE ROLES FOR CREATIVE ECONOMY**

The process of innovation is important, especially in enhancing the competitiveness of the private sector for both small and large enterprises. Figure 1 shows that in order to survive under highly competitive market conditions, firms have adopted a strategic direction for their business. The strategy is to achieve sustainable competitiveness through innovation which is the driving force in value creation and also in generating profits for the firm. Profits arising from innovation can lead to the creation of an infrastructure within the organization that emphasizes the importance of R&D as well as building an infrastructure for technology such as human resource development and computer systems for use in manufacturing. In addition, innovations generated by businesses also have a positive impact in the form of spillovers to society.

A study by Schumpeter (1942) examined the roles of SMEs in a creative economy. It explained that a competitive market structure with many small firms competing against each other is beneficial to all parties because they can take advantage of innovation to the fullest.

However, one disadvantage is that small firms are not often able to generate enough profit to invest in R&D. In research conducted in 1942 Schumpeter concluded that large firms have the ability to be far more innovative than small firms because they generate more profits. They are therefore able to reinvest their profits into R&D whilst small firms simply sell the innovation products created by large companies into the market as retailers. Later, this concept was coined the hypothesis of Schumpeter or the Schumpeterian hypothesis (Symeonidis, 1996) based on the following two assumptions:

- Large firms will have more capability than small firms in creating innovative and intellectual products
- The organization that creates innovation will benefit from the innovation and the monopoly power it has acquired as a result

Other research studies such as Horowitz (1962), Hamberg (1964), Cohen et al. (1987) and Sutton (1998) also supported Schumpeter’s hypothesis stating that the development of IP will only be successful if the firm has made significant investments.

However, rapid changes in the business world today has led to a number of studies that reject Schumpeter’s hypothesis explaining that small firms may have more ability to be innovative than larger firms even though large firms still benefit more in terms of production levels and costs. But there is no evidence so far that supports the relationship between the number of products and the ability to create innovative products.

Therefore, the ability to create innovative products may not be determined by the size of the firm or financial capability but rather on other important factors such as whether or not the nature of the goods or services focuses on innovation or creativity. Creative products or goods in the creative industry do not necessarily require high investment costs in such areas as science-based technology. Creativity can be achieved by any individual, therefore products arising from that individual may have a chance to evolve from a small firm.

Secondly, it depends on whether or not that business is the first to enter the market. First movers often take advantage of their experience and learn to develop products to meet the needs of the market and acquire an understanding of the needs of the consumers. Therefore, first movers have the opportunity to be more innovative.
and to become innovative leaders than those who enter the market later. In the software industry, first movers can also act as the standard leader as once established, they can readily launch other ongoing products. Thirdly, it depends on how difficult it is to access the company’s technology. Easier access to technology will bring with it the benefit of an easier path to creating innovation regardless of the size of the firm especially in today’s world where access to information is easily available through the use of the Internet and open source tools.

Although, Schumpeter’s hypothesis states that large firms generally have the opportunity to create more innovative work when compared to small firms, this assumption may not be applicable to certain types of IP that focus on creativity rather than the use of advanced technology or significant investment capital. The background knowledge that is created might not require high costs in terms of R&D when compared to the high product knowledge base required in technology intensive industries or technology-based production such as the manufacturing of computers or drugs in large industries. Thus, SMEs can use creativity and creative products to create competitive advantage which in turn depends on the number of entrepreneurs in the SME sector. As the number increases so will the generation of ideas.

**ROLE OF SMEs IN THAILAND UNDER THE CREATIVE VALUE-CHAIN**

Private enterprises in Thailand play a key role in driving the country towards a creative economy. Their roles however vary according to each stage of the creative value chain, production patterns, the market size and the competition and in the level technology used in production. Understanding the strengths and weaknesses of each role in the creative industry value-chain is therefore very important, not only business sector to identify their strategies but also for Thai policymakers to implement effective policies. The stages of the creative value chain can be categorized into the following steps:

- The creation process is a starting point for creativity, design, ideas or imagination
- The production or re-production process is a step formed by the application of ideas and imagination, production, packaging and supporting services in a large production cycle
- The distribution process or marketing is a marketing strategy to create a process to deliver the goods or services produced by creative industries to consumers (Fig. 2)

![Fig. 2: Creative value chain (UNCTAD, 2008)](image)

Under the creation process, SMEs can play a role as the source of creativity. The role of creativity in this case does not rely on advanced technology as it can originate from one person or a group of people which in turn can lead to the brainstorming of additional knowledge into those products or services. Also, creativity in this study does not require high investment, since it is based on human endeavors and ideas. However, as described before as entrepreneurs focus on the creation they are likely to be lacking the ability to commercialize the creative product. Entrepreneurs facing this problem are usually from businesses focusing on the arts such as fine art, painting and drawing, fashion and architecture. In the production process, the role of SMEs are prominent as a mechanism for the access point in the innovative line of a large production cycle. Creative industries in this type of production tend to be capital intensive and/or skilled based. In this context, even though production can be carried out by the large firms, they may not choose to carry out all of the production activities themselves but instead outsource it to companies or small groups of people. For example in the film industry in Thailand, there are five big production houses: Sahamongkol Film (holding 44% of the market share), GTH (with 25% of the market share), RS Film (17%), Phranakorn Films (5%) and Five Star (2%). These large companies still rely on smaller companies in the pre-production process in areas such as screenwriting, costume preparation and equipment preparation and also in post-production in the areas of editing and music creation. In the music industry in which there are only two or three major record companies (two of the most well known being GMM media and RS Promotion) reliance on SMEs for songwriting, song compilation and other production activities has become a necessity. This also extends to any type of audio or musical instrument business as well as music schools. Table 1 shows that operators providing support for the music industry are often SMEs whose income ratio is far less than the large operators in the music and radio business. In the case of the Thai music industry, SMEs can be found in the areas of audio and musical instruments (comprising of 15% of total business value), business related to light and sound (6% of total business value) and music schools (1% of total business value).
Table 1: Values of business related to music (million baht)

<table>
<thead>
<tr>
<th>Music related businesses</th>
<th>Values</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Record labels</td>
<td>20,000</td>
<td>59</td>
</tr>
<tr>
<td>Radio business relating to music</td>
<td>6,3000</td>
<td>19</td>
</tr>
<tr>
<td>Audio and musical instruments</td>
<td>5,0000</td>
<td>15</td>
</tr>
<tr>
<td>Business related to light and sound</td>
<td>2,0000</td>
<td>6</td>
</tr>
<tr>
<td>Music schools</td>
<td>3000</td>
<td>1</td>
</tr>
</tbody>
</table>

Pholphrul (2011)

The primary reason for this is that large operators such as record labels or radio companies function as both converters and distributors of creative products and services to the market.

Table 1 shows as an example the music market which consists of composers that serve as the creator (composing songs) and music listeners who serve as consumers who are willing to pay for the songs. The process of delivering the song from the composer to the listener is known as the humdrum factor and consists of the artist recording the songs, CD production and distribution which generally requires a higher budget that most composers are not able to afford.

Figure 3 shows the barrier between the composer and the listener in the humdrum factor in that large record labels such as GMM Grammy and RS Promotion (or music listeners through the internet) play a central role in providing recording functions, artist selection, CD production and distribution. This in turn allows the work of the composer to reach the listener. The production structure of this type of creative economy is one in which there is a dependency on large operators in the distribution process (the humdrum factor), be it movies being shown in film theaters, goods that need to be displayed (such as paintings in a gallery) or concerts that require large stadiums.

One challenging issue for this type of a market structure is the humdrum factor itself in terms of how revenue sharing should be allocated. The majority of the revenue (approximately 60%) goes to a small group of large record labels whilst a large group of SMEs in the music industry in businesses related to lighting and sound and music schools, only receive a small share of the revenue.

Thus due to the high competition, SMEs as sponsors of the production or creative services will have no opportunity to develop a business strategy. The decision to hire will come from the manufacturer or a large company in the form of an intermediary.

It should be noted that SMEs in certain creative economies may not be the creators of innovation directly but may play a role inM delivering the creative works into the market for commercial purposes. The benefits from commercialization may be in the form of profits for the company, profits for the local community and growth of the overall economy.

Examples of this type of SMEs include cultural tourism, Thai medicine and Thai food. Here, SMEs have an important role but the challenges they face occur because they are dependent on products and services tied to a traditional wisdom and culture whilst not being able to create something new, the most they can hope to do is slightly improve or enhance the works.

Although, SMEs in this group may lack the necessity to be creative, their challenge is to integrate an effective marketing strategy so as to meet the demands of the market.

In analyzing the structure, it is quite evident that SMEs play an important role in the production value chain of creative industries. The strategy for developing SMEs would thereby depend on the role they play in the process of the value chain. The government can focus on assisting the creators of innovation in terms of marketing and finance as creators often face obstacles in creating new innovations.

For those SMEs that have a limited role in the creation process but focus on commercial purposes, the government can help by connecting the existing market to sources of knowledge and creativity by establishing links between universities and the private sector. Infrastructure development such as the internet in remote areas can reduce the cost of access to sources of creativity or facilitate connections between creative manufacturers and distributors.

In the case of sponsors if a business requires intensive capital and technology, it is imperative that strategies be designed to fairly allocate revenue between creators and manufacturers as production may be associated with various groups of people. Creative businesses such as the entertainment industry are involved with numerous legal contracts such as actors’
contracts, singers' contracts, contracts between investors and event organizers and contracts between movie makers. Each party may have different objectives within the various product characteristics that make it difficult for them to reach an agreement. This is evident in the relationship between the artist and the distributor where artists have a strong sense of being an artist and perceive music to be an art rather than a form of capitalism.

On the other hand, distributors or those involved in the Mundanum factor will focus on income or profits derived from sales of entertainment products to the consumer.

The distributors usually intend to create monetary gain rather than pay attention to the details of the work of art. This difference of opinion between creators and distributors leads to inconsistencies in the allocation of benefits that each party is entitled to receive. Creating a system of revenue sharing that is fair to the producers of creative work (individuals or small organizations) and distributors (large organizations) is the responsibility of the government. This is to ensure that the creative work will yield a fair and high enough incentive for creators to continue creating them. Table 2 shows the roles of Thai SMEs under each creative industry based on the

| Table 2: The role of SMEs in each creative industry |
|---------------------------------|----------------|----------------|----------------|----------------|
| Creative industry               | Creation | Production | Distribution | Remarks |
| Cultural heritage               |          |            |              |          |
| Crafts and handicrafts          | ✓        | ✓          |              | Crafts and crafts work focuses on producing goods based on traditional wisdom and knowledge. Small enterprises are the producers and distributors who distribute it through small sized retailer |
| Cultural tourism                | ✓        | ✓          |              | Cultural tourism is a service sector that focuses on improving the overall image and service of tourism management. For most small enterprises such as hotels or gift shops providing service is important |
| Traditional Thai medicine       | ✓        | ✓          |              | Traditional Thai medicine has existed since ancient times in the form of herbal medicine which can also be utilized as service (Thai massage). Therefore, small enterprises play an important role both as manufacturers and distributors |
| Thai food                       | ✓        | ✓          |              | Thai food combines the culture of Thais living in different regions. Small enterprises such as restaurants play a key role in promoting their knowledge of the different types of food production to offer consumers the variety they require |
| Arts                            |          |            |              |          |
| Performing arts                 | ✓        | ✓          |              | Performing arts include entertainment such as dance, concert, bands and theater which need to rely on small enterprises for various functions such as creativity, performance design and the production of clothes. Whilst the medium and large enterprises' responsibility is to deliver the entertainment to the audience |
| Visual arts                     | ✓        | ✓          |              | Paintings, print jobs, photography and sculpting are created by various groups of artists. Delivery to the market is carried out by private enterprises such as galleries or shops |
| Media                           |          |            |              |          |
| Printing and print media        | ✓        | ✓          |              | In publication, creativity occurs during the design and production process. Manufacturers and distributors are mostly medium-sized enterprises such as publishers and newspaper companies |
| Broadcasting                    | ✓        | ✓          |              | Television and radio broadcasts need to rely on small enterprises for creativity and support during production in areas such as scene design, lighting, clothing and selection of the actors. Medium and large enterprises (television and radio stations) deliver the broadcasts to the audience |
| Film and video                  | ✓        | ✓          |              | As with broadcasting, film production also relies on small enterprises for creativity and support during production in the areas of such scene design, lighting, clothing and selection of the actors. However, large enterprises (film companies) deliver the show to the audience. Although, in some cases production is also dependent on small enterprises |
| Music                           | ✓        | ✓          |              | Music production relies on small enterprises for creativity whilst large enterprises are responsible for the production (sound recording) and deliver the final product to the consumer. In some cases the download of music over the Internet is dependent on small enterprises |
| Functional creations            |          |            |              |          |
| Design                          | ✓        | ✓          | ✓            | Innovative designs in the areas of interior design and graphic design rely on SMEs as they play an integral role as creators, producers and also distributors |
| Fashion                         | ✓        | ✓          |              | In fashion, design, SMEs play an important role in creating, producing and distributing their apparel. However, large enterprises such as Dapper, Jaspal and BSG are usually more successful |
| Advertising                     | ✓        | ✓          |              | Advertising covers activities related to advertising through the print |
definition of Thailand’s creative industry classification. It can be shown that roles of SMEs under each creative industry vary according to its creative value chain. Some SMEs would rather be creators whilst some mainly focus on distribution processes.

**SMEs AND THE ROLE OF IP MANAGEMENT**

IP refers to intellectual creations which are manifested in any form or manner. Such creations may be abstract works which include skills, theories and methods of production or they can be concrete products which includes inventions and handicrafts. Both forms incorporate the values of knowledge, discovery and creative thinking. Under statute law, IP denotes a legal entitlement, breach of which allows the injured party to seek redress in the courts. A composer for instance can prohibit a non-permitted reproduction of his/her work. Endowed with similar legal rights, a recording company can also prevent the sale of pirated records and any copyright infringements.

IP rights therefore are a right to reap economic benefits from inventions, technologies, products and services based on a producer’s intellect and ability. Those benefits comprise of:

- Monetary benefits that might occur in form of profits gained on the sale of those products
- Benefits that arise from allowing others to use those rights

With a license, the transferees are able to produce, reproduce, adapt, copy and exhibit particular works or products to the public. The rights conferred are generally regarded as being exclusive to the proprietors. However, the right holders are protected by public and private legal rules and have the right to claim compensation to put an end to the proprietors’ actions (e.g., the sale of IP infringed products) or pursue public legal procedures. IP offences are punishable by fines and/or imprisonment. Nevertheless, the Thai business sector especially SMEs usually lack an understanding as to how IP could constitute a competitive advantage. SMEs are perceived to be losing their standing in the international trade platform as witnessed by the large number of Thai SMEs that are not applying for IP protection. It would seem that they are unaware of the intellectual value of their ideas or products.

Pholpharul and Bhutiasevi (2009) analyzed samples of in-depth interviews carried out in SMEs within the creative industry. The three industries analyzed were:

- Handicrafts and original products
- One Tambon One Product (OTOP) goods (sub-district community products)
- Furniture and home decoration

The study found that the majority of Thai SMEs do not see the importance of innovation or creation. The main reason given is that they operate and produce goods based on a made to order basis according to the customers’ requirements. Therefore, many Thai SMEs believe that there is little need for design or creativity even though the products may differ slightly. An analysis of the export market shows that SMEs in Thailand carry out production but rely on distributors in various countries to distribute the goods. In many countries, export products are labeled (branded) by the distributor rather than labeled with the Thai manufactures own brand. Although, SMEs have the ability to adapt to the customer’s needs, most of the changes they implement are minor because they still use old technology; this limits their ability to produce outside the production line in order to meet the diverse needs of the market. A large number of SMEs produce goods based on the design and drawings they receive from the customer or create designs based on the customers’ requirement.

However, products that are more challenging to create and require prototype parts may be beyond the capabilities of the SMEs. It was also found that the majority of businesses still do not see the importance of IP registration of their creative products. The main reasons being that business operators do not see their creation or invention as important or as a valuable IP that can be improved upon for commercial purposes.
In the future Thai SMEs will come to realize the importance of IP but at present they still chose to avoid it. Most of them view registration as a process whereby the production process has to be disclosed. As such, SMEs that do not wish to disclose details that they consider to be confidential, they will decide not to register.

Some business operators are not convinced of the effectiveness of IP protection in Thailand. They are of the opinion that even though their product has been patented, IP law has flaws that will not protect their product from counterfeits in the form of modifications on their patented products; presented in such a way that these modifications do not constitute a violation of the IP law.

Business operators especially SMEs that are startups or are expanding lack knowledge about IP laws and are informed about them by government agencies. Many operators have to employ legal counsel during the IP registration process which results in increased operating costs.

Many operators believe that the duration of the patent process takes too long as the staff from the Department of Intellectual Property must scrutinize the products before approval. They feel that by the time the approval has been granted the product may be outdated.

Even if they are granted approval and are allowed to register, some operators believe that there is nothing to be gained from product registration because that their products are complex and therefore difficult to counterfeit. Products that fall into this category are traditional handicrafts, passed on from generation to generation that would require a qualified craftsman to be trained in production which would require a long time to replicate.

In addition, some operators (as in the case of handicrafts and community-based production) view IP as the property of the community. The creator may choose to transfer the knowledge to the community and choose not to register for IP. Cases like this are common in Thai society which focuses on sharing thereby making many inventions a property of the community and not the property of the inventor.

This result is consistent with a World Bank survey which found that the private sector needs the government to assist them by creating indirect incentives such as tax reductions and providing technical assistance. Whilst a minority of the private sector (37.4%) believes that the creation of an infrastructure for IP protection is not an incentive for innovation in itself. However, the government needs to educate businesses on the importance of creating IP as well as maintaining the rights of the registration holder of IP. Businesses need to understand that the creation of IP will in fact raise their overall competitiveness too.

Similar to many developing countries, the IPR cycle here is not balanced in the case of Thailand. So far the country’s innovative system is strong in terms of innovation and IPR protection. The law has protected all kinds of innovation from activities involving high-tech and science-based technology to simple-idea based innovation. All patents, license, copyright and other innovative products are all included and protected by law. Thailand is however facing the challenges of its IPR commercialization and its enforcement. According to the survey in the study by Pholphirul and Bhatiasvei (2009), the main reasons being that business operators in Thailand do not see their creation or invention as important or as a valuable IP that can be improved upon for commercial purposes. If the innovation does not seem to be important in the opinion of business operators, they then do not even think of registering their IPR. Removing the innovation out of the registration process implies the lack of their enforcement power in case the IPR is copied or pirated. Copied and pirated activities are even easier for those creative goods in which marginal cost to reproduce the second copy is relatively low (such as software, movie DVD, etc).

In order to solve ineffective Intellectual Property Rights (IPR) incentives in Thailand, the government should ensure that IPR management under Thai creative industries is focused on four key aspects: IPR protection, innovation, commercialization and IPR enforcement (Fig. 4). Providing an effective IP cycle for Thai enterprises is very important in order to ensure that firms have the benefit of IPR protection laws that enhances innovation and allows them to effectively implement commercialization. If their IPR are violated, firms should have recourse to the courts for its enforcement.

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**Fig. 4: Four key aspects of an IPR system**
EMPLOYMENT AND HUMAN RESOURCES IN THE CREATIVE SECTOR

A shortage of skilled workers is a major problem for Thai SMEs. A study by the World Bank found that Thai entrepreneurs in the manufacturing sector are facing problems recruiting people and that employees tend to change jobs frequently (especially new employees). Another problem is a shortage of personnel in the private sector, currently many employees lack the basic skills and technical skills in the use of computers and technology. A small number of entrepreneurs (3.9%) were concerned that educational institutions are not producing adequate personnel to meet market requirements (Fig. 5).

Although, the survey found that required numbers of manufacturing personnel are relatively scarce in the manufacturing sector whether there is a lack of such personnel in the creative economy sector is not clear. This is due to the fact that the income of workers in the creative economy is higher than that of workers in other sectors.

Private enterprises in the creative industries help create diverse jobs. These jobs tend to receive higher wages than those in the service sector and the general manufacturing sector which are not directly related to the creative economy. A survey conducted by the National Statistical Office carried out at a number of establishments on workers and their compensation found that a majority of the workers in the creative industry are paid higher wages than the national average especially those in the advertising business. Jobs related to architecture, engineering and software pay up to 20,000-25,000 baht month⁻¹. In addition, workers in creative industry related enterprises are often likely to apply prior knowledge, combined with teamwork skills acquired and on the job training far more than other manufacturing industries which do not belong to the creative industry. The constant development of these skills creates opportunities to develop new skills and new knowledge (Table 3). However, the measurement of employment in the creative industries may contain errors that lead to the figures being underestimated.

Workers in this industry may work in other industries that are not directly related to the creative industry for example art teachers or dance teachers that work in the educational sector rather than in the creative industry as artists or dancers.

Workers in this industry may include creative and supporting creative workers. Manpower planning and allocation generally tends to focus on creative workers but supporting creative workers contribute significantly to the production of creative industries as well.

Some of the creative work is characteristic of voluntary research which does not show a return in the form of monthly wages such as those in the field of culture. The work may focus on aspects of fostering arts and culture rather than making it a profession. In some cases, ideas and production in this industry come from the joy of creating rather than doing it in terms of a job or profession. Whether it is manufacturing cultural products in the community, art production or the production of music, these manufacturers do not see the necessity of releasing these works into the market. This is a clear indication that workers in the creative industry do not only focus on production for commercial gain.

Most workers in the creative industry have >1 occupation because jobs in this industry are not stable compared to other manufacturing industries for example artists and singers who work on projects and therefore need a backup career or occupation in order to make a living.

In some cases, creative workers in a particular industry may not want to identify themselves as creative workers. Designers who work in the automotive industry or those designing electrical appliances would fall into this category.

Labor workers in the creative industry generally have a longer working life span when compared to others as there is no retirement age.

Production in the creative industries involves a wide range of skills and expertise which relies on modern technology and innovation. Therefore, the measurement of the exact number of workers and specifying exact labor needs is difficult because each type of labor require characteristics and skills that differ radically. Developing these workers with the skills of creativity and creative thinking alone may not be enough.
Table 3: Number of establishments, number of workers and compensation in Thailand’s creative industry

<table>
<thead>
<tr>
<th>Activity</th>
<th>No. of establishments</th>
<th>No. of workers</th>
<th>Compensation/per person/month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of businesses in the service sector</td>
<td>1,611,456</td>
<td>3,330,929</td>
<td>9,869</td>
</tr>
<tr>
<td>Hotels, camps and temporary accommodation</td>
<td>20,457</td>
<td>228,695</td>
<td>10,721</td>
</tr>
<tr>
<td>Restaurants, bars and cafeterias</td>
<td>232,926</td>
<td>526,388</td>
<td>6,946</td>
</tr>
<tr>
<td>Software consultants and outsourcing businesses</td>
<td>659</td>
<td>8,615</td>
<td>23,559</td>
</tr>
<tr>
<td>Architectural, engineering, etc</td>
<td>1,570</td>
<td>30,714</td>
<td>22,373</td>
</tr>
<tr>
<td>Advertising</td>
<td>6,034</td>
<td>22,985</td>
<td>24,648</td>
</tr>
<tr>
<td>Photography</td>
<td>6,995</td>
<td>7,401</td>
<td>7,945</td>
</tr>
<tr>
<td>Film and video distribution</td>
<td>381</td>
<td>5,454</td>
<td>20,079</td>
</tr>
<tr>
<td>Film screening</td>
<td>670</td>
<td>5,958</td>
<td>5,885</td>
</tr>
<tr>
<td>Radio and television</td>
<td>866</td>
<td>14,946</td>
<td>22,975</td>
</tr>
</tbody>
</table>

Survey of trade and service businesses for the entire kingdom of Thailand (National Statistical Office in 2008)

They also need to focus on basic technical skills (computer skills), team working skills and management skills. The reasons mentioned before pose a challenge in determining appropriate strategies in the management of labor. Surveys on labor demand in the industrial sector conducted by the National Statistical Office should also look at the demand in the creative industry as well so that the government and educational institutions that produce graduates are able to meet the labor demands of the industry. In some countries surveys are conducted specifically on this group of workers.

In addition to analyzing the numbers, the quality level of labor (especially in the area of creativity) may in fact be more important than a shortage of workers alone. Assessments regarding creativity are difficult because creativity requires non-cognitive skills which are not easily measured compared to cognitive skills such as language, mathematics or science which have an assessment system that can be measured accurately. It is therefore difficult to identify the level of creativity amongst Thai workers.

However, a survey conducted by the World Bank found that 60% of businesses in the industrial sector believe that creativity is a skill that Thai workers lack, falling behind basic skills, general knowledge, language skills, technological skills and calculation skills. These results not only reflect the need for improvement in basic and other skills but also in the area of creativity. This is a problem that has serious implications for Thai entrepreneurs.

Therefore to ensure the quality of labor for private enterprises in the creative economy, it means hiring young talent who are ready to enter the work force. The availability of human resources is important in order for creative industries to consistently create new products for the market. However when analyzing in terms of volume, it can be seen that Thai SMEs are not so much experiencing a shortage of workers but rather facing problems of the quality of workers especially in creative skills. The Department of Skills Development under the Ministry of Labor and the Ministry of Education is the main agency responsible for developing workers skills. However from the employer’s point of view, the development programs created by the agency are clearly insufficient (Fig. 6).

Thailand’s human resource development in order to meet the labor needs of the creative economy must also follow the pace of development. The era of industrial economics required employees to be obedient and diligent but in a knowledge economy they must also be intellectual. Businesses will need employees who possess the following traits: initiative, creativity and passionate. Elevating workers to this level will be a challenging issue in the development of human resource in Thailand.

In terms of social inclusion and cultural diversity, it was found that since the production of creative work does not have a defined model, workers in this industry are given the space to voice their opinions which may differ from the view of the general public. This can lead to the establishment of a variety of new, small enterprises as well as strengthening and empowering communities, especially those that are highly multicultural.

**DISCUSSION**

The results show that SMEs play a different role in the production value chain of creative industries. Most
SMEs have the status of being either creators or outsourcers in the production cycle of large companies. The different roles in the production value chain lead to business strategies that vary depending on type of creative industry. In many instances production undertaken by SMEs cannot meet the real needs of the consumers and many consumers themselves do not know what they want. Businesses must use trial and error more than market research unlike large companies that focus more on market research. Therefore, production of goods or services from SMEs may not respond to the needs of the consumers resulting in minimal commercial benefit from their creativity or innovation.

In some creative industries SMEs need to rely on large companies for the distribution or delivery to the market (the humdrum factor) as in the case with literature, music and films. This reduces the bargaining power that small firms have in terms of income sharing. They are also often at a disadvantage for example they may only get paid when the movie is released.

Generally, Thai SMEs manufacture goods on a made to order basis based on the customer’s requirements. Therefore, businesses believe that they are not required to design or create their own craftwork even though some products are created differently. As businesses focus on production based on customers’ needs, it means that Thai SMEs need to heavily rely on distributors in each country. In many countries export products are labeled (branded) with the distributors name rather than the manufacture’s brand name.

Although, most SMEs have the ability to adapt the existing products to suit the needs of some markets, most of the changes are minor because the product is tied to the technology from which it was created thereby limiting the ability to create goods outside the scope of production. Although, a number of SMEs can produce parts based on customer’s drawings and designs, they are not able to produce advanced product designs for complex prototype parts.

In addition, many SMEs still do not see the importance of IP registration for creative products because they believe that the benefits gained from registration are not worth the financial input. Many entrepreneurs do not know which category of IP law they should register for and many believe that the process of registration is very complicated lengthy. Furthermore, it could cause the product to fall behind market changes. A good example of this would be a pattern or design that is marketable for only a short period of time or becomes outdated. In terms of employment, measuring labor and labor shortages tends to be difficult because of the following reasons:

- Surveys of the labor force in the creative industry often results in figures lower than is the case which makes it difficult to plan manpower needs. Workers in the creative industry also includes those who work outside the industry.
- Evaluating the level of creative knowledge or creative skills is not as systematic as evaluating basic skills such as language or mathematics. Therefore, it is difficult to estimate the needs and quality of the workers.
- More is demanded from Thai workers besides basic skills, diligence and loyalty. Organizations need labor that can use their initiative are creative and have a passion to drive the organization to a level of skill that cannot be created in educational institutions or through training.

Future surveys of labor demand should focus also on the status of employment and labor demands (in respect of both quality and quantity) that occurs in the creative industry.

SMEs often face the problems in finding sources of funding, especially those that do not have the necessary collateral. Financial institutions are reluctant lend money to SMEs that wish to invest in innovative businesses because it is not yet tried and tested therefore it would be difficult to assess its value. In addition, SMEs lack the necessary business skills, especially in marketing and financial management.

The strategies and recommendations that are proposed in the study have been thoroughly analyzed and have been suggested from various interviews conducted with several stakeholders, policy makers and business practitioners. How feasible will these proposed strategies be will depend on the level of cooperation between the government and the private sector. The willingness of the SMEs to adapt to these changes is also an important factor as change and the time period taken to adapt to the changes can be seen as the drawback to implementing these strategies successfully. As such, the following corporate strategies play an important role in the development of a creative enterprise:

**Modifying the organizational structure**: Thai enterprises should start by trying to change the structure of traditional business models which focuses on economies of scale using a few types of materials to a more diversified model which uses a wider variety of materials in their creative products. They should be more open to new ideas and be more creative. Diversified manufacturing would lead to new channels of distribution and diversified risks as well (Fig. 7).
Creating a business network: SMEs need to build a network outside the business sector by collaborating with educational institutions that can help them to think creatively. A Technology Licensing Office could be set up that acts as IP rights manager for the university and the private sector. In addition, a structure could be set up such as public private partnership in order to link research, creative thinking and business needs. By collaborating they can bring out each others’ strengths and advantages to reduce their individual limitations. This will lead to new products and services that are creative and different.

Creating unique business strategies: Whether it is utilizing the blue ocean strategy or finding the strengths of their organization, Thai enterprises must find a practical form for developing new products and services in order stay ahead of the competition. They should use their creativity to produce unique products that are difficult to replicate.

SMEs need to create ways of thinking outside the box and move away from lateral thinking such as looking at the benefits of products and services from >1 angle. For example, a pen may have more benefits than just being used for writing, books may have other uses besides reading and pillows may be more use than just a leverage to sleep. Thinking outside the box allows for creating multipurpose products such as a pen that can be used as a torch, a pillow that can be used as container or the production of books in electronic form. Looking from a perspective of corporate social responsibility, businesses should start looking for ways to create new business opportunities that benefit society and the environment for example using colors that are environment friendly. They should focus on creativity for the community, disadvantaged people, people with disabilities and children. Operating in this manner will allow the business to step from the blue ocean strategy into the green ocean strategy (which stresses friendliness to the environment) and from there into the white ocean strategy, the modern business strategy that focuses on social development and generating profits, a trend that is well recognized by today’s consumers.

Combining the arts, culture and history of each region is another way of utilizing spiritual values and beliefs in order to create value for the goods and services. For example, the old traditional market in Suphanburi province sells products that are linked to folk tales in Rayong province. In the past, entrepreneurs have not used the arts, culture and history to produce goods, they have only been used for tourism. Use of the arts and both cultural and historical knowledge for production and services have proven to be very successful in many countries.

Focus on public relations: As described before, businesses may not know what their customers want and at the same time customers themselves might not know what product or service they desire. Public relations remains an important and indispensable tool in the era of creative economy and is an important aspect of marketing strategy. Currently, public relations can be conducted inexpensively through the use of social networking sites. Moreover, SMEs can immediately use social networks like Facebook or Twitter as a marketing strategy as being part of a social network results in interactions between business operators and old as well as new customers in the market and enables the operators to keep up with market demand more effectively. Communication via the operators’ website alone may not be adequate in today’s highly competitive world in which companies need to maintain a constant online presence. A survey carried out on Facebook members showed that there has been an increase in the use of social networks as a marketing strategy in the creative industry as evidenced by the number of followers. On Facebook, the music industry has a following of 7%, personalities in the music industry 7%, television shows 3.4%, games or software 3.2%, sports
teams 4.4%, online 7.4% and restaurants 7.3%. These figures reflect the change in the use of social networks as a marketing tool which the creative industry need to tap into for real-time interaction with customers.

**Market development through electronic commerce (E-commerce):** SMEs that rely on large distributors to distribute products to the market can take advantage of E-commerce to reduce this dependency. E-commerce reduces the size of the production chain, reduces the role of the distributor and eliminates the intermediary as in the case with digital products such as music, movies, software and publications.

All of them can be transformed into digital format thereby reducing the cost of distributing goods and services, increasing the speed of delivery to consumers and ensuring that creative products will not become outdated.

However, a survey from the National Statistical Office shows that small enterprises in Thailand have not fully utilized computers reporting that in small enterprises that employ 1-15 workers only 18.1% use computers and only 9.2% use the internet. The fraction of computer use in the workplace increases with the number of employees from large establishments that employ >200 workers achieved a 90.2% use of computers and the internet.

In medium-sized enterprises with 51-200 people 92.6% use computers and the internet; 31-50 people: 83.6%, 26-30: 78.1%, 16-25: 69.3% and 1-15 people: 21.9%. The deployment of technology infrastructure such as broadband and 3G networks, covering all areas will play an important role in the development of marketing media through E-commerce.

**Creating passion and commitment within the organization:** Creating passion and commitment are two factors that are important for an organization to move towards becoming an innovative organization. Passion and commitment will lead to continuous efforts being made to come up with new products and also generate self-improvement. It will create a sense of belonging and motivation within the organization. However, the organization must also outline appropriate motivational arrangements such as monetary incentives and non-monetary incentives:

**Monetary incentives:** The efficiency-wage theorem states that employees with high wages will feel motivated to work efficiently because high wages turns into a high opportunity cost which the employees do not want to lose. Higher wages may not necessarily reduce the company's earnings either when labor productivity increases it will in turn lead to higher benefits to the business.

**Non-monetary incentives:** Several studies have found that monetary or external motivational factors that most corporate executives choose to use, may not be important factors in promoting creativity because it creates an environment in which people are motivated to work solely for money and not at something they love. Assigning work that has value, creating opportunities for professional growth, having good colleagues, providing justice at work and achieving a work-life balance are very important in order to create an environment for creativity to flourish.

Different levels of administration, complicated red-tape and working in an organization with too many rigid rules will negatively effect the employee's freedom to think. High administration costs, office politics and ineffective communication within the organization are reasons why a gap exists between the executives and employees and bring about obstacles to creativity within an organization.

A business strategy that suits the creative economy is different for each type of organization for each organization's production role in the production chain and for each type of creative industry. The challenges for entrepreneurs is to develop their organization towards a creative enterprise that is able to search for a structure that is a perfect fit. The development of an enterprise into a creative one is not only about reaping the benefits of profits but also in the creation of social returns from the use of non-physical inputs as an extension for value-added products and services.

**CONCLUSION**

The results of this study conclude that the government would act only as facilitators to determine the rules that facilitate investment in creativity, provide assistance in marketing and credit services and also in the development of education and training. On the other hand, the private sector would be a major player in turning creative economies into business opportunities, assisting with the development of the community and being a driver for economic development.

**REFERENCES**