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Factors Affecting Business Performance: An Empirical Study in Thailand

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ABSTRACT

The Thai garment industry is presently undergoing dramatic and tumultuous change due to a multitude of factors including economic recession, regulatory changes, labor issues and global competition. It is hoped that this study will shed some light and suggest some solutions as to how industry entrepreneurs and government officials can join hands to solve a quickly deteriorating problem. Quantitative and Qualitative Research methods were employed with Quantitative Research being conducted by questionnaire to a group of 178 senior executives from the Thai Garment Manufacturer's Association membership. Structural Equation Modeling analysis was utilized using Partial Least Square (PLS). Qualitative Research was conducted through the use of a survey given to 10 senior executives from firms within the Thai garments industry selected by Purposive Sampling. The results revealed that factors influencing business performance included higher customer response capacity in terms of customer wants and needs, cost and competitive advantages over other competitors. It is found that the empirical factors affecting the business outcome of Thai garments industry comprises the Firm's Characteristics which includes organizational leaders and teamwork. Additionally, other key factors include a Firm's Strategy which comprises product differentiation, R and D and brand building. The Firm's Environment also plays a role which includes international trade, business alliances and government policy. Thus, it is recommended that entrepreneurs must create brand awareness through R and D, focus on how to optimize their international trade and enhance their networking as well as their global alliances.

Key words: Performance, management innovation, Thai garments industry, strategy

INTRODUCTION

The textile industry in Thailand entails 3 sectors: Upstream consisting of fiber and synthetic fiber which is capital-intensive. This feeds the mid-stream sector consisting of spinning, weaving, dyeing and printing. Downstream industries include clothing and garment consumers in both the domestic and export markets which are labor intensive and tied to foreign exchange rates.

The structural system of the Thai textile industry consists of the upstream industry which includes natural and synthetic fibers; the middle stream industry which includes spinning, weaving, dyeing, printing and finishing industries and the downstream industry including garment and the ready-made apparel industries (Fig. 1). Integration of the garment industry supply chain starting with the upstream, through the middle stream and down through the downstream has resulted in production ability of garment and apparel industries to both

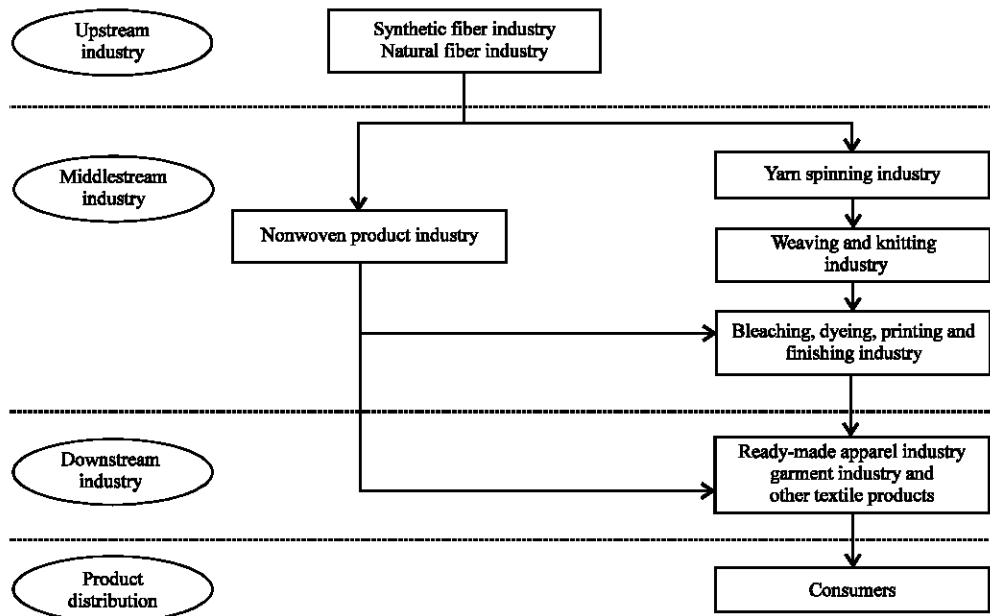


Fig. 1: Structure of Thai textile and garment industries. Source: Thailand Textile Institute

domestic and exporting consumers for Importing Foreign Exchange Transaction called Coordinate Supply Chain in technical term (Subramanian and Gopalakrishna, 2001) as shown in Fig. 1.

According to the data collected (Charoenloet, 2007) it was found that there have been 2,458 garment factories existing in all sectors while employing 810,850 people. This however is offset by the apparent, continuous and simultaneous decline of the Thai garment industry and its garment exports.

Also, a bottom was reached when gross sales of Thai garment exports plunged 12.39% in 2007 and again another 12.55% in 2009.

Also, a bottom was reached recently between the years 2007 and 2009 when gross sales of Thai garment exports plunged 12.39 and 12.55%, respectively. These declines in gross export sales within the garment industry has reduced the Thai competitive capability in the world market and been further hurt by increasingly intense competition from other exporting countries which have better advantageous in cheaper costs, raw materials and labor costs (Padol, 2010).

In addition, the study of Bonacich (1994) specified the problems faced by the Thai garment industry including higher labor costs when compared with Caribbean and Asia manufacturing zones. In Asia, countries such as Indonesia, China and India have seen a dramatic increase in the development of skilled labor. Given these highly competitive conditions, Thailand must shift into producing higher value added goods, specifically the linkage between upstream industries and the downstream industry (dyeing, printing and finishing).

Other factors and linkages between the Thai textile and garment industries contributing to their continued decline and weakness is that factories are inadequate and lack sophisticated machinery, as well as dyeing and printing capacities.

Many fabrics produced in Thailand are often exported in poor quality gray cloth (undyed fabric) form. Therefore, Thai garment factories, especially those manufacturing goods for export, have to import their raw materials fabrics for their plants. Other problems included higher import duty for machinery and dyestuffs.

In addition, the shortage of fashion material within Thailand and at factories contributes to the industry's inability to respond to a quickly changing fashion market. Additionally, high quality garment factories are very few. Furthermore, export trade with Japan is very limited due to the quality of the Thai textile suppliers. This can be easily seen from the fact that Japan only imports 2% from Thailand while importing 21% from the USA and 30% from the European Union.

Other problems contributing to Thailand's inability to compete internationally and add higher value is the increasing labor costs and the lack of skilled workers. In Thailand, research suggests that the total number of bachelor degree graduates, vocational education graduates and garment and textile technical college graduates is 250 people per year. As a result, Thai domestic labor cost increases accompanied with the strength of competitive countries in ASEAN with lower labor costs, accelerates the decline of the Thai garment export industry.

Presently, Asian countries which have become large global production sources are Bangladesh, China, India, Indonesia and Sri Lanka. The characteristics of these global players was that they are had very competitive labor, lower transportation costs, less raw material cost and lower labor costs (Choe *et al.*, 2011). Hence, the textile and garment industry has shifted their production base to countries with lower production costs.

Examples include Hong Kong entrepreneurs who shifted their production bases to mainland China and the two Belgian entrepreneurs, Sioen Industries and Pauwels International, who moved their manufacturing to Indonesia. Other world brand fashion factories have also decided to shift their production bases out of China to ASEAN countries and other developing countries due to rapidly higher production costs, specifically Italian brand fashion apparel. Most of these have moved their production bases to Turkey and Tunisia (US Commercial Service, 2012).

The objective of this research was to study the empirical relationships and influencing factors of firm strategy, firm environment and firm characteristics that influence the performance of the Thai garment industry (Fig. 2). Additionally, this figure study shows the research framework and the structural model of variables that influence the performance of the Thai garment industry.

The researcher believes that this study and analysis will benefit both companies and the Thai apparel market which are experiencing great competitive pressure from both domestic and foreign markets. It could also be useful to government officials and regulators in providing guidance and assistance in how to increase the competitiveness of the Thai apparel industry.

CONCEPTUAL DEVELOPMENT

Firm characteristic: For operation start up, each organization should have different firm elements and characteristics. Several elements include leadership, teamwork and organizational size.

McMahon, the financial expert, said that the growth of small sized and medium sized industries depended on financial performance development which consisted of the rate of sales growth, profit margins, gross sales, liquidity as well as organizational size (Rujithamrongkul, 2005). In addition, other research supports the idea that a firm's characteristics affect organizational success (Rujithamrongkul, 2005) Growth Strategy of Small and Medium Clothing Export Industry.

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For example Minai *et al.* (2011) discovered from their research that internal and external factors, a firm's characteristics and organizational cultures influenced organization competency. There was a significant impact of culture or culture-related elements on the relationship between internal and external factors and a firm's characteristics.

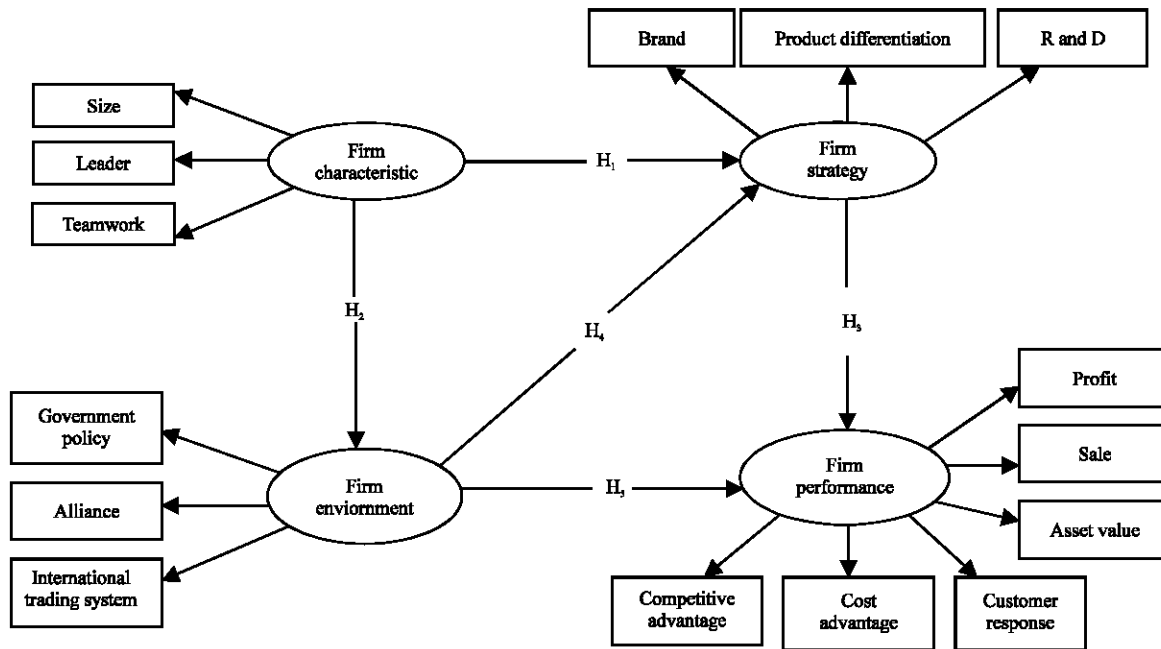


Fig. 2: Depicts the relationships affecting the performance of the Thai garment industry. The Firm Environment is influenced by government policy, its alliances and the international trading system. The Firm's Characteristics is influenced by its overall size, its leaders (executives) and the firm's ability for teamwork. The Firm's Strategy is affected by R and D, product differentiation and brand (product branding). The dependent variable is the Firm's Performance, components of which include competitive and cost advantages, customer response, asset values, sales and profits

The crucial element of a firm's characteristic was leadership, since the organizational leader was the maker of all corporate roles, directions and strategies affecting production innovation (Matzler *et al.*, 2008) and sales turnover increases the organizational success, profit and growth of the enterprises (Siriwoharn, 1997) so leadership brings success to the organization with attainable overall operations

Teamwork also contributes to the success of the organization and managers are required to use benefits wisely as a way to promote and protect employee well-being. It is thought that supporting the staff will affect their commitment to the company, thereby giving their best performance (Piriyakul, 2010) exceeding expected performance (Brown and Duguid, 1991; Harvey *et al.*, 2003; Bass, 1999; Boondawan and Piriyakul, 2010).

Specifically, labor-dependent or labor-intensive industries focus on firm teamwork by creating motivation, training and skills to increase a firm's teamwork (Minai *et al.*, 2011; Watchravesringkan *et al.*, 2010; Rael and Beatrice, 2012) and without these characteristics, operations suffer increasing hourly costs as well as unit cost (Keane and Te Velde, 2008). Then, transformational leadership influences organizational competency, attitudes, behavioral persuasion, inspiration, worker motivation and individual judgment (Chairit, 2007).

Moreover, there are different organizational structures depending on business category and size with determination of sub-units in accompany with duty and responsibility of each unit favorable for effective business operation (Martins and Terblanche, 2003; Blayse and Manley,

2004; Zazzali *et al.*, 2008). The allocation of duty and responsibility would make the information available for business to inclusively use as supplement for decision making rather than use of information from the owner alone.

Technological investment is an indicator of organizational size which aids organizational efficiency and growth. Companies having fewer employees and less staff but having modern technology innovation will increase production efficiency better and faster than companies with greater numbers of employees (Joshi and Singh, 2010; Istook, 2000). This affects business operation's sales, net profit, total assets, liability and shareholder's equity.

Firm strategy: In business operations, the organization is necessary to determine strategic direction and operational planning which will directly affect market orientation. Additionally, chief executive behavior and management characteristic of the organizational leader significantly affects training and business performance. Examples include increase in gross sales, success of goods and services, capital return, customer retention success and success at operating expenditure control (Subramanian and Gopalakrishna, 2001; Asiegbu *et al.*, 2012; Farrell, 2000).

Market position is directly affected by corporate training (Farrell, 2000) and the investment on research and development for continued operations (Chongsung, 1991; Odagiri, 1983) since research and development positively affected manufacturing productivity of labor-intensive industries.

The garment industry is a labor-intensive industry (Islam and Shazali, 2011) that affects the innovation of new product development processes. In order to create distinct images, branding and increase promoting capability of products (Moore and Fairhurst, 2003) product quality development is necessary if the organization wished to satisfy market needs (Chen and Cheng, 2007).

Creating a different image in the apparel and fashion industries is dependent on seasonal changes (Hopp, 2007). Zara, a global leader of fashion products, said that it was necessary for fashion products to have short delivery times with the shortest introduction time of new products between buyers and sellers (Chaudhry and Hodge, 2012). This represents the changing nature of the product which has changed over time (Watchravesringkan *et al.*, 2010).

Product differentiation can be found by adding value to the goods produced (Staritz, 2012) in the form of the presentation of various product styles which appeals to individual consumer tastes generating product recognition and desire (Binta *et al.*, 2010). Besides product development, an organization needs to be innovative in their operational methods which builds competitive advantage by using technology innovation such as e-commerce, causing the rapid delivery of goods meeting market requirements (Bae, 2005; Salam, 2005) which affects organizational growth (Odagiri, 1983).

In addition to a firm's brand uniqueness, the firm's strategy on brand creation has also been classified as one of the key strategies for product enrichment and added value. This leads to consumer quality recognition, brand style, durability and worthiness of money spent to purchase that product (Liljander *et al.*, 2009). Branding helps the consumer identify with the product and their characteristics and strengths (D'Astous and Saint-Louis, 2005). Moreover, if the a business can build a world-class brand, it would generate product acceptance at a world-class level and have distinct competitive advantages (Byoungho, 2004).

Firm environment: Factors influencing the labor-intensive textile industry are the necessity to maintain low labor costs in order to retain competitive advantages. If labor cost increases, the

ability to procure purchase orders for products from their clients or the loss of purchase orders due to higher client retail prices diminishes gross sales; leading to the eventual and inevitable loss of jobs due to loss of sales.

Government policy needs to support the textile industry for fear of the loss of both the manufacturing base and factory jobs when regulating minimum wage levels. Also, wholesalers stated that in order to maintain competitive advantage, they needed to keep their cost low meaning they could not afford higher costs from their manufactures (Ascloy *et al.*, 2003).

In addition, if Thai entrepreneurs were assisted by government direct and indirect support, especially small and medium sized enterprises (SMEs), this might help reduce the difficulties for the entrepreneurs. This could include financial aids, making small and medium enterprises easily accessible to sources of funds (Jhon, 2005) or investment tax aids (Chen and Cheng, 2007) educational and training assistance in both product quality and labor development and public utility assistance. These government policies and assistance would significantly help influence business operations (Mataraarachchi and Heenkenda, 2012; Rael and Beatrice, 2012).

In 2005, the global quota system was eliminated which necessitated Thailand start regulating its own domestic industry in order to compete with a more competitive, non-quota environment. The international community however has made many more agreements on Free Trade Area (FTA) amongst each other which include both the Euro area and the ASEAN Economics Community (AEC). Obviously each regional block creates different conditions and generates various regulations.

In the Euro area and USA markets, regulation requires the chemical composition of both fiber and apparel use and product origin for safety purposes. The governmental sector has provided support to the private sector in the form of bargaining on international trade agreements (Watchravesringkan *et al.*, 2010) or correcting and making regulations which favor industrial growth and promote business expansion in overseas markets (OSMEP, 2007).

In a study (Salam, 2005) it was suggested that business should combine their resources into business alliance throughout their supply chains, from upstream to downstream. In order to respond to consumer's needs and generate competitive advantages it is not essential for companies to be in competition with each other but instead form alliances to help support each other and create networks for business growth expansion which leads to increasing sales growth.

The combination of specific groups within the international garment industry include domestic and foreign export agents, retail and wholesale shops located in Thailand, sales units and agents located in foreign markets, retail and wholesale shops with internet commerce capabilities that have clear contract terms and conditions as well as the formation of networks with customers with relationships exceeding 10 years (Rujithamrongkul, 2005).

Rujithamrongkul (2005) Growth Strategy of Small and Medium Clothing Export Industry. Doctoral Thesis, Department of Philosophy Program in Business Administration, Ramkhamhang University, Thailand.

Besides that, an executive networking system or business alliance still supports business operations in order to decrease production costs, enhance production efficiency and create continuous innovation (Watchravesringkan *et al.*, 2010). Those businesses that reform and embrace these macro factors will be diverse from their competitors and continue their business success (Suttle and Media, 2012).

Conceptual framework: The review of the literature highlights the associated variables on the performance of the Thai garment industry. The main purpose of this study was to explain the

independent variable factor effects of a Firm's Environment, a Firm's Characteristics and Firm's Strategy as it affects the dependent variable factor of a Firm's Performance outcome in the Thai garment and textile industry (Fig. 2). Structure of the Thai textile and garment industry was presented in Fig. 1.

According to conceptual review and development mentioned above, the researcher has determined following research hypothesis:

- **Hypothesis 1 (H₁):** Firm characteristic influences firm strategy
- **Hypothesis 2 (H₂):** Firm characteristic influences firm environment
- **Hypothesis 3 (H₃):** Firm strategy influences firm performance
- **Hypothesis 4 (H₄):** Firm environment influences firm strategy
- **Hypothesis 5 (H₅):** Firm environment influences firm performance

MATERIALS AND METHODS

The methodology of this research is quantitative and qualitative research. The populations or units for analysis are 289 chief executives in Thai garment firms which belong to the Thai Garment Manufacturers Association. As well as 10 key high-level executives selected by purposive sampling.

Data collection: As part of the quantitative research, questionnaires were sent to a sample group of 289 chief executives of the Thai garment industry. Of the questionnaires sent, the researcher collected 178 respondents.

Questionnaires: Questionnaires have been made as measurement instruments in accordance with conceptual framework and practical definitions. The construction of the measurement instrument or questionnaire used a 5-Point Likert Scale. Scale examination utilized a measurement method of internal consistency by α -coefficient of Cronbach to calculate correlation coefficient with finding of α -coefficient between 0.678-0.910 which is considered as high reliability.

Scale

Dependent variables: Firm performance analysis used a measurement instrument or questionnaires utilizing a 5-Point Likert Scale (Likert,1970) and have been constructed with the scales developed enabling measurement of profit from business operations, sales, asset values, competitive capability, cost reduction capability and response capability (Mamat and Ismail, 2011; McFadzean *et al.*, 2005; Elfving, 2007; Nakcharoen, 1997; Rujithamrongkul, 2005; Pussadee, 1998; Jarernchai, 2009).

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Independent variables: Firm characteristics analysis used a measurement instrument or questionnaires utilizing a 5-Point Likert Scale (Likert, 1970) and have been constructed with three aspects of scales including organizational size (Ladda, 2012; Erdem and Erdem, 2011; Martins and Terblanche, 2003; Blayse and Manley, 2004; Zazzali *et al.*, 2008), organizational leadership (Siriwoharn, 1997; Chairit, 2007; Boondawan and Piriyaikul, 2010) and colleagues (Minai *et al.*, 2011; Watchravesringkan *et al.*, 2010; Rael and Beatrice, 2012; Keane and Te Velde, 2008) have been developed.

Firm strategy analysis used a measurement instrument or questionnaires utilizing a 5-Point Likert Scale (Likert, 1970) and have been developed with three aspects of scales including research and development (Moore and Fairhurst, 2003; Chongsung, 1991; Odagiri, 1983; Islam and Shazali, 2011; Chen and Cheng, 2007; Bae, 2005; Salam, 2005), differentiation (Watchravesringkan *et al.*, 2010; Staritz, 2012; Binta *et al.*, 2010) and brand (Liljander *et al.*, 2009; D'Astous and Saint-Louis, 2005; Byounggho, 2004) have been developed.

Firm environment analysis used a measurement instrument or questionnaires utilizing a 5-Point Likert Scale (Likert,1970) and have been developed with three aspects of scales including public policy (Ascloy *et al.*, 2003; Jhon, 2005; Chen and Cheng, 2007; Mataraarachchi and Heenkenda, 2012; Rael and Beatrice, 2012; Salam, 2005), business alliance (Rujithamrongkul, 2005; Watchravesringkan *et al.*, 2010) and international trade system (Watchravesringkan *et al.*, 2010; OSMEP, 2007) have been developed.

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RESULTS

The researcher has analyzed quantitative research by the Partial Least Square method and tested the hypotheses with PLS-Graph application (Chin, 2001) which were the analysis presenting structural modeling result related with the determinant of manifest variable and latent variable, then analyzed scale validity and reliability. The scale has been checked by using measurement method of internal consistency by α -coefficient of Cronbach to calculate the average of correlation coefficient with its finding of α -coefficient between 0.775-0.910 that has been considered as high reliability.

Structural modeling of this research is reflective type. The testing of convergent validity and discriminant validity must be conducted by scale with convergent validity. The judgment criteria are loading and the loading value should be positive number, indicator loading should be higher than 0.707 and statistics significance should be $|t| \geq 1.96$ for every value (Lauro and Vinzi, 2004; Henseler *et al.*, 2009; Piriyaikul, 2010). The following analysis result has been shown in Table 1.

Table 1: Statistic values presenting convergent validity of reflective scales of latent variables

Construct/item	Loading	t-stat
Firm characteristic: Firm characteristic		
Leader: Organizational leader	0.8969	49.0285
Teamwork: Teamwork	0.8925	35.3933
Firm strategy: Firm strategy		
Research: Research and development	0.7860	18.5247
Pro.diff: Product differentiation	0.8665	47.2061
Brand: Brand	0.7700	17.3479
Firm environment: Firm environment		
Gov.poli: Government policy	0.7822	19.0824
Alliance: Alliance	0.8587	41.9999
Intertad: International trade system	0.8866	51.3415
Firm performance: Firm performance		
cm_cp_w: Competitive capability	0.8795	45.4696
cm_ad_c: Cost reduction capability	0.7759	18.4652
cm_resp: Response capability	0.8871	50.4303

The firm characteristic factor includes leader and teamwork. Its finding was loading of 0.8969 and 0.8925 and significance level at 95% confidence (t-stat>1.96). Then, it has been considered that such factor has affected firm performance.

The firm strategy factor includes research and development and product differentiation and brand. Its finding was loading of 0.7860, 0.8665 and 0.7700, significance level at 95% confidence (t-stat>1.96). Then, it has been considered that such factor has affected firm performance.

The firm environment concludes government policy, alliance and international trading system. Its finding was loading of 0.7822, 0.8587 and 0.8866 and significance level at 95% confidence (t-stat>1.96). Then it has been considered that such factor has affected firm performance.

The discriminant validity has been tested on scale reliability including Composite Reliability (CR) which should not lower than 0.60, Average Variance Extract (AVE) should not lower than 0.50, R² should not lower than 0.20 and \sqrt{AVE} in interested column should have value higher than cross construct correlation in all values in the same column. These have represented that there was discriminant validity in each construct for scales (Lauro and Vinzi, 2004; Henseler *et al.*, 2009; Boondawan and Piriyaikul, 2010) and testing results of discriminant validity of this research was in accordance with all conditions as shown in Table 2. Therefore, the scales of this research have been the scales with discriminant validity and reliability.

The analysis result of the influence of empirical factors has affected business performance of the Thai Garment Industry as shown in Table 1.

Figure 3 shows the research framework and the structural model of variables that influence the performance of the Thai garment industry. Variables included Firm's Characteristics, Strategies and Environment influences on the Firm's Performance of 178 surveyed executives. The samples were analyzed to answer the research hypothesis criteria of the following five assumptions. (Table 3).

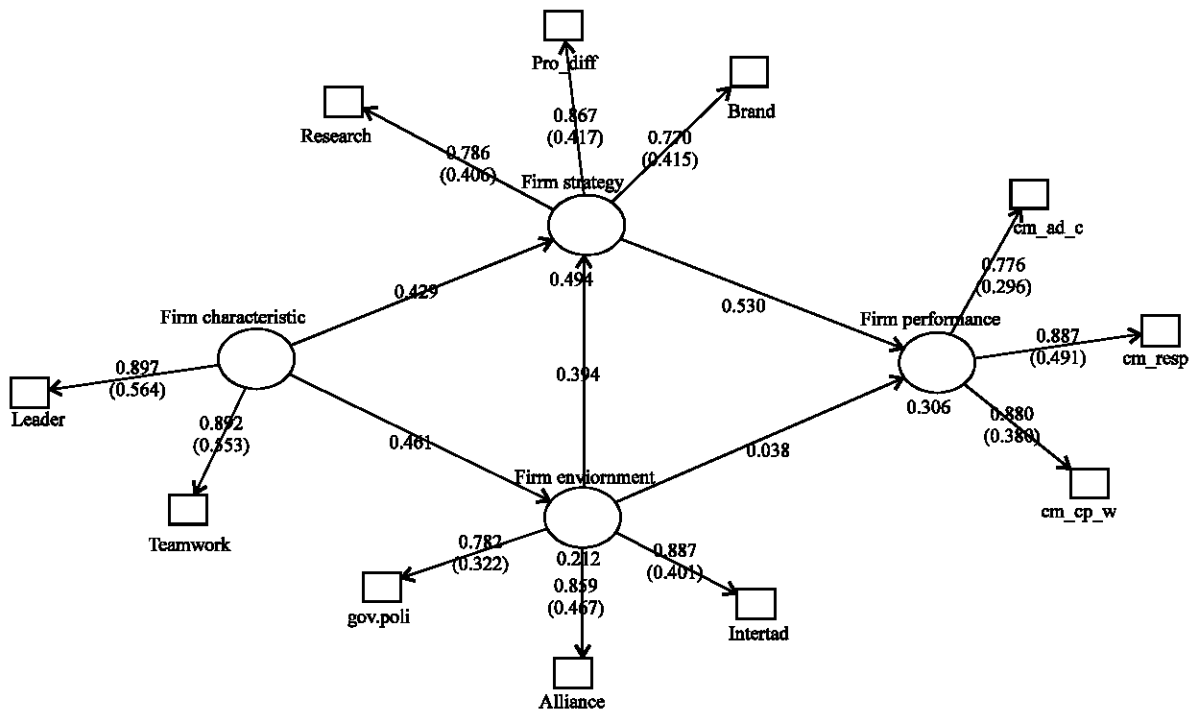


Fig. 3: Hypothesis conceptual framework-final model

Table 2: Results of confirmatory factor analysis (CFA) for measurement model

Construct	CR	R ²	Ave	Cross construct correlation			
				Firm characteristic	Firm strategy	Firm environment	Firm performance
Firm characteristic	0.889	0.000	0.800	0.894			
Firm strategy	0.850	0.494	0.654	0.610	0.809		
Firm environment	0.881	0.212	0.712	0.461	0.591	0.844	
Firm performance	0.885	0.306	0.721	0.441	0.552	0.351	0.849

Statistical significance level is at 0.05 and diagonal figures mean \sqrt{AVE} CR: Composite reliability, AVE: Average variance extracted R²: Square of the correlation

Table 3: Hypothesis testing result of hypothetical research

Hypothesis	Coef.	t-stat	Result
H1: Firm characteristic influences firm strategy	0.429	6.2195	Supportive
H2: Firm characteristic influences firm environment	0.461	6.7634	Supportive
H3: Firm strategy influences firm performance	0.530	7.3249	Supportive
H4: Firm environment influences firm strategy	0.394	5.4425	Supportive
H5: Firm environment influences firm performance	0.038	0.4734	Not supportive

Furthermore, the structural analysis model framework was used to research the t-test coefficients and their relationship of each path of the t-test hypothesis with significance greater than 1.96**. This explains the results obtained from analysis as shown in Table 1 and 2 as well as the test results presented in Table 3 below.

DISCUSSION

According to research of the empirical factors affecting business performance of the Thai garment industry, the following results are presented for discussion. Firm characteristics include leadership and teamwork. There are several theories related to leadership such as the Neo-Charismatic Theory, Transactional Leadership Theory and Transformational Leadership Theory. According to this research, firm leaders should be transformational leaders with a transformational leadership style since he would as the leader determine strategic vision, built inspiration and create organizational acceptance (Brown and Duguid, 1991; Harvey *et al.*, 2003; Bass, 1999; Boondawan and Piriyaikul, 2010).

Therefore, leadership vision determines teamwork and is the starting point for the reality of its implementation by the organizational teams. This was necessary for labor-intensive industries. Furthermore, teamwork characteristics should include skills and experience. A firm's executive leader responsibilities included counseling, support and motivating staffs to implement goals of the organization (Bass, 1999). Leaders should be open to different opinions and create and environment in which staff are motivated and happy working for the betterment of the organization. It is thought that supporting the staff will affect their commitment to the company, thereby giving their best performance. This contributes to better teamwork and the increase of productivity (Boondawan and Piriyaikul, 2010).

Firm strategy analysis factor was the orientation of business operations. According to this study, it was found that the factor of firm strategy affecting business performance of the Thai garment industry included differentiation, research and development and branding.

In addition, the business required product differentiation by building identity or image since differences would be the tool to reduce competitive pressure (Chuang, 2008). Differences would not

be only product differentiation but manufacturing differentiation was also considered as important (Chen and Cheng, 2007) because if businesses could develop quicker manufacturing processes, they could rapidly respond to buyers' needs, resulting in increased business since the garment business is a component of the overall fashion industry which requires very short production and life cycles.

Additionally, according to this research, there was also the research indicator findings of business performance including response capability on products and times. This was consistent with the research of Krissadaporn (2003).

He said that popular selling points applied by most businesses in each region included quality, product retail prices and the delivery times to customers' hands. But product and manufacturing differentiation made by businesses required research and development since it leads to innovation of product quality and contributes to product branding and gaining acceptance of the firm and its product by consumers, ultimately becoming brand creation.

If the business can create brand acceptance, then the buyers would be confident and willing to pay for their high-end products (Liljander *et al.*, 2009) making consumers comfortable with their product purchase decision, thus becoming a tool for adding product value (Implementation Plan to Support Individual Sector of Small and Medium Enterprises, Textile and Garment Industry Sector, the Office of Small and Medium Enterprises Promotion). Thus branding is a factor which generates competitive advantages (Byoungcho, 2004).

Firm environment analysis is a factor beyond the control of business organizations. According to this research result, it found that the firm environment factor affecting business performance of the Thai garment industry included government policy, business alliances and the international trade system which is consistent with the research of Rujithamrongkul (2005) on a firm's strategy for growth of the small and medium sized garment export industry.

Rujithamrongkul (2005) examined the impact of potential competition on Thailand's exporters and found that the key elements were: Risk management of foreign exchange rate, cost reduction, finding new markets and value-added product development.

Businesses should develop their strategic growth plans focused on profitability, competency and their capacity to compete in free trade markets. This includes manufacturing and selling conditions in a global economy, competition awareness in the markets, foreign exchange rates, government measures and local raw material consumption.

In addition, Asclay *et al.* (2003) has also added that it was necessary for entrepreneurs in the textile industry to compete by maintaining low labor cost. Therefore, if government policy specifies a higher minimum wage, it would affect textile business operations.

Moreover, governmental policies supporting business operations include financial support, foreign investment promotion policies (Keane and Te Velde, 2008), research and development policies, education and training as well as national public utility system development (Chen and Cheng, 2007).

For Thailand, this quota system has been eliminated but the Free Trade Area agreement is becoming a global measurement standard. It therefore falls on the shoulders of the Thai government to provide information and knowledge about the new trade systems for the private business sector and to also support international trade and bargaining agreements (Watchravesringkan *et al.*, 2010).

However, the reality is that the private business sector has had to rely on combining into business alliances, networks and clusters (Rujithamrongkul, 2005) for bargaining power generation, continuous innovation development and enhancement of production and operating efficiencies (Watchravesringkan *et al.*, 2010).

CONCLUSION

According to the study on Factors Affecting Business Performance: An Empirical Study in Thailand, it found that firm performance has greatly affected business operations of the Thai garment industry, such as firm strategy which is an intervening variable. Firms should differentiate their products by using research and development strategies until their brands become accepted by their customers and consumers. Firm characteristics include leaders who can build cooperation from teamwork since the Thai garment industry is a labor-intensive industry. The Firm environment does not have a direct influential factor but has an indirect influential factor through firm strategy consisting of government policy, business alliances and an international trade system. These factors have contributed to the firm's strategic changes resulting in an increase in firm performance leading them to achieving their goals.

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