

# **Factors Affecting Effectiveness of Cluster Business Management: A Case Study of Gift and Decorative Industry Club under Federation of Thai Industries**

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## **Abstract**

The purpose of this mixed methods research were (1) to study the effectiveness level of business cluster of Gift and Decorative Industry Club, The Federation of Thai Industries; (2) to examine external and internal factors, process and results of business cluster members; (3) to measure influences of external and internal factors and process; and (4) to propose business cluster management process of Gift and Decorative Industry Club that suits economic and social environment of Thailand. Qualitative data was collected by literature review from relevant documents and in- depth interviews of five executives of Gift and Decorative Industry Club and Lifestyle and Fashion Industry Cluster, while quantitative data was collected by 37 club members. The result found that effectiveness level of business cluster of Gift and Decorative Industry Club, the Federation of Thai Industries was at a low level. Most club members evaluated the effectiveness of cluster in each aspect, reduce cost, innovation, research and development and human resource development at low level and the marketing at medium level. Due to the low effectiveness of business clusters could not increase the competitive advantage. Moreover, the process factors of participation on strategic planning and implementing had influenced upon the effectiveness level of business cluster of Gift and Decorative Industry Club at 41.20%. The business cluster executives should promote the participative process of strategic planning and implementing for members.

**Keywords:** Effectiveness of Business Cluster, Gift and Decorative Industry Club, Federation of Thai Industries

## **Introduction**

A business cluster is a geographic concentration of interconnected businesses, suppliers, and associated institutions in a particular field. Clusters are considered to increase the productivity with which companies can compete, nationally and globally. Clusters are also very important aspects of strategic management (Wikipedia). The cluster concept has rapidly

attracted attention from government since it was proposed in 1990 by Michael E. Porter in book title "The Competitive Advantage of Nations" (Porter, 1998). The book was based on studies of ten nations and argues that a key to national wealth and advantage was the productivity of firms and workers collectively, and that the national and regional environment supports that productivity. Porter proposed the "diamond" framework, a mutually-reinforcing system of four factors that determine national advantage: factor conditions; demand conditions; related or supporting industries, and firm strategy, structure and rivalry. Information, incentives, and infrastructure were also key to that productivity (Porter, 2001). The Conceptual Business Cluster was implemented in many countries (Ceglie and Dini, 1990).

After economic crisis of Thailand in decade 1990, Thai government policy was implementing the cluster concept to increase national competitive advantage (Department of Industry Promotion, 2004). The development of business clusters in Thailand were participated by public and private organizations. The Federation of Thai Industries (FTI) was also participated this policy. FTI had 43 clubs and 10 clusters Gift and Decorative Industry Club was the interesting club due to national trade goods production. This club was member in The Lifestyle and Fashion Cluster which was established in 2012. As being university lecturers, doing research was the important duty for teaching and social servicing. In teaching aspect, this research was to study factors that affecting effectiveness of business cluster and to evaluate the level of attainment of business cluster concept implementation. In social servicing, the research findings will be useful knowledge to those involved business.

### **Methodology**

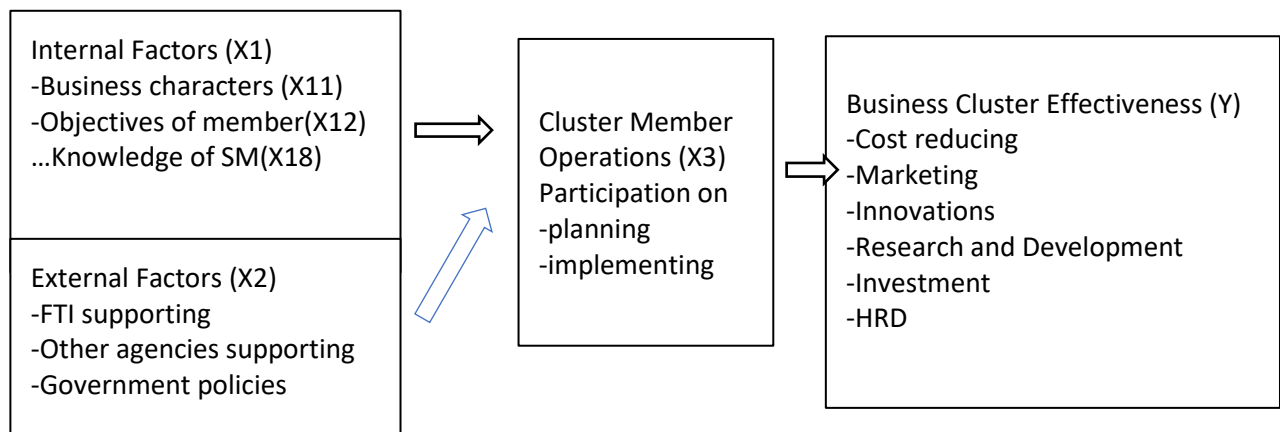
The purpose of this research were

- (1) To study the effectiveness level of business cluster of Gift and Decorative Industry Club, The Federation of Thai Industries;
- (2) To examine external and internal factors, process and results of business cluster members;
- (3) To measure influences of external and internal factors and process affecting effectiveness of business cluster; and
- (4) To propose business cluster management process of Gift and Decorative Industry Club that suits economic and social environment of Thailand.

Research conceptual framework integrated from literature review and shown as fig

1.

### Environmental Factors



**Picture 1 Research Conceptual Framework**

This research was a mixed method of qualitative and quantitative research. Qualitative data was collected by literature review from relevant documents and in- dept interviews of five executives of Gift and Decorative Industry Club and Lifestyle and Fashion Industry Cluster. Quantitative data was collected by 37 club members as the responded rate of 59.68% of the total. For qualitative data analysis, content analysis and Diamond Model were adopted in this study. For quantitative data analysis, statistical tools for quantitative data analysis were employed including mean, standard deviation and multiple regression.

### Results

Results derived from the research were showed that

1. The effectiveness level of business cluster of Gift and Decorative Industry Club, The Federation of Thai Industries.

The qualitative data assessed by the five executives of Gift and Decorative Industry club and Lifestyle and Fashion Cluster opinions were of moderate level, but the quantitative data from the club member opinions in mean of overall outputs were a low level (mean = 1.83). The effectiveness of marketing aspect was highest level (mean =2.86 ). So, the overall effectiveness of business cluster of Gift and Decorative Industry Club, FTI was at a low level.

2. The environmental factors and process factors of business cluster of Gift and Decorative Industry Club, The Federation of Thai Industries. Environmental factors was divided to internal and external factors. The qualitative internal data and external data from in-dept interviews were analyzed by six aspects of Diamond Model. They showed both strengths and weaknesses in each aspect. The quantitative data of internal factors were analyzed by mean and percentage as showed in Table 1.

Table 1

*Mean and Percentage of Internal Factors of Business Cluster of Gift and Decorative Industry Club, The Foundation of Thai Industries*

Internal Factors	Range (Million Baht)	Mean (Million Baht)
Business Characteristics		
Registered Capital (x11)	1 – 36	5.14
Domestic Sales (x12)	1 – 100	14.28
Foreign Sales (x13)	0 – 15	4.00
Membership Age (x14)	1-16	5.42
Committee Status (x15)	32.44% committee	64.84 non committee
Business Type (x16)	10.82% single	88.88 multiple
Purpose of joining club (x17)	37.84% networking	5 multi objective
Knowledge of SM (x18)	67.80% high	27.00 medium

The analytical data of external factors which included mean of supporting from FTI, relating agencies and government policies, were 2.34, 2.06 and 2.80. So, the overall results were at a low level.

The process factors assessed by the club member opinion in two parts, participation on strategy planning and in strategy implementing. The analytical data of overall participation process in strategic planning and strategic implementation of club members who respondents were at low level.

3. Influencing of external factors and process factor upon the effectiveness of business cluster were analyzed by Multiple Regression that show as table 2

Table 2

*Coefficients of Internal Factors of Business Cluster of Gift and Decorative Industry Club, The Foundation of Thai Industries*

		Coefficients <sup>a</sup>			t	Sig.
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	-.469	1.193		-.393	.698
	X <sub>11</sub>	.028	.042	.268	.655	.518
	X <sub>12</sub>	-.004	.016	-.109	-.273	.787
	X <sub>13</sub>	-.012	.302	-.007	-.039	.969
	X <sub>14</sub>	.032	.029	.174	1.112	.277
	X <sub>15</sub>	.241	.257	.151	.939	.357
	X <sub>16</sub>	.552	.288	.317	1.914	.067
	X <sub>17</sub>	-.436	.356	-.276	-1.226	.232
	X <sub>18</sub>	.107	.175	.131	.609	.548
	X <sub>2</sub>	-.061	.235	-.060	-.262	.795
	X <sub>3</sub>	.447	.121	.640	3.694	.001

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.642 <sup>a</sup>	.412	.394	.61546
2	.699 <sup>b</sup>	.489	.458	.58230

a. Predictors: (Constant), x<sub>3</sub>b. Predictors: (Constant), x<sub>3</sub>, x<sub>16</sub>**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.960	.247		3.890	.000
	x <sub>3</sub>	.448	.092	.642	4.877	.000
2	(Constant)	.185	.419		.441	.662
	x <sub>3</sub>	.421	.088	.604	4.804	.000
	x <sub>16</sub>	.488	.219	.280	2.232	.033

a. Dependent Variable: Y

From table 2, it showed that the participation of strategic implementation (x<sub>3</sub>) had influenced upon the effectiveness of business cluster of Gift and Decorative Industry Club at 41.20% (R = .412). Regression Equation model predicted  $Y = 0.960 + 0.448 x_3$ .

**Discussion**

The effectiveness level of business cluster of Gift and Decorative Industry Club, the Federation of Thai Industries was at a low level, it was consistent with the research finding of Netrapradit, Napawan and associated, (2014) in "The Effectiveness of Gift and Decorative Ceramic Manufacturer Group in Lampang Province". And it was consistent with the research finding of Wattanapankitti (2016) in "The Adaption to the AEC Free Trade of Ceramic Manufacturers in Lampang Province", which found the ceramic manufacturers had business cluster to networking and increasing productivity for international compete but the results were failed. Furthermore, this research finding was consistent with Suthiprabha (2012) in "Cluster to Enhance Business Competitiveness Advantage: a Case of Gem & Jewelry Cluster in Chanta Buri Province" which found that the success of cluster development of Gem & Jewelry businesses in Chanta Buri was not easy, even it was driven up but it had still lacked of networking and collaboration. The low effectiveness level of business cluster of Gift and Decorative Industry Club derived from the club member opinions, in quantitative data. Most club members evaluated the effectiveness of cluster in each aspect, reduce cost, innovation, research and development and human resource development at low level and the marketing at medium level. Due to the low effectiveness of business clusters could not increased the competitive advantage. It was consistent with Porter (1990), which said that business clusters were not autonomy occurred in geographic part of nations, but they were happened by relying on networking, connecting and effectiveness strategic management operating.

They were many factors affecting the effectiveness of business cluster of Gift and Decorative industry Club, the Foundation of Thai Industries. Based on qualitative data from the executives of industry club and business cluster that showed environment factors and participative process of strategic planning and implementing were influenced the effectiveness level of business cluster. This was consistent with Porter's Diamond Model (1998), the research finding of Kodchanan (2015) in "Foreign Experience of Cluster Development", and with Wutthikaro (2015), the former Permanent Secretary of Ministry of Industry, who said that business cluster was value chain management to increase the competitive advantage in three aspects, such as productivity, and creative entrepreneurs. Based on quantitative data analyzed by Multiple Regression, found that the process factors of participation on strategic planning and implementing and business type had influenced upon the effectiveness level of business cluster of Gift and Decorative Industry Club at 48.90%. It was consistent with the research finding of Netpradit, Napawan and associated (2014), which effectiveness level of ceramic cluster in Lampang was influenced upon the knowledge management, network management, production quality and marketing mix at 75.10%.

### Conclusion

The research finding that the effectiveness of Lifestyle and Fashion Cluster was at low level. Moreover based on regression model the result showed that the process factors of participative planning and implementing had influenced upon Effectiveness of business cluster 41.20% at the significant level  $\alpha 0.05$ . Although the Gift and Decorative Club was 1 of 7 Club in Lifestyle and Fashion Cluster but the executives of cluster should promote the participative management for increasing effectiveness of business cluster.

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