

# THE EFFECT OF THE VALUE CHAIN MANAGEMENT ON THE COMPETITIVE ADVANTAGE OF THE COMMUNITY ENTERPRISES PRODUCING THE SILK PRODUCTS FROM LOCAL WISDOM

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## ABSTRACT

*The research aimed to study the value chain management that affected the competitive advantage of the community enterprise, producing the silk products from local wisdom. The research samples were 200 registered enterprise groups in Buriram province. They were derived by specific random sampling. The research instrument was a questionnaire. Data were analyzed by using frequency, percentage, mean, and standard deviation. The research hypothesis was also tested by a multiple regression analysis. The research was found that procurement ( $\beta=0.272$ ,  $p<0.01$ ), outbound logistics ( $\beta=0.191$ ,  $p<0.01$ ), human resource management ( $\beta=0.186$ ,  $p<0.01$ ), the organization's infrastructure ( $\beta=0.172$ ,  $p<0.01$ ) and technological development ( $\beta=0.131$ ,  $p<0.01$ ) significantly affected a competitive advantage with a statistical level of 0.01. They could predict the results by 86.2 ( $AdjR^2=0.862$ ).*

**Keywords:** Value Chain Management, Competitive Advantage, Silk, Local Wisdom, Community Enterprises

## INTRODUCTION

Globalization plays an increasingly economic role in Thailand. The international trade becomes more institutionalized. The global organizations like WTO play increasingly roles in the world's economy. Consequently, many countries have to give more attention and priority to rules, regulations, and international trade deals. All these can have a profound impact on trade and products in Thailand. Furthermore, it is more likely that Thai products are bound to be controlled by these regulations in light of quality, cost, delivery and global standards. These rules are no choice for producers. Rather they are the path the traders have to follow. As a result, entrepreneurs have found it imperative to adjust themselves. They require speed-based competition in place of scale-based competition (Brzozowski, 2011). They also have to rely on the gaining asset network (Kiyosaki, 2010).

A competitive advantage is often used to explain the relations with the results under the marketing conditions at a time (Peteraf & Barney, 2003; 198. Haseeb et al., 2019; Somjai et al., 2020). Piercy, et al., (1998) found that the organizations that used the advantageous strategies in terms of cost and products were required to build a customer relationship as it could help in producing the commodities, make a sustainable value for customers and commodities (Magretta, 1998).

Porter (1985) described the concept of the value chain as the tool to create the competitive advantage based on the value of activities: primary and secondary or supportive activities. The primary activities were import of raw materials and equipment, products and operation, delivery

of goods to customers, marketing and sales, and customer services. The secondary activities were the infrastructure of the organization, human resource procurement, technological development and procurement processes.

Cloth weaving is an art and handicraft that has been passed from generation to generation since the ancient times. Patterns and designs on the cloth tell stories and accounts of the communities in the past, identities and cultures, beliefs, and backgrounds of people in the past (Japala et al., 2016). At present, the silk products become more fashionable among the consumers who are more interested in local wisdom and dress in Thai clothes (Werakun, 2019). Although weaving cloth is widely practiced in all parts of Thailand, the most popular and widely recognizable weaving art is found in the northeast of Thailand. The weaving art in this region comes in a wide variety of designs and patterns, being the sophisticated craft using complex methods and reflecting admirable wisdom and imagination of the people in the region (Montra, 2018).

However, there were the problems faced by the cloth weaving groups. There was no variety of designs for products, no development was made to modernize the products, there were no attractive products and they were at times in no direct response to the customers' demands, and there was no progressive marketing. Furthermore, there was no unique design for products or commodities (Werakun, 2019). The researchers of the present work wanted to study the value chain management that affected the competitive advantage of the community enterprise, producing the silk cloth from local wisdom. In addition, they aimed to develop the business potential for competition, to create added values and to strengthen communal economy to make communities stronger and more self-reliant.

## LITERARY REVIEW

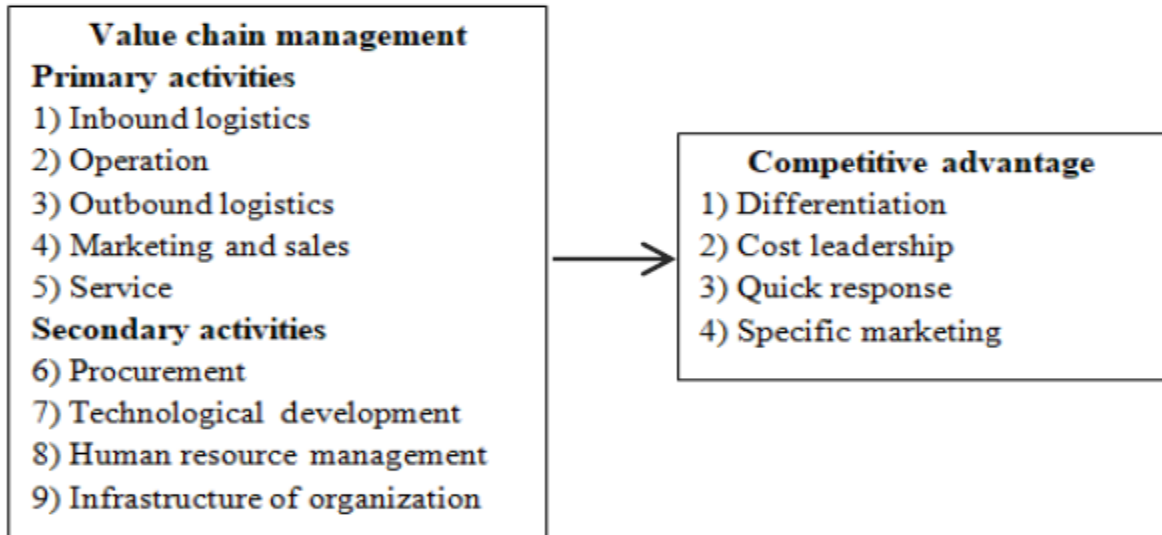
Porter (2008) proposed a model focused on the primary and secondary activities in the value chain, aiming to set up the competitive capacity. The primary stage comprised the following activities: inbound logistics, commodity production, delivery, and commodity distribution, outbound logistics and marketing. The secondary stage were composed of the following activities: purchasing and procuring, technological development, human resource management, and business infrastructure (Kanasaen, 2016). According to Miller & Dess (1996), an advantage was characterized by creation of difference, leadership in costs, quick response, and specific marketing.

Blanchard (2014) found that a competitive advantage could be made possible by means of differentiation, cost leadership, and quick response. The competitive advantage in terms of procurement cost, business cost, customers cost, commodity difference, service difference, personnel, images and specific groups. The findings described above were in line with the research results found by Agyapong, Ellis & Domeher (2016); Karami, Sahebalzamani & Sarabi (2015), Oyewobi, Windapo & James (2015).

## RESEARCH HYPOTHESIS

The value chain management had a positive effect on the competitive advantage of the community enterprise.

## CONCEPTUAL FRAMEWORK



**FIGURE 1**  
**CONCEPTUAL FRAMEWORK**

## RESEARCH METHODOLOGY

The present work was a combination of qualitative and quantitative researches using a purposive sampling. Data were gathered from 200 group representatives. Key informants consisted of the chairpersons, deputy chairpersons and members of the groups in the study. The research instruments were a questionnaire and an interview. Statistics used in data analysis were frequency, percentage, mean, and standard deviation. A multiple regression analysis was also used for the research hypothesis.

## RESULTS

The value chain management that affected a competitive advantage of the community enterprise in the study is shown in Table 1.

Table 1 Analysis of the Regression between the variables of the value chain management with positive effect on the competitive advantage of the community enterprise.

<b>Table 1</b> <b>COMPETITIVE ADVANTAGE OF THE COMMUNITY ENTERPRISE</b>					
<b>Independent Variables</b>	<b>Results</b>				
	<b>B</b>	<b>SE</b>	<b><math>\beta</math></b>	<b>t</b>	<b>p-value</b>
<b>Constant</b>	0.024	0.204		0.12	0.905
<b>Primary Activities</b>					
1. Inbound logistics (X1)	-0.024	0.061	-0.02	-0.398	0.691
2. Operation (X2)	0.054	0.04	0.048	1.346	0.18
3. Outbound logistics (X3)	0.142	0.047	0.191	3.024	0.003**
4. Marketing and sales (X4)	0.033	0.034	0.049	0.988	0.324

5. Services (X5)	0.023	0.063	0.02	0.37	0.712
<b>Supportive Activities</b>					
6. Purchase / Procurement (X6)	0.228	0.05	0.272	4.544	0.000**
7. Technological development (X7)	0.106	0.031	0.131	3.398	0.001**
8. Human resource management (X8)	0.213	0.061	0.186	3.495	0.001**
9. Organization's infrastructure (X9)	0.158	0.05	0.172	3.163	0.002**
$R^2 = 0.869$ , $AdjR^2 = 0.862$					
** statistical significance at 0.01					
* statistical significance at 0.05					

It was found that the value chain management in terms of purchase/ procurement ( $\beta=0.272$ ,  $p<0.01$ ), outbound logistics ( $\beta=0.191$ ,  $p<0.01$ ), human resource management ( $\beta=0.186$ ,  $p<0.01$ ), infrastructure ( $\beta=0.172$ ,  $p<0.01$ ), and technological development ( $\beta=0.131$ ,  $p<0.01$ ) affected a competitive advantage with a statistical significance at 0.01.

The above variables could predict the outcomes equivalent to 86.2 ( $AdjR^2=0.862$ ). It can be written in an equation as follows:

$$Y = 0.272 (X_6) + 0.191 (X_3) + 0.186 (X_8) + 0.172 (X_9) + 0.131 (X_7) + 0.049 (X_4) + 0.048 (X_2) + 0.020 (X_5) - 0.020 (X_1)$$

## CONCLUSION AND DISCUSSION

The value chain management in the study can be summarized as follows:

Purchases/ procurement, outbound logistics, human resource management, infrastructure of the organization, and technological development affected a competitive advantage with a significance ( $p<0.01$ ). The findings were in accordance with the literary review on the value chain by Porter (2008). Attention is focused on the primary activities and supportive ones to create the capability in the business competition. The primary activities are directly responsible for added value for commodities whereas the supportive activities help the main activities.

Nanua, Nithichaianan & Supannafri (2020) found that the main or primary activities which remained to be further developed were input, production, operation or production processes, marketing and sales, and services. The activities in question did not have an effect on the competitive advantage.

Regarding the results on the competitive advantage in four aspects: differentiation, cost leadership, quick response and specific marketing orientation, a majority of correspondents in the study had a positive view. It indicates that the competitive advantage had an effect on the community enterprise, that is, the silk product from local wisdom. The result found was in line with the works of Agyapong, Ellis & Domeher (2016); Karami, Sahebalzamani & Sarabi (2015); and Oyewobi, Windapo & James (2015). The following factors i.e., competitive advantage in management cost, business cost, customer cost, differentiation, commodities, differences in services, differences in personnel, images, specific groups, differences in products and geographic differences had an effect on the business operation.

The findings were similar to the studies by Blanchard (2014) who found that the competition could be made possible or achievable by means of differentiation, cost leadership, quick response. Additionally, Porter (2005) said that the strategies to cut the cost to make

businesses more advantageous in a completion were 1) advantages in price: the business with lower cost could set a price lower than competitors; 2) advantages in profits: the businesses which could reduce the production cost would gain more profits when they sold commodities and services.

Based on the findings in the present work, it is recommended that the value chain management should be utilized from the beginning to final stages so that potential and capability in the competition can be effectively enhanced; the production cost can be cut, and the demands and needs of the customers can also be quickly satisfied.

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