
Cost Management Strategy for Small and Medium Enterprises in Rubber Industries, Upper Southern Region, Thailand

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Abstract The best performance of cost management strategy for small and medium enterprises in rubber industries, upper southern region, Thailand was the objective of this research. The important key performance of small and medium enterprises in rubber industries were analyzed and implied. Small and medium enterprises in rubber industries, upper southern region generated a sample size from 249 enterprises, which data was collected realistically though 155 enterprises participated by Yamane. Three of boards for each 155 enterprises were interviewed as overall 465 interviewees. The result revealed that the best performances of the cost management strategy of marketing were the quantity discount consumer, reducing sale and marketing staff salary and the price of competitor monitoring. The best performances of the cost management strategy of financing were new source of finance for expansion and low interest rate loan. The key performance of the cost management strategy of managing ere salary rate of staff related to their working ability, office equipment maintenance on time to reduce cost and economical and cost shipping control. Finding of low price and high quality of raw material, paying salary and wage on ability and workloads, choosing high quality of shipping and electric cost control were the key performance of the cost management strategy of product managing.

Keyword: cost management strategy, small enterprises, medium enterprises, rubber industries

Introduction

Para rubber tree is the economic crop of Thailand both for supporting employment and exporting aspects. More 6 million farmers

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worked on related Para rubber farming. It was top ten ranking of exporting product and its value was 8,746 million \$ in 2012. Thailand is the top world ranking producing potential. The largest produce area is in the southern part of Thailand. Thailand located on tropical zone to provide optimal environment of Para rubber tree growing (soil fertility, relative humidity, rain, temperature, wind etc.). Preliminary process of rubber including ripped smoked rubber, air dry sheet, concentrate latex and STR (block rubber) were exported for 83 %, only 17 % was processed for rubber glove, tire and primary processing produce in Thailand. Whereas, wood was sale for furniture producing to increase income of farmers (Kasikorn Research Center, 2013). The growth and profitability of business were driven from the effective strategies. Enterprise needs to establish strategies to increase efficient competition strength in limiting resource. The determination strategies which related to objectives and strategies of business/enterprise also must be done. Business running must be unique and consistent to objective. It must be developed specialty of each roles of business for taking advantage in competition (Urairat, 2007).

How to reduce cost is the establishment of competition advantage in business. Low cost business could determine the price of product due to high competing. Four roles of cost strategy are production cost, marketing cost, managing cost, and financial cost. They must be driven in business to increase competing ability (Junthet, 2007). This research was conducted to study cost management strategy of small and medium enterprise in rubber industry and product at the upper southern part of Thailand to convince the entrepreneur to considerate the cost management approach and adapt to develop enterprise for increasing benefit.

Material and methods

Population: The population of this research was the administrative board of 249 small and medium enterprises in rubber industry and product at the upper southern part of Thailand. Sample size was 155 enterprises calculated following the Yamane equation (at least 153.46 enterprises).

Research tool: Questionnaires were conducted to collect data from samples. It was set into three parts; Part1 was personal and basic data, Part2 was the priority of effective cost to business operation and cost strategies circumstance of enterprise, and part3 was cost reducing strategies determination. After analysis of collected data to find the conclusion of the effective cost, cost strategies circumstance of enterprise, the conclusion was brought to discuss and critic from 5 selected experts in seminar.

Data collection: Data was collected from questioner thorough interview 155 small and medium enterprises in rubber industry and product

at the upper southern part of Thailand and from commendation and suggestion from experts in seminar.

Data analysis; Data collected from questioner was submission analysis for descriptive statistics including frequency, percentage, mean, and standard deviation of key important and key performance. The criteria of effective cost for business operation analysis categorized in to 4 groups: production cost, marketing cost, finance cost and management cost.

Result and discussion

Part1: The basic data of entrepreneur interviewees show that 48.99 % of them located in Nakhon Si Thammarat. Most of them (87.25 %) were small enterprises. The personal data of them, 41-50 years were 30.87 % and 54.81 were lower than undergraduate. Their experience in rubber industry more 10 years were 43.62% and most of them, 89.93 had a commitment in cost management. The main rubber businesses (85.68 %) produced ripped smoked rubber with more 10 years' experience (89.93 %). The most of them (86.80%) had fixed assets over 50 million Baht, the financial source were board/partners. The labors of each business were less than 50 persons (84.12%). The entrepreneur emphasized on production cost at the first priority fallowed by managing cost, marketing cost, and financial cost with 60.85, 38.93, 35.79 and 34.76% respectively

Part2: Key important index of cost management strategy on business operation of small and medium enterprises in rubber industry and product at the upper southern part of Thailand was analyzed. The result revealed that the highest mean of key important index of marketing cost effect to business operating was quantity discount. The financial cost strategy, mean of important index of strategy with the highest effective to business operating was the financial source for business expansion (3.73). The managing cost strategy, mean of important index of strategy with the highest effective to business operating was the salary paying on working ability of labor (3.63). While the production cost strategy, mean of important index of strategy with the highest effective to business operating was the high quality low cost raw material source (4.31). This result was confirmed according the study reports from cost management strategy of small and medium industry (Aujirapongpan *et al.*, 2004), cost management of coconut brown sugar production group at Samutsongkhram (Faksang, 2012), cost management of

crude palm oil refining in southern part of Thailand (Jumthong, 2007) and cost reducing strategy of industrial manufactories at Ubon Rachathani which the result was in the same strategy and priority (Kapunya, 2010). All of them emphasized on cost of production as the first priority and followed by financial cost, marketing cost and managing cost respectively.

Part3: The key performance index of the enterprise under cost management strategy show that marketing cost strategy caused the lowest effective on business operating (2.48). The highest key performance index of financial cost strategy was financial source for business expansion (3.70). The highest key performance index of managing cost strategy was the salary paying on working ability of labor (3.56). The highest key performance index of production cost strategy was the high quality low cost raw material source (4.07) followed by the salary paying on education level, responsibility and working ability of labor; electrical cost control with key performance index 3.89 and 3.22 respectively. The key performance of strategy in this research were similar to research result of research and developing determine of appropriate cost managing strategy for small enterprise at the eastern region of Thailand (Junthet, 2007).

Part4: Data determination on cost management strategy convinced that marketing cost strategy, financial cost strategy, production cost strategy, and managing cost strategy were entrepreneur emphasizing at high key important and key performance index. The both high key important and key performance index of marketing cost strategy were quantity discount, reducing sale and marketing staff salary, discount of competitor monitoring. The both high key index of financial cost strategy were financial source for business expansion and low interest rate loans. The both high key index of managing cost strategy were the salary paying on working ability of labor, cost of office equipment, and shipping cost. The both high key index of production cost strategy were the high quality low cost raw material source, responsibility and working ability of labor, electric cost control, and choosing high quality of shipping. Several research reports of strategy determine could confirm determination on cost management strategy in this research. The report by Temeekul (2000) on the approach of cost reducing in auto part manufactories of Thailand Industry Association member indicated that the highest effective strategy was reducing cost for energy saving including reduce electrical cost of electric surge and machine/electronic maintenance. For the cost managing strategy, the high quality low cost raw material source, the salary paying on working ability of

labor, electric cost control, and choosing high quality of shipping were the effective strategy in business driving. In report studied by Kapunya (2010) replied that the strategy which high effective in operating of industry in Ubon Rachatani were direct to raw material, direct to labor and machine maintenance for cost of production management.

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