

ADAPTATION STRATEGIES FOR SERVICE BUSINESSES IN SPECIAL ECONOMIC ZONES

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Abstract

The research objectives were aimed to 1) explore factors that affect the success of service businesses in Special Economic Zones, 2) develop adaptation strategies for service businesses in special economic zones, and 3) assess adaptation strategies for service businesses in special economic zones. The samples used in the research included three groups: 1) 480 entrepreneurs and heads of service businesses, 2) five experts contemplating the consistency of adaptation strategies for service businesses in Special Economic Zones, and 3) 17 qualified experts in service businesses for assessing suitability and feasibility in applying adaptation strategies for service businesses in special economic zones. The research instrument used in the research was a questionnaire with a reliability value of .96. The statistics applied for the data analysis were frequency, percentage, mean, standard deviation, and stepwise multiple regression analysis.

The results revealed: 1) five factors affecting the success of service businesses in the special economic zone included (1) management process, (2) human resources, (3) technology, (4) marketing, and (5) location; 2) the result of the overall five aspects of the adaptation strategies development for service businesses in the special economic zone was consistently at the highest level; and 3) the result of the assessment for all aspects of the adaptation strategies development for service businesses in Special Economic Zones was appropriate at the highest level. As for the possibility of exploiting adaptation strategies for service businesses in the special economic zone, the aspect of human resource strategy was the highest while others were seen high. In the average, management strategy had the highest mean followed by technology strategy.

Keywords: strategy, adaptation, service business, special economic zone

INTRODUCTION

At present, a part of the country economic growth is related to the revenue from service businesses which currently play important roles in both global and Thailand economy. Also, this business sector has prospered in the developed country like the United States, which is believed to be up to 73 percent out of the gross domestic products. This has been seen all over the world, especially, in the free trade, resulting in new businesses and services to support the expansion of trade and investment. Much higher spending in the service sector has created new jobs and income for the economy. The service business is, therefore, recognized as precisely important to the

economy as a whole. Concerning Thailand economy, in addition to various services that generally generate revenue, tourism industry and some related service businesses well familiarized by Thai people such as hotels, accommodations, restaurants, tour guides, and etc. It can be observed from the trend of the population spending and income that the national income in the service sector has been increasing recently each year. The evolution of the society is so dynamic that the agricultural society has turned out to be more industrialized and focus more on service industry which can help generate substantial revenue and added value. It can be concluded that the service industry is particularly important to the economic system in creating value added to various products and services, generating higher revenue, creating more jobs, and distributing income to rural societies, which are tourist attractions and tourism-related services. Throughout the country in 2013, the total amount of revenue from business operations and service business was approximately 9.4 trillion baht, approximate intermediate expenses of 7.7 trillion baht, an approximate total value added of 1.7 trillion baht, with an increase in value per operating income of 18.2 per cent for the average operating income per establishment with value approximately 5.5 million baht (National Statistical Office, 2014) and tend to rise every year, which is a reflection of the country's opportunity to generate its revenue.

At the same time, the intense competitive situation of the service business has resulted in a more variety of services offering related to those certain products such as installation services, maintenance services, food and drink services, accommodation services, etc. this help sell more products but at normal prices and can also gain additional service fees. At present, many types of service businesses in various forms are a clearly observed, for example, professional services, financial services, tourism industry services, educational services, and health services. The World Trade Organization (WTO) has classified 12 service businesses together. However, this study on the adaptation strategies of the business service in this special economic zone chose to investigate services related to tourism and travel. It embraces the services of tourism and travel agents like tour guides, hotels, restaurants, travel agencies, restaurants and others which correspond to the classification of the service business of Lovelock & Wirtz (2007). The classification is done according to the level of interaction in the service that the customer participates in both people and process such as the hotel stay or eating in restaurants or restaurants, etc. These services help create careers and generate income for many business organizations and Thailand. Combined with a policy Thailand has set to increase business competitiveness, a special economic zone has been assigned in various areas of the country on its border lines set as trade and investment SEZ (Special Economic Zone: SEZ) causing Thailand to have more opportunities to gear up its development towards service business sector in phase 1, in five provinces, six areas (Rewadee K., 2013). Firstly, Tart Special Economic Zone in Khlong Yai District, Baan Haad Lek checkpoint which connects Koh Kong province, Cambodia which has already established the Special Economic Zone. The sample of Koh Kong business goals is related to services such as ecotourism, health services, tourism, cruising, and agricultural food products. Secondly, Tak Special Economic Zone in Mae Sot, Phob Phra and Mae Ramat which connects Myanmar and can go further to Yangon, India and southern China. Thirdly, Mukdahan Special

Economic Zone in Mueang district, Mukdahan, Wan Yai, and Don Tan which connect the checkpoint to Savan-Sano Subdistrict, Laos, which has already established Savan-Seno Special Economic Zone for the services such as food and beverage processing. Fourthly, Sa Kaeo Special Economic Zone in Aranyaprathet and Watthana Nakhon districts, which connects Banteay Meanchey Province in Cambodia already settling three special economic zones, namely Poipet-Oniang, Sunko-Poipet, and in the area of Srisophon with the business goals of agricultural and food processing, tourism support. Fifthly, Songkhla Special Economic Zone in Sadao District is close to Padang Besar checkpoints connecting Kedah and Peris state Malaysia. It has developed the industrial zone, a road-rail system linking The Thai border with business goals related to seafood processing and halal food.

As for Thailand, the opportunity to gear up towards the service business among increasingly competitive service businesses as well as the change of customers' needs over time has been seen. Basically, the service is an activity that facilitates the users whose value satisfaction from various services. Its value is actually depending on their satisfaction. There has been an increase in the needs of individuals and organizations, both domestically and internationally. To respond to the increase of various service needs, the business that wishes to survive has to rely on new adaptation strategies as tools to achieve their business operations as well as being able to properly respond to the customers' needs as much as possible. The adaptation strategies for the service business in the Special Economic Zone relies on various factors such as business management process, supporting human resources, customers' facilitative technology, a variety of marketing channels, and impressive locations for the customers' service re-use. These factors are important for the entrepreneurs to focus on and adjust their strategies to suit quickly changing situations and allow the service business to survive and grow in the long term

Research objectives

1. To investigate factors affecting the success of the service business in the special economic zone.
2. To develop adaptation strategies for service businesses in the special economic zone.
3. To evaluate adaptation strategies for service businesses in in the special economic zone.

Theoretical Framework

Adaptation Strategy

Siriwan S. and others (Siriwan S. et al., 2007) presented the business adaptation strategy as follows. 1) Globalization: every country around the world becomes a country without borders. International trade is, therefore, an important subject in business management concerning the provision of various forms of services. 2) Workforce Diversity, there is a wide range of labors in terms of their fundamental personal factors such as gender, age, education, and income which are important for service business entrepreneurs to be able to survive. 3) Entrepreneurship, the entrepreneur needs to be highly aware of having self-confidence, the courage to take risks to seek for initiative and creative opportunities, and the adaptation of technology to be applied to the service business. 4) Quality management, the focus should be put on the management efficiency in all processes. 5) needs for innovation and flexibility, entrepreneurs need to always be sensitive to competitors and improve, be flexible, and adapt to various changes easily. 6) E-Business and E-Commerce management, the business model is useful to facilitate customer transactions through various electronic channels.

Organization Management

Wehrich and Koontz (1993) have defined five organizational management processes to make the organization stable as the following. 1) Planning: this is a process that involves forecasting, objective setting, planning strategy development, and consistent and up to date policy improvement. 2) Organizing, this is a process related to the organization structure to determining the scope of work, the relationship of various tasks, duties as well as required qualifications in each position. The operation at this stage is to coordinate with each other in order to achieve the specified objectives. 3) Staffing, this process involves personnel selection, orientation, training, and personnel development in various aspects according to the position standards, which helps create more value for the service business. The organization personnel need to be continuously improved in accordance with the business operation that rapidly changes. 4) Directing and Leadership, this is management about decision making, work assignment, motivation, coordination, participation management to achieve creative changes and work progress in the organization. 5) Controlling, this is a process of developing standards in the operation, correcting weaknesses to improve and achieve the objectives of the operation.

Service and service quality

Teerakiti Nouwarat Na Authya (2009) has divided the criteria for evaluating the service quality in five criteria. 1) Reliability: this means the employee's ability to provide accurate services at a certain level which corresponds to the work performed. 2) Assurance: this represents the employee's knowledge and skills necessary to service customers competently, politely, and friendlily. 3) Tangibility: various facilities such as environment, modern equipment, employees' clothing, documents about services, and etc. are taken as tangible assets. 4) Empathy: this means being able to be contacted easily through the service staff's communication capabilities with the quality to understand and pay good attention and caring to each customer well. 5) Responsiveness: this topic refers to the willingness to provide immediate service (promptness), assistance, continuous customer contact, and plans for customer service etc.

Lovelock and Wirtz (2007) categorized the service business into four categories as follows. 1) The service that customers participate in the whole process (people processing). This is the service that customers participate by themselves throughout the service process such as staying in a hotel or having food in restaurants. 2) Services that focus on physical objects (possession processing). It is a service in which customer participation is limited to just bringing items to obtain services, for example, repairing devices or cleaning service. 3) Services that have a focus on the brain use (mental stimulus processing). This is a service that customers receive information from service providers and have some thoughts towards them such as listening to the radio, watching television programs, or the advisory services. 4) Information Processing service is the service set to serve the customers involved in processing specific information and receive documents about the information later, such as health insurance or research services, etc.

The conceptual theory set on adaptation for the service business with the initial study were factors affecting the success of the service business in the special economic zone, which consist of five important factors, namely 1) administrative process, 2) human resource, 3) technology, 4) marketing, and 5) location.

Research Methodology

1. This study applied mix research design which includes quantitative and qualitative research. In terms of quantitative research, survey research was used to collect quantitative data from the sample group of 480 entrepreneurs and supervisors of service businesses. This process was executed through accidental sampling and cooperating in answering the questionnaire. In terms of the qualitative research process, the research data were collected from two parts: 1) five experts for approving the reliability of adaptation strategies of the service business in the in Special Economic Zones, 2) 17 highly qualified professionals for assessing the suitability and feasibility of the implementation of adaptation strategies for the service businesses in Special Economic Zones.

2. The research instrument for quantitative research was a questionnaire for the data collection. It was divided into three parts including part 1 inquiring for general information of the respondents, part 2 for comments regarding factors affecting the success of the service business in the special economic zone, and part 3, the open-ended question to provide opinions and other suggestions about the factors affecting the success of the service business in the special economic zone. The research instrument was examined for the validity and reliability before employment in the actual study.

2.1 To examine the instrument validity, the researcher applied Objective Congruence Index (IOC) of the questionnaire content whether each question in the questionnaire was genuinely consistent or related to factors affecting the success of the service business in the special economic zone. Qualified experts were asked to rate the IOC and the scores obtained was calculated for the questionnaire content consistency (Mehrens & Lehmann, 1991).

2.2 As for the instrument reliability, the questionnaire was tried out with the sample group of 30 people with similar characteristics to the target group. Cronbach Alpha Coefficient (coefficient- α) was applied and revealed the reliability value of 0.92, which indicated that the instrument was highly reliable and could be administered for the data collection.

3. The data analysis applied statistics including percentage, mean, standard deviation, and stepwise multiple regression analysis.

Research Results

The research results obtained from the research process on adaptation strategies for service businesses in Special Economic Zones can be concluded according to the research objectives as follows:

1. In the overall, the success of the business in Special Economic Zone was at an average of 4.69, particularly the management factor ($\bar{x} = 4.82$), followed by the factors including human resources ($\bar{x} = 4.74$), marketing ($\bar{x} = 4.71$), location ($\bar{x} = 4.68$), technology ($\bar{x} = 4.51$) respectively. Then Stepwise Multiple Linear Regression Analysis was performed as shown in Table 1.

Table 1 Results of Stepwise Multiple Linear Regression Analysis with predictive variable factors affecting the success of the service business

Step	Forecast variables	B	Std. Error (b)	β	t	Sig
1	Administrative process	.305	.063	.272	4.785	.000
2	Human resources	.185	.047	.205	3.854	.000
3	Technology	.372	.068	.387	5.468	.000
4	Marketing	.253	.056	.224	4.337	.000
5	Location (place)	.204	.059	.197	3.726	.000

* $P < .05$, $a = -1.063$, $R = .815$, $R^2 = .667$, $SEest = .318$, $Adjust R^2 = .657$, $F = 64.415$

From Table 1, five factors that affect the success of the service business in the special economic zone with a statistically significant level at .05. include the factors of human resource, technology, marketing, and location (place), which all together predicted factors affecting the success of the service business in the special economic zone at 66.7 percent ($R^2 = .667$) with the Standard Error of Estimate value of the forecast ($SEest$) at .318. The raw score forecast equation was as follows.

The Raw Score Forecast Equation

$$\hat{Y}_1C = 1.062 + 0.305 (\text{administrative process}) + 0.185 (\text{human resources}) + 0.372 (\text{technology}) + 0.253 (\text{marketing}) + 0.204 (\text{location})$$

Forecast equation in standard score

$$1 y_1 = 0.272 (\text{administrative process}) + 0.205 (\text{human resources}) + 0.387 (\text{technology}) + 0.224 (\text{marketing}) + 0.197 (\text{location})$$

From the equation, the factors that affect the success of the service business in the special economic zone can be presented in Picture 1.

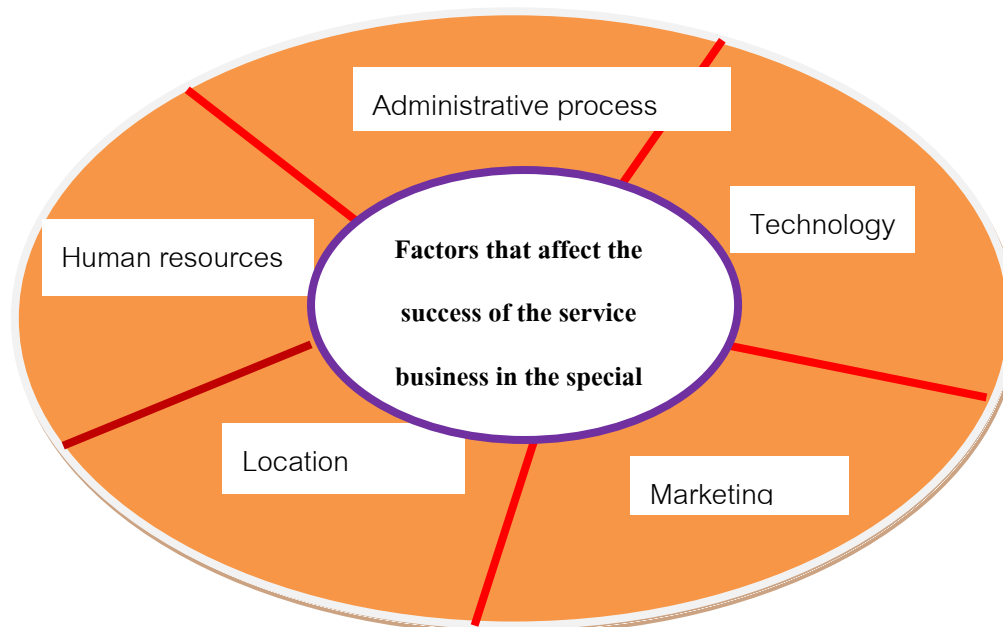


Figure 1 Factors affecting the success of service businesses in the special economic zone

2. The results of the development of the adaptation strategies of the service business in the Special Economic Zones of phase 1 can be presented in Table 2.

Table 2 Factors affecting the success of the service business in the special economic zone.

Factor	Horizontal support activities
1. Administrative process	1) Determining the organization direction 2) Good management system 3) Collaboration with communities and society 4) Innovation management 5) Database establishment
2. Human resources	1) Work motivation 2) Adaptation for the future change 3) Human relations 4) Team working 5) Participation 6) Internal communication 7) Personnel development 8) Organization commitment
3. Technology	1) Technology knowledge development 2) Online media development, 3) Websites development to promote the business 4) Being OTAs (Online Travel Agents) membership 5) Application development for the smartphone use as a customer database.
4. Marketing	1) Promotion strategy development 2) Flagship creation 3) Service potential development 4) Searching for new customers

	5) Old customers retaining 6) customer classification 7) Membership management system
5. Location	1) Attractive landscape renovation 2) Distinctive name signs and symbols 3) Enhance the relaxing atmosphere 4) Proper and adequate parking space 5) Security system 6) Arrange the place as a story with come

From the management factors and strategies for the service business in Special Economic Zones mentioned above, adaptation strategies have been proposed in Figure 2.

Strategy Objectives Procedures

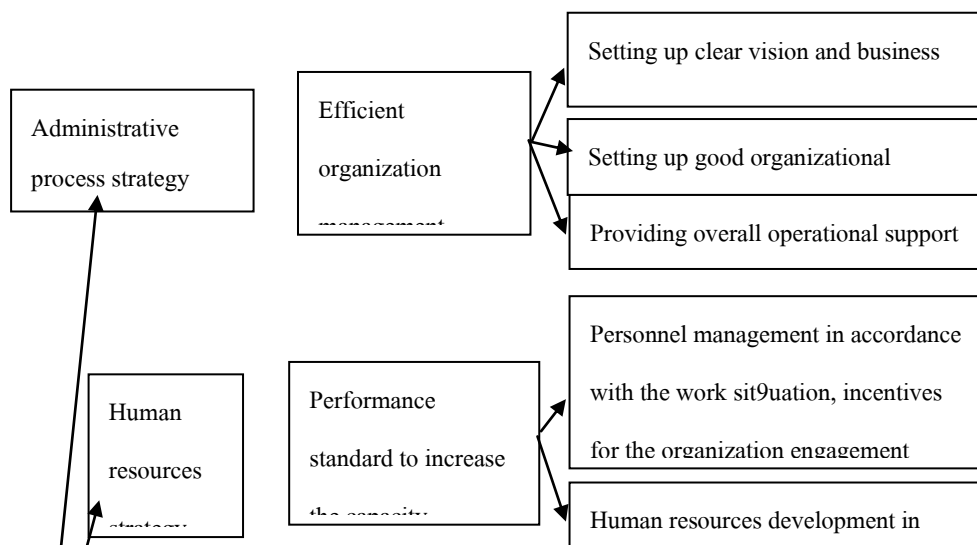
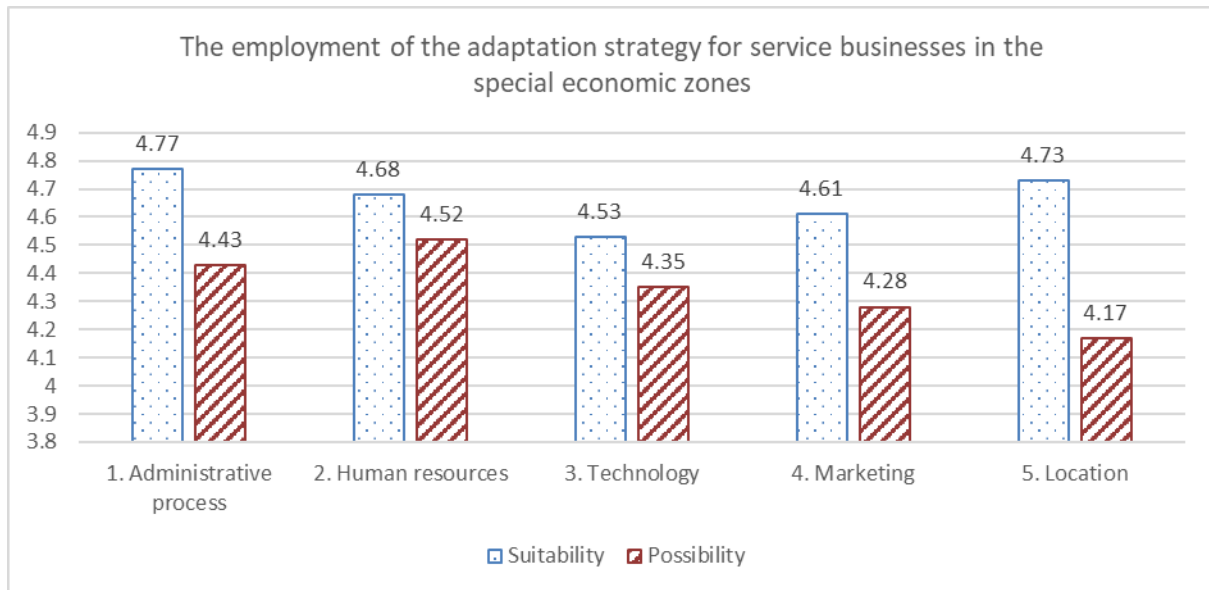


Figure 2 Adaptation strategies for the service business in Special Economic Zones

3. Presented in the following figure 2 are the evaluation results of the adaptation strategies for the service businesses in Special Economic Zones, in terms of both suitability and feasibility of the employment.

Diagram 2 Mean, standard deviation and the level of suitability and feasibility of employing adaptation strategies for the service businesses in Special Economic Zones



From diagram 2, it reveals that the adaptation strategies for service businesses in the special economic zone are appropriate at the highest level in every aspect. The aspect with highest mean is the management process strategy ($\bar{x}=4.77$) followed by the location strategy ($\bar{x}=4.73$). As for the feasibility of adopting adaptation strategies for the service business in special economic zones, the lowest one is human resources strategy ($\bar{x}=4.52$) while other strategies are at a high level. The highest average strategy is management process strategy ($\bar{x}=4.43$) followed by technology strategy ($\bar{x}=4.35$).

Research Result Discussion

The discussion of research findings on the adaptation strategies for service businesses in Special Economic Zones can be divided into three parts according to the objectives of the research as follows.

1. The results of the study of factors affecting the success of service businesses in Special Economic Zones revealed five factors including 1) administrative process, 2) human resource, 3) technology, 4) marketing, and 5) location. In particular, two important factors are management process and human resources, which are the heart of the service business. In order to manage or operate the business successfully, the operator must pay serious attention to appropriate standards as well as a good management system that will help stabilize the organization. This is consistent with the concept of Weihrich and Koontz (1993) that have discussed the five organizational management processes that make the organization stable: 1) planning, the step related to forecasts, setting objectives, developing planning strategies, and consistent and up to date policy improvement; 2) organizing, the step related to the organization structure, work scope determination, tasks determination, required qualifications determination, as well as duties determination to achieve the specified objectives; 3) staffing, a process involving personnel selection, orientation, training, and development in various aspects

according to the position standard requirements to create more value for the service business. Personnel, therefore, needs to be developed continuously in accordance with the business operation that is changing rapidly. This is in line with the notion of Neo, Hollenbeck, Gerhart & Wright (2006), who project that at present, technology systems play an important role resulted from technological driving forces to intensely cause changes that various businesses must also change the organizational culture to be consistent with the situation. They must focus on personnel responsibilities since new various job descriptions have been developing steadily. 4) Directing and leadership, the administration about making the decision, duty assignment, motivation, coordination, management are accomplished to creatively make changes in the organization; 5) Controlling, the process of developing standards in the operation, performance measurement including corrective actions to improve and achieve the objectives of the operation.

2. The results of the development of adaptation strategies for service businesses in Special Economic Zones revealed five main strategies, five objectives and 12 operational methods. In order to be able to adjust themselves to cope up with changes, business organizations need to scrutinize various aspects that affect the overall service business. They also need to apply marketing strategies to strengthen their service businesses, which is consistent with the strategy to adapt to survive for entrepreneurs proposed by Siriwan S., Somchai H., and Thanawat T. (2007). These experts project that the implementation of marketing strategies used to help businesses survive as an important part of business growth is crucial. Marketing management, therefore, has to be the focus of the business, which corresponds to the research of Tipsri et al (2015). They have found that the strategic marketing management in four areas, namely products, distribution, promotion, and price has a positive impact on competitive advantages in the changing era of business. This requires a marketing role to help in the business. in accordance with Kotler (2003), main functions of marketing are to keep business growing and always try to study the consumers' behavior or service recipients In order to adjust the marketing strategy to meet the customers' needs. Consistently, Sukato's study has found that marketing information, marketing information distribution, as well as responding to the customers' needs had an indirect influence on business perceived by the innovation delivered(2016) marketing strategies result in the customers' recognition of the quality of service which is evaluated and referred to as "perceived quality of service by customers". Teerakitti Nawarat Na Ayudhya (2009) also proposed that the result from the customer evaluating the quality of the service comes from the comparison between the expected services with the perceived service, which is an experience after the services are received. To evaluate the service quality, five criteria are applied including 1) reliability, 2) assurance, 3) tangibles, 4) empathy, and 5) responsiveness.

3. The overall picture of the adaptation strategy evaluation for service businesses in Special Economic Zones is considered appropriate at the highest level. It is highly possible to recommend an entrepreneur applying the overall adaptation strategy to strengthen the service business at a high level. The service business is so crucial that entrepreneurs must pay attention to for the business survival and the business growth backed up with suitable strategies. Also agreed with Anchalee (2018), to create

competitive advantages of the service business, business entrepreneurs should possess the right ability to compete and be the cost leaders, followed by the advantage to compete in responding to the customer (service leader). Especially, when the business is expected to provide quality services that should yield satisfaction after receiving the actual service, which is a necessary part to enable the customer base. In addition, it is necessary for the business to create a unique identity to be recognized impressed resulting from the location atmosphere and the technology service. New marketing will help strengthen the business by drawing customers to appreciate the overall quality of service. Similar to what Akbar and Parvez (2009) have presented that the key factors of successful businesses can create customers' loyalty, attitude, and behavior from perceiving the service quality. How customers' satisfaction received from the service work is in accordance with the work of Gantasala and Prabhakar (2010) which discusses the context of the service business that can create the continuity which secures the service quality and customers' satisfaction. As for the five adaptation strategies for service businesses in Special Economic Zones, the strategy features are interrelated and interconnected starting from the administrative process which is a big part of the service formulation policy to create new forms of marketing to reach for more customers, and the development of a location to generate a favorable atmosphere. The objectives are aimed at quality and efficiency of the business operation, which relate the whole business strategic activities to achieve the long-term business goal.

Conclusion

Adaptation strategies for service businesses in Special Economic Zones cover five strategic factors that affect success including 1) administrative process, 2) human resource, 3) technology, 4) marketing, 5) place or location. However, the most effective strategy suitable to be employed is human resource strategy for the reason that it is the key factor to generate the service quality to impress customers' returns to use the service repeatedly or telling other customers about their impressions.

Research Suggestions

Two main issues can be suggested out of the adaptation strategies for service businesses in Special Economic Zones as follows:

1. Policy recommendations

1.1 Relevant agencies should focus on firming development of service businesses by creating a participatory in a networked manner so that it can help exchange knowledge that generates stronger business and further expansion.

1.2 The government should focus on policies that really help drive service businesses to achieve international standards. This is believed to be another important part in supporting the country growth since the service business is always the top priority which can truly generate the country income. It is also considered the strength of Thailand and therefore the government should promote and support in raising standards and assistance in various extents.

2. Suggestions for applying adaptation strategies

2.1 Entrepreneurs should scrutinize the situation of their service businesses in order to apply suitable strategies that can be adjusted to deal with changes over time.

2.2 It is suggested that important adaptation strategies here are administration and human resource management process, which are main factors that entrepreneurs have to plan and implement in accordance with the present situation to push forward the business to thrive in the long term.

2.3 Entrepreneurs should choose strategies which are consistently appropriate with the business operation in order to achieve good results for the service business.

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