

Chapter 1 An Introduction

1.1 The Theory behind the Seen

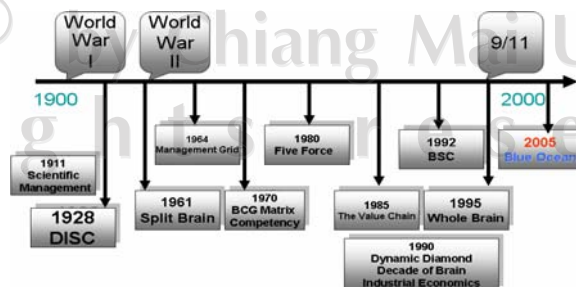
Ever since, the industrial crusade marked their era in the late 60. It has changed the economic landscape of countries around the world especially for the recent past over a few decades. The awareness of countries around the world in competition has been reconsidered and reevaluated constantly. The new discoveries and ways of thinking evolved more complex over the recent years.

Globalization is now actually driving global competition and taking turns from natural resource exploitation for economic benefit to strengthening their human capacity and knowledge for the longer sustainability economic development persuasion. In the early year, “Competitive Advantage” was just the academic studies driven from a small group of research from Harvard University Business School. It was wild fired rapidly over the a few continuing decades to the endlessly numbers of academic researchers and business driven strategies around the world. This is not just happening it was evolved continuously over century.

In this chapter, it is the intention of this study to identify and illustrate the evolution beyond the management theories concepts driving the world economy, today.

1.2 Beyond the Management Evolution Chronicle

From the early 1900 after the World War I, advanced discovery in management and technological concepts were established in parallel military built-up. This advanced management evolution was a result of the manufacturing structure from the defense empires in both sides of the alliances which later spilled over into mass manufacturing and defense industries in the recent years.



Figures 1.1 The Evolution of Break-Through Management
Source: Contemporary Management, 2003

The above Figure (Figures1.1) illustrates the milestone in those developments for the last few decade

In one hand, these can be separated into a few main stream subject areas i.e. scientific and technology, psychology, economic, marketing, business management and etc. In the other hand, these movements have been leading the series of revolution of business and industrialization i.e. mass industrialization, globalization, knowledge base economy and so on. In all dimensions of the above mentioned significant break-through, it plays very important influencing power over this fierce fully competition world we live in, today.

Before getting into the global competition which is the main connecting area on this research, let consider some of the highlighted break-through to help us understand the industrial evolution, today. One of very first milestones of modern management was the workforce psychological profile known as DISC.

DISC was discovered in 1928 by William Moulton Marston [1]. DISC is an acronym for a 4 quadrant people psychological assessment profile described as followed.

1. **Dominance** - control, power and assertiveness
2. **Influence** - social situations and communication
3. **Steadiness** - patience, persistence, and thoughtfulness
4. **Conscientiousness** (or caution, compliance) - structure and organization

The discovery above was developed into the workforce assessment method in the much later years. In fact, the assessment method has been evolved into test set and software tools just in the recent years (90's era) and has been widely used till recent years. This is an excellent example of the realization of the conceptual models and frameworks, for this case, it took over 60 years before it became widely accepted.

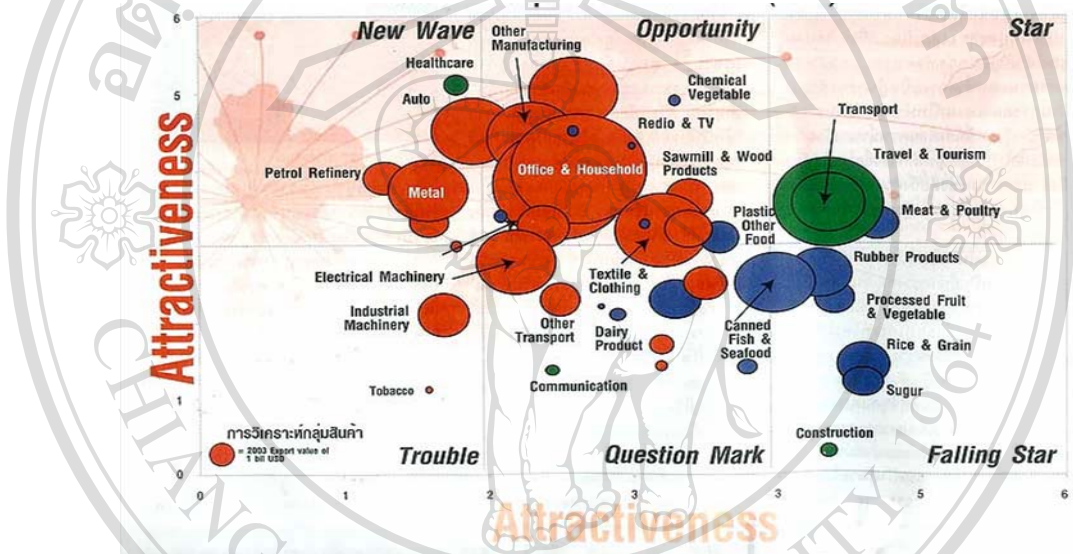
Another example in more recent years is another management methodology called "Balance Score Card". This concept was developed by Kaplan and Norton in 1992 and published later in 1996 [2]. With advanced technology in the recent year, this concept was adapted much faster. This model was developed systematically and realized into software system in late 1990 almost the same period when the book was published. Balanced Score Card (BSC) is the concept of balancing four main factors to materialize the vision and strategy of an organization. The four factors are

1. Customer Satisfaction
2. Financial Benefit
3. Internal Management
4. Learning and Growth

As these concepts and frameworks were evolved evidently from the above examples, technologies and recent break-through i.e. information technology, molecular and biotechnology and etc. are now realized even much faster pace in the recent year. In the early years, technology was perceived as a luxury items. The items were nice to have. This was later developed into productivity driven tools which now became the necessity attachments for every walk of life. Once it embedded into the

social norm, it was not an issue of excessive. But, on the contrary, it now becomes an agent of competition.

Considering the competition, the early noticeable competition relating to the mentioned above was industrial evolution. This was signified and explained by mass manufacturing in the early years. Mass production, Standardization, Cheap production cost and etc. are characteristic of the industrial revolution [3]. The competition was based upon the capability of the specific industries. In the early 70, Bruce Henderson of the Boston Consulting Group (BCG) developed a growth-share matrix model [4] explaining the industries attractiveness which later accepted as the new wave of industrial development in that era. The following is an example of BCG matrix model illustration for Thai's Industrial profile (Figures 1.2)

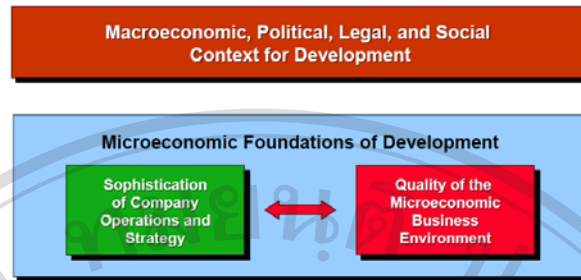


Figures 1.2 Thailand Industrial Matrix
Source: Stern, 1998

The matrix was once widely accepted but later was faded away by the revolution of the after the fact of industrial revolution. New competition was enlightened by i.e. the infamous Peter Drucker.

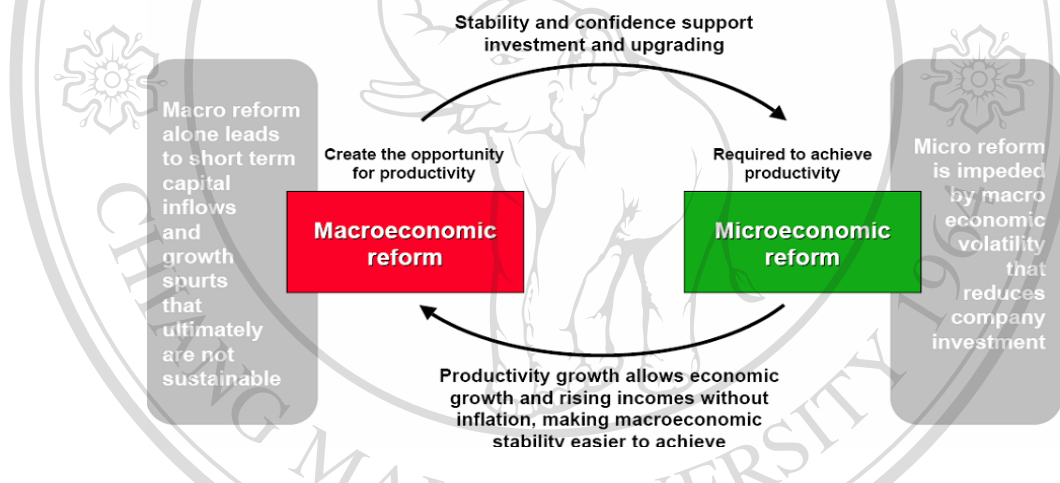
1.3 The Meaning of New Economy

In 1988, Drucker published his foreseeing the coming competition in the new economy, the "Knowledge Base Economy" [5] the turning point of the complicated competition. An attractiveness of industries is no longer issues for competition. Cheap is now can not consistency translate into economical advantage values. Positioning, Strategies and value proposition are some of examples explaining of the new competition, Micro and macro economic inseparable (Figures 1.3).



Figures 1.3 New Integration Economic System
Source: Porter, 2004

The new economic is much relied on the systematically integration between macro and micro strategies, the reforms of both private and public sectors in order to cope with the new competition, the globalization (Figures 1.4).



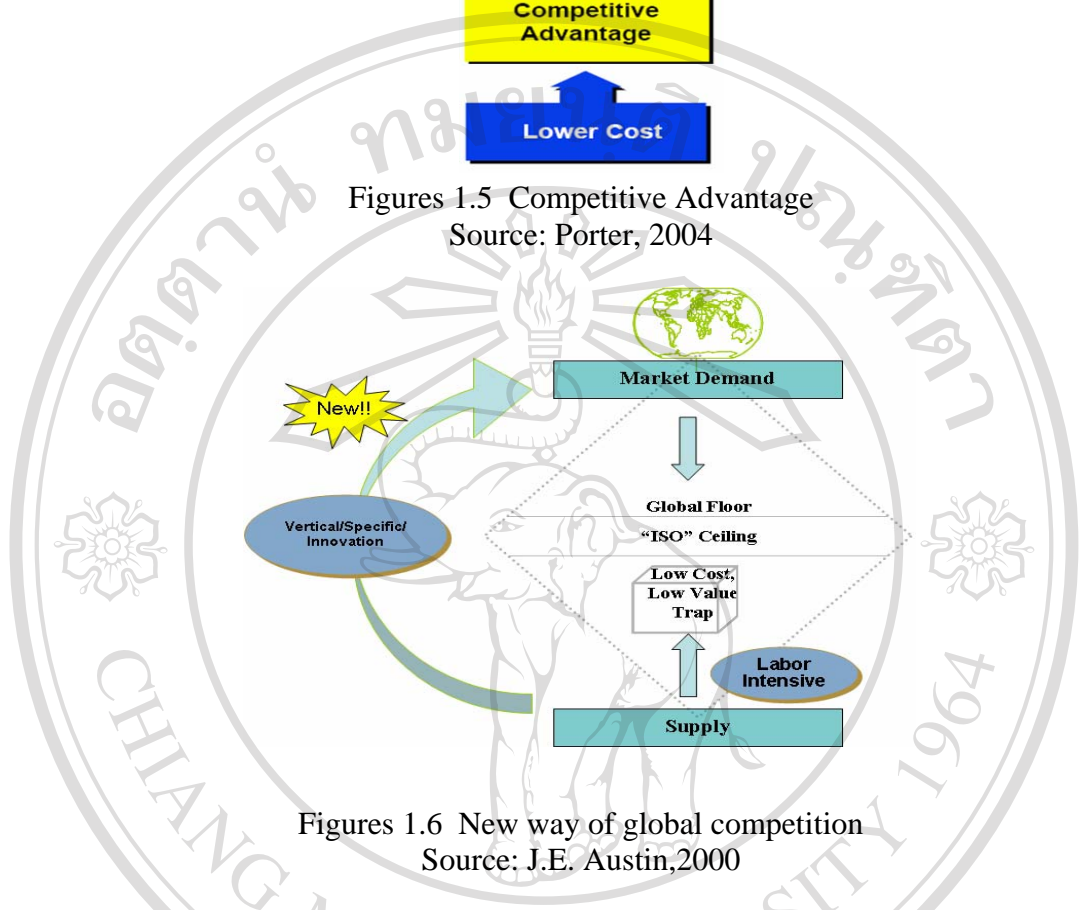
Figures 1.4 New Micro-Macro Economic Reforms
Source: Porter, 2004

Referring to mass manufacturing mentioned earlier, competition was before competed in large volume, conformity, standardization only different in cheaper price. But now, the competitive edge is base on the value proposition of being different. Competitive Advantage is the productivity resulted from higher price differentiation, uniqueness customization and the getting away from the mass production competitions (Figures 1.5).

Again, knowledge as Drucker revealed, become a new essential advantage for the global competition. Business Survival is now based on creativity and innovation in order to respond the global market demands. Knowledge Workers and Human Capital are the most significant national assets. Countries can no longer exploit their natural resources particularly cheap labor under the traditional globalization (Figures 1.6)



Figures 1.5 Competitive Advantage
Source: Porter, 2004



Figures 1.6 New way of global competition
Source: J.E. Austin, 2000

Being the best in specific niche is competitive edge. Some examples of competitive edge recently announced by MIT Technology Reviews (Figures 1.7) this includes i.e. the best water management system in the Netherlands, Energy independency from Biofuel in Brazil, the best automotive manufacturing and etc are [6]. For the economically advanced European and North American countries, these countries are leap to the global technology leaders.



Figures 1.7 Competitiveness Map
Source: Narayanan, 2005

By far, economically developed countries can be measured in advanced measurement such as i.e. Internet usage, technology spending per person, and cost of Internet access, mobile-phone penetration and etc, especially Research and Development (R&D) spending per capita. On the contrary, economically developing countries can not be compared with the same measurements. Noted, traditional R&D is quite different from innovation especially in economically developing countries [8].

However, Competitive edges for all may lead into the same direction. Among many things, Competitive Advantage is about strategies, creativities and innovation. To better understand the meaning of “strategies”, the following is the comparison table illustrated of what and what not (Figure 1.8).

What is a Strategy?	What is Not a Strategy?
<ul style="list-style-type: none"> • A unique value proposition versus competitors • A different, tailored value chain • Clear tradeoffs, and choosing what not to do • Activities that fit together and reinforce each other • Continuity of position with continual improvement in realizing it 	<ul style="list-style-type: none"> • Best practice improvement • Execution • Aspirations • A vision • Learning • Agility • Flexibility • Innovation • The Internet (or any technology) • Downsizing • Restructuring • Mergers / Consolidation • Alliances / Partnering • Outsourcing

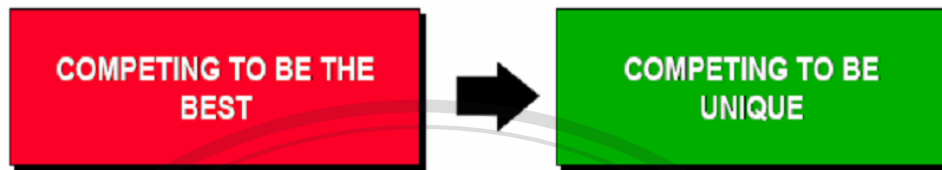
Figures 1.8 Strategies

Source: Porter,2004

As defined by Michael E Porter [7],

“Competitive Advantage is determined by the **productivity** with which a nation uses its human, capital, and natural resources. Productivity sets a nation’s or region’s standard of living (wages, returns to capital, and returns to natural resource endowments)

1. Productivity depends both on the **value** of products and services (e.g. uniqueness, quality) as well as the **efficiency** with which they are produced
2. It is not **what** industries a nation competes in that matters for prosperity, but **how** firms compete in those industries
3. Productivity in a nation is a reflection of what both domestic and foreign firms **choose to do in that location**. The location of ownership is secondary for national prosperity
4. The productivity of **“local”** industries is of fundamental importance to competitiveness, not just that of traded industries
5. Devaluation does **not** make a country more competitive”



Figures 1.11 Competition Dimension
Source: Porter 2006

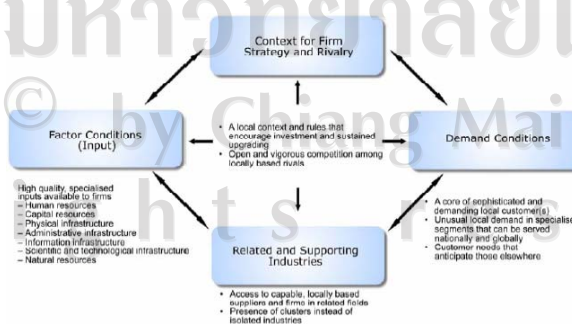
1.4 The World of Competition

Competitive Advantage Studies was first published in “The Competitive Advantage of Nations” in 1990 by Dr. Michael E. Porter. It represented a theory of nations and regions compete in their sources of economic prosperity. It was initiated, first, under the President Regan's Commission on Industrial Competitiveness in order to review the US manufacturing positioning against the leading manufacturing countries especially Japan. This initiative, later on, has guided economic policies in countless nations and regions. The main discovery of his research is the diamond model and the concept of “clusters” which loosely defined as “geographic concentrations of related industries that occur in particular fields”.

Diamond Model and Cluster Overviews

This was developed based on four-year research on the attributes for the competitiveness in ten leading trading nations. It represents a relationship and the interaction of the strategy at the national level and the firm level into four driving factors as follows (Figures 1.12):

1. Factor conditions (input)
2. Context for firm strategy and rivalry
3. Related and supporting industries (Cluster)
4. Demand conditions.



Figures 1.12 Diamond Model
Source: Porter, 1990

1.5 Cluster for Competitiveness

Hence, Competitive Advantage is not abundant natural resources, cheap labor, cheaper currency, better government “Incentives” and etc. It is rather a strategic intersection coordination of public policy (Macroeconomic) and commercial strategy at the firm levels (Microeconomic). Actually, “cluster” is defined as “The Strategy before Policy” Concept [10], the reforms of positioning of private industries from the restructure of the public services. The reforms must be pursued from the public-private effective dialogue. The effective dialogue was created by the following examples (Figures 1.13).

INEFFECTIVE	EFFECTIVE
• Individual Company	• Industry Clusters
• Ad-hoc Complaints	• Comprehensive Vision
• Operational Level	• Strategy
• Laundry Lists	• Priorities
• Anecdotal Evidence	• Data and Analysis
• Concessions	• Co-Responsibility
• Opposite Sides	• Same Side of Table

Figures 1.13 Public-Private Dialogue
Source: J.E. Austin,2000

The mind set that aligned:

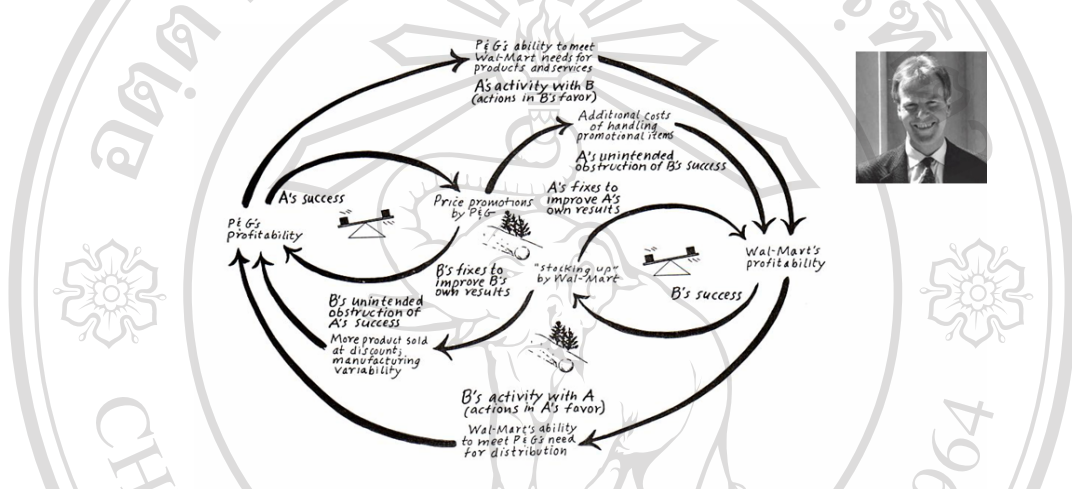
1. The ‘state-centered left’ which thinks government can solve every problem
2. The ‘market-centered right’ which believes in the social power of the ‘invisible hand’
3. The ‘technocratic center’ where faith resides in experts
4. Talk show democracy whose politics of criticism and self-righteousness distorts public discussion, confounding democracy with demagoguery.

After Porter proposed this in the 90’, the interest of this industrial economic has gained significantly over the years particularly after the Meso Competitiveness Analysis model was proposed by Dr. Michael Enright a few years afterward. More over, these concepts and the subsequences improvement of the theories i.e. CIPM and others will be further described in more detail in this paper literature reviews.

1.6 The Theories in Action

For the past many years, competitive advantage communities has been try to generalize the methodology. In another word, they are trying to find one solution to fit all situations. And more and more subsequence of missing important criteria has been discovered over the years. However, is there another alternative solution?

One of the recent competitiveness studies i.e. collaboration between Harvard University and Hitotsubashi University in Japan is engaged in the multidiscipline areas between Business and Knowledge Management Studies. Knowledge Management is also the conceptual frameworks working well with competitive advantage concepts. It aligns the knowledge necessary with the strategic thinking to create the uniqueness requirements for competition. More over, Knowledge Management is a new science. It was widely accepted first by Peter Drucker [5] in the 80. And it expanded rapidly into various organization development models in the recent years. The major schools of though consists of i.e. Senge' System Thinking (Figures 1.14), Argyris's Double Loop Learning (Figures 1.15) and etc.



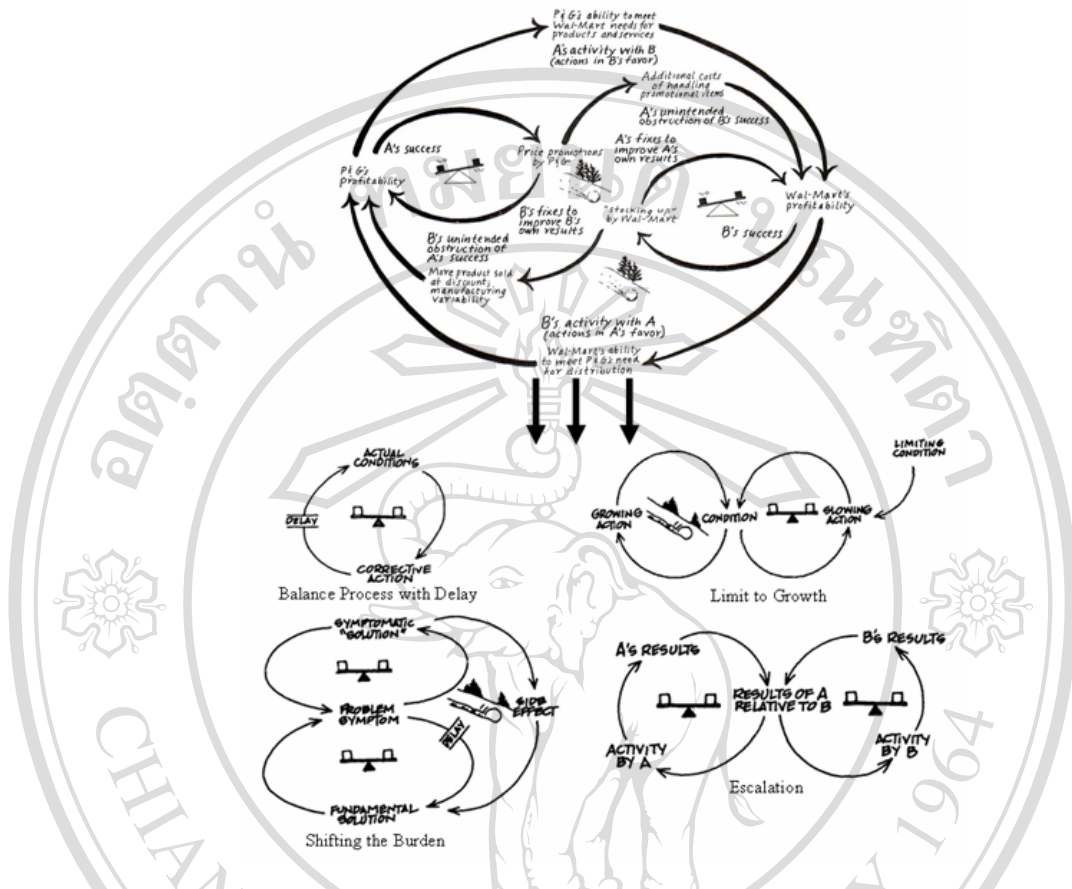
Figures 1.14 System Thinking Overview
Source: Senge, 1990



Figures 1.15 Argyris' Double Loop Learning
Source: Argyris, 1978

The following is a detail example of Peter Senge's System Thinking Knowledge Management model which describing the dynamic management of knowledge in action.

System Dynamic



Figures 1.16 System Dynamic
Source: Senge, 1990

The system dynamic construction concepts (Figures 1.16):

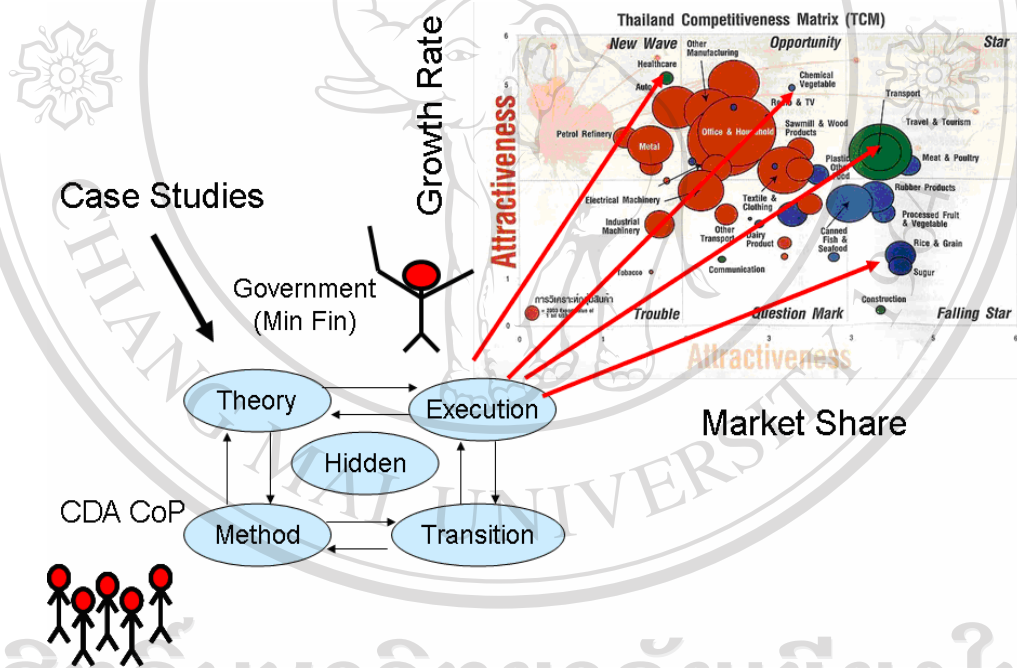
1. System includes such human systems as families, organizations, cities, and nations.
2. Balance Process with Delay Subsystems Process.
3. Limit to Growth Subsystems Process.
4. Shifting the Burden Subsystems Process.
5. Escalation Subsystems Process.
6. Every subsystem and their components in the system dynamic are always interconnected.
7. They are never disconnected from the interconnectedness.

As a part of the competitiveness endeavors, the study in this research was initiated from the similar multidisciplinary perspectives to find an alternative concept to review the situational and analysis the ongoing development of the generalization of competitiveness mechanism.

From the various studies including some references from Dr. Enright, which will be described later on in the details, “Knowledge” is one of the three prongs essential necessities for competitiveness development. According to this research preliminary literature reviews, there is very limited number of studies in the multidiscipline between Knowledge Management and Competitiveness. This study is also another contribution to open up more research in these areas.

1.7 Research Justification

The solution proposed here in this study is intended to contribute an alternative mechanism in the local competition context for the developing countries in order to create the sustainable development in searching of commercial viable of industrial economic, in this case Cluster Development Agents(CDA) and Community of Practice (COP) knowledge and capability are the key success factors (Figure 1.17).



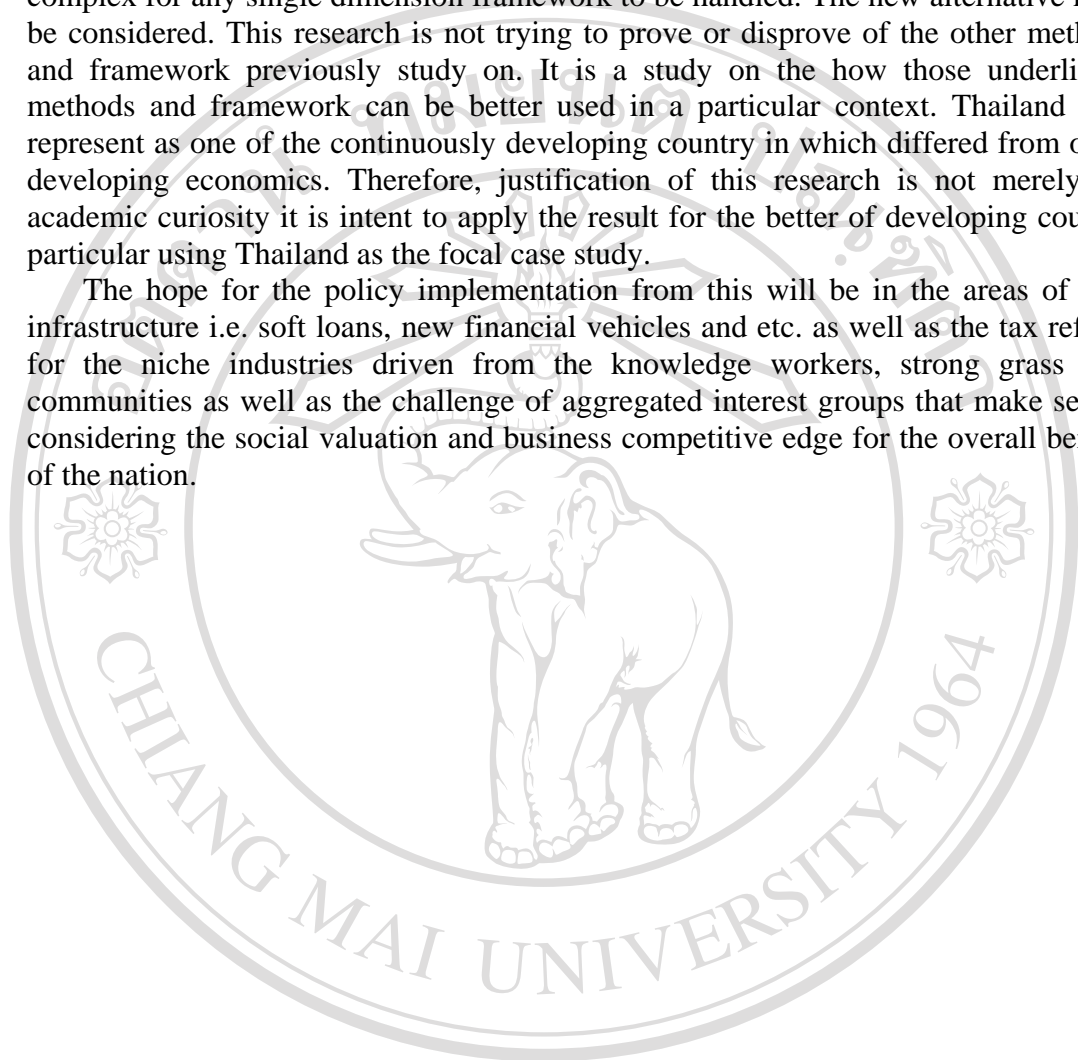
Figures 1.17 Target Knowledge Worker

Source: Tamprasirt, 2008

The national competitiveness endeavor in Thailand initiated as the economic recovery mechanism from the economic collapsed in 1997. Macro and Micro economic resolution to invigorating business especially the revitalized of SME have been amplified consistently as one of the policy implementation from various governments over the past few decades. The competitiveness initiation was seriously engaged as the national policies in the beginning of the new millennium. At that stage, Thailand is one of a few countries adopting the frameworks with the help from USAID. The new hope of sustainability crusade begins from the small groups of interested people and ignited into the massive national campaign within a few years

afterward. The national cures for new sustainable resolutions adopted from the education of the overseas best practices were the promising initial expected outcome. However, the yielded results enlighten that Thailand situation is unique and too complex for any single dimension framework to be handled. The new alternative must be considered. This research is not trying to prove or disprove of the other methods and framework previously study on. It is a study on the how those underlining methods and framework can be better used in a particular context. Thailand may represent as one of the continuously developing country in which differed from other developing economics. Therefore, justification of this research is not merely for academic curiosity it is intent to apply the result for the better of developing country particular using Thailand as the focal case study.

The hope for the policy implementation from this will be in the areas of new infrastructure i.e. soft loans, new financial vehicles and etc. as well as the tax reform for the niche industries driven from the knowledge workers, strong grass root communities as well as the challenge of aggregated interest groups that make senses considering the social valuation and business competitive edge for the overall benefit of the nation.



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