



# The Sufficiency Economy Philosophy and Small and Medium-sized Enterprises in Thailand

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## ABSTRACT

Business owners are facing with many challenges in an ever changing and more complex business environment. In today competitive business environment is characterized by change and innovation. Moreover, small and medium-sized enterprises (SMEs) play a significant role in the Thai economy. This research aims to investigate conditions in which sufficiency economy philosophy (SEP) will become significant when apply to SMEs business operations. The qualitative methodology was utilized in order to answer the research question. It was found that many SMEs applied SEP as a risk management procedure where there is a high intensity of competition and during rather stable to low economic growth. Moreover, the level of changes in social condition and political tension can also cause the likelihood for many SMEs to apply SEP in the business operation.

**Keywords:** Sufficiency Economy Philosophy, Small and Medium-sized Enterprises, Border Small and Medium-sized Enterprises, Application of Sufficiency Economy Philosophy

**JEL Classification:** M0

## 1. INTRODUCTION

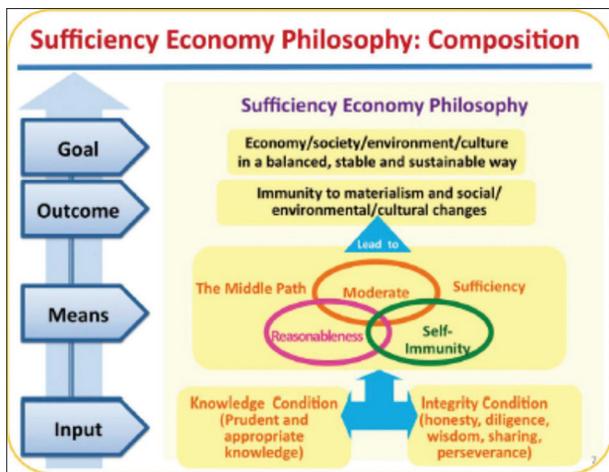
Business owners are facing with many challenges in an ever changing and more complex business environment. In today competitive business environment is characterized by change and innovation. Businesses need to understand and have the capacity to respond to ever increasing customer demands, to develop agile supply chains as well as to manage the arising business risks. Over the years there have been a number of changes which affect the operation of business. The changes in economics, social and governmental policies have all been the factors which contributed to the overall changes. Small and medium-sized enterprises (SMEs) on the other hand are found to be largely influential by these externalities than larger business which better equipped with more assets and more resources to withstand these changes. Over the years, the King Bhumibol Adulyadej's sufficiency economy philosophy (SEP) has been one of the most talked about in the application of middle path which can be applied to individual and businesses. This was especially more prevalence during the 1997 Asian financial crisis where many businesses were largely affected by the crisis. The core concept of SEP emphasizes on the balance between profit, sustainability, good governance,

risk mitigation and corporate social responsibility (Sasin, 2010). This philosophy is also related to the teaching of Buddhism's middle path teaching which describes the middle way as a path of moderation, between the extremes of sensual indulgence and self-mortification. Therefore, it is very interesting in terms of business academic perspectives to whether or not the King Bhumibol Adulyadej's SEP can be applied to SMEs and to what conditions would the SEP become more significant. The purpose of this paper is to investigate the main research question which is what conditions would SEP will become significant when applied to SMEs business owners? The following section outlines the related literature on the significance of SMEs to the Thai economy and the different element of SEP.

## 2. LITERATURE REVIEW

### 2.1. SMEs

SMEs are the lifeblood essential to Thailand's economic vitality. Defined as companies with no more than 200 employees and 2 million baht in assets, SMEs make up 99.6% of total enterprises in the country, creating jobs for more than 10.5 million people. This number contributes up to three-fourths of the national

**Figure 1:** Sufficiency economy philosophy: Composition

Source: UNESCO (2013)

workforce. The growth of SME businesses can also be seen the factor that drives the overall economy of an emerging-economy country such as Thailand. Other emerging countries also have experience with the drive and growth of SMEs that affect their overall economies (Suntrayuth, 2017). SMEs play a significant role in the Thai economy. In 2012 there were 2.7 million SMEs in Thailand comprising 98.5% of total enterprises. In the same year, SMEs accounted for 37.0% of gross domestic product and 80.4% of the workforce. Thai SMEs also contributed to 28.8% of total exports and 31.9% of total imports by value in 2012. In Thailand, the percentage of SME employment to total employment grew steadily from 76.0% in 2007 to 83.9% in 2011, but fell back to 80.4% in 2012. During the same period, the services, trade, and manufacturing sectors each contributed to more than 30% of employment by SMEs. Sector wise, employment by trading SMEs increased by about 5%, but that of manufacturing declined by 6.2%, which can be attributed to the decline in the growth rate of SMEs in the sector. The growth rate of employment by SMEs dropped from 8.3% in 2010 to 7.3% in 2012. Since SMEs are so important for the Thai economy, it is important to increase their resilience. One of the ways to increase their resilience is to provide them with stable finance. SME credit, which amounted to 32.8% of total commercial bank loans in 2012, is still small in scale. Conversely, the ratio of non-performing loans (NPLs) remains high in SME lending, at 3.4% compared with a gross NPL rate of 2.2% in Q2 2013. While the strong appetite of SMEs for growth has shifted bank lending attitudes from large lot transactions with large firms to retail financing and portfolio guarantee schemes and helped the trend of SME credit in Thailand, the lack of collateral is still a critical barrier for Thai SMEs in raising business funds (ADB, 2015).

## 2.2. SEP

One of the most significant thinking is offered by His Majesty King Bhumibol Adulyadej on SEP. King Bhumibol Adulyadej proposed the SEP to people of Thailand on 4 December 1997, the philosophy guides people in living their lives according to the middle path. The concept of SEP can be applied to the individual level, the community level and the national level. Sufficiency economy is a philosophy based on the fundamental principle of Thai culture. It

is a method of development based on moderation, prudence, and social immunity, one that uses knowledge and virtue as guidelines in living. Significantly, there must be intelligence and perseverance which will lead to real happiness in leading one's life. In this royal statement, his majesty concerned that modern development which emphasized only the economic expansion might eventually lead the country to crisis. The following statement is a synthesis of the philosophy, with royal approval (Mongsawad, 2010):

*"Sufficiency economy" is a philosophy that stresses the middle path as the overriding principle for appropriate conduct by the populace at all levels. This applies to conduct at the level of the individual, families, and communities, as well as to the choice of a balanced development strategy for the nation so as to modernize in line with the forces of globalization while shielding against inevitable shocks and excesses that arise. "Sufficiency" means moderation and due consideration in all modes of conduct, as well as the need for sufficient protection from internal and external shocks. To achieve this, the application of knowledge with prudence is essential. In particular, great care is needed in the utilization of untested theories and methodologies for planning and implementation. At the same time, it is essential to strengthen the moral fibre of the nation, so that everyone, particularly political and public officials, technocrats, businessmen and financiers, adhere first and foremost to the principles of honesty and integrity..."*

The composition of sufficiency economy philosophy is explained in the Figure 1.

His majesty the king also stressed on the importance of building a 'good and stable foundation' before further progress could be developed. This means that instead of putting the emphasis on the expansion of the industrial sector prior to development, the stability of the basic economy should be established first, that is, assuring that the majority of rural people have enough to subsist first. This is a method of development that stresses the distribution of income to build the overall economic foundation and stability of the country before going on to a higher level of development.

On a personal level, the philosophy of sufficiency economy can be adopted by all people simply by adhering to the middle path. The awareness of virtue and honesty is also essential for people as well as public officials. The philosophy of sufficiency economy comprised of the three main pillars namely (1) moderation, (2) reasonableness and (3) resilience or risk management. Firstly is moderation, sufficiency at a level of not doing something too little or too much at the expense of oneself or others, for example, producing and consuming at a moderate level. Moderation does not mean a deliberate intention to curb one's growth, or an outright rejection of a sound business opportunity. Rather, it refers to a commitment to grow the business through prudent uses of resources without over-leveraging, to ensure the survival of the business. Compared to corporate governance (reasonableness) and risk management (self-immunity), sustainability (moderation) focuses on self (Sasin, 2010).

Secondly is reasonableness which is referring to the decision concerning the level of sufficiency must be made rationally with

consideration of the factors involved and careful anticipation of the outcomes that may be expected from such action. Reasonableness refers to careful considerations of direct and indirect stakeholders when making business decisions. Compared to sustainability (moderation) and risk management (self-immunity), corporate governance focuses on others (the stakeholders). The key is striving for the long-term mutual benefits of the firm and its partners. It is highlighted by a focus on relationships with all parties involved (Sasin, 2010).

Lastly is resilience or self-immunity refers to the preparation to cope with the likely impact and changes in various aspects by considering the probability of future situations. This last factor suggests the need to engage the world and its many constant changes in order to know how to defend oneself against its potential adverse, and sometimes devastating, impacts. Risk management (self-immunity) connotes a policy that mitigates business, economic, and social risks of the company. Compared to corporate governance (reasonableness) and sustainability (moderation), risk management (self-immunity) is changing focused (Sasin, 2010).

Decisions and activities must be carried out at a sufficient level depending on two conditions: Knowledge, comprising all-round knowledge in the relevant fields and prudence in bringing this knowledge into consideration to understand the relationship among the field so as to use them to aid in the planning and ensure carefulness in the operation. Virtue to be promoted, comprising the awareness of honesty, patience, perseverance, and intelligence in leading one's life (Chaipat website).

### 3. ENQUIRY METHOD

Considering the appropriateness of the subject being studied, it is considered that qualitative method would be more appropriate to the study. In accordance with this, many researches conducted under the matter of social science and business researches often use qualitative research method. This is due to the benefit of the ability of the method to enhance understanding of the reality as socially constructed, produced, and interpreted through cultural meanings (Silverman, 2001). Moreover some scholars also suggested that qualitative is an adequate method that can produce knowledge (Eriksson and Kovalainen, 2008). In addition, the application of SEP has not been fully implemented and understood by the public therefore, it is quite a difficult task to get response from the general public. This is especially true in the application for the business sector. Therefore it is quite a difficult task to attempt to gather information from large respondent from the business community. Moreover, the use of qualitative method can provide much more advantages in understanding the constructed phenomena which is better to achieve with the use of qualitative rather than quantitative research (Saunders et al., 2012). Over the past years there has also been the increasing in the research in the application of SEP. However, most researches were focused on firms with the larger scales and largely involved in the area of corporate governance. Since the application of SEP has not been widely understood by SMEs business community, it is therefore more appropriate to employ the social-constructionist approach which can place a greater emphasis on subjective, phenomenological assumptions

and principals in order to bring out different views and different perceptions as well as to increase the general understanding of the situation (Easterby-Smith et al., 2008; Yin, 2009). The sample of this research based on a group of eight SMEs business owners from mostly very small (micro SMEs) to a small to medium-sized SMEs. Each of the SME business owners underwent a session of interview which last approximately 45-60 min. The research used semi-structured interview in order to collect data and information from these SMEs business owners on the extent of their SEP application in accordance to their own experience and business operations. Longhurst (2010) also explained the meaning of semi-structured interview which comprised of verbal interchanges in which predominately use the method of questioning from the interviewees to another person in collecting useful data and information. Moreover the analytical approach for this research is interpretative. The interpretative approach is where the researchers try to explore in details on how the participants make sense of their personal and social worlds (Smith, 2008). The major stages involved during the research comprised of data coding, grounded in the terms of similarities, and data interpretation.

### 4. DATA COLLECTION

In accordance to the objective of this research which is to identify the different condition in which SEP can be applied to different aspects of SMEs business operation. The researcher is then therefore considered the different type of SMEs which is mostly appropriate to the study. As a result, the SMEs which are located in the border areas of the country seem to be the most appropriate. SMEs in border areas of Thailand and neighboring countries found to be appropriate for this study. The main justification is that these businesses are significant in term of the border trade and important for the commencement of Asean economic community. In addition, these SMEs are operating in the absence of close attention in comparison from businesses in the urban areas. These SMEs in the border area operate under the competitive pressure from the business from the neighboring countries as well as mostly rely largely on migrant workers as the basis of their labor component. In addition, during the past years there has been a very slow economic growth in the country which therefore creates much more pressures among the operation of these businesses. Nevertheless, the understanding of the application of SEP in Thai border businesses will help to shed some lights for the application of SEP for the general SMEs business overall within the country. The data collection process comprised of the two major stages which are namely sample preparation process and data collection process.

During the first phase of the sample preparation process, the researcher identified the area to which are the most appropriate. Since it was initiated that this research aimed to investigate SMEs businesses in the border areas, the interviewing samples then come from the Thai provinces which are bordering with Myanmar, Laos, Cambodia and Malaysia. Two of SMEs owners from each province were chosen with the mixture of age, experience and the size of the business. The researcher then prepared both semi-structure and open-ended interview questions and conducted interview with each business owners in accordance to the objective of the research.

Following the first stage the researcher then approached each SMEs business owner with interviewing questions. SMEs business owners were given the option whether or not they would like to participate in the research. Given the context and the element of qualitative research, each SMEs business owner were asked general opening questions in order to build rapport as well as to map out the general demographic information of their businesses. Later the series of semi-structured and open-ended questions were asked in order to collect data in accordance to the objective of the research. The details of SMEs business owner who responded to the interview can be prescribed in the Table 1 general information of the interviewees, industry, location, year of establishment, interviewees' position and the length of interview.

## 5. RESULTS AND DATA ANALYSIS

The steps in the analysis of the research results involve different stages from the first step of data coding. The information gained from the respondents was compiled into table in Microsoft Word. The data was separated into different parts which comprised of general conditions in which SMEs business owners could apply SEP. In addition, all the items were coded which related to major research question. The results of the research are outlined in the following sections which categorized and presented into different categories of findings.

### 5.1. Results

The first part of the results from this study will outline some of the information related to the major part of the research question which is "what conditions would SEP will become significant when apply to SMEs business owners?" In accordance to the table the results of the study, the findings are grouped into four major categories which comprised of (1) general economic conditions, (2) competition intensity, (3) social changes and (4) political instability. The information was taken from the results of the interview. The interviewees were asked to response to each category of major influencing factors as prescribed earlier.

### 5.2. Data Analysis

The information gained during the interview sessions with SMEs business owners showed that SEP can be applied with numerous aspects of SMEs business operations. In addition many owners showed the tendency to adopt or implement SEP as risk mitigation measurement especially during the time of turbulence couple with a number of different conditions. In accordance to the research results different conditions which allow SMEs business owners to apply SEP can be grouped into four categories.

#### 5.2.1. General economic conditions

SMEs business owners were asked to respond to the questions that whether or not which type of economic conditions would influence the adaptation or the implementation of SEP. Seven out of eight respondents reflected that SEP can be implemented during the time of hardship or during the unfavorable economic conditions. Most respondents referred to SEP as risk mitigation measurement during the time of business turbulence which characterized by moderate to low level of economic growth.

*"... (We) considered not to invest in the business line that seems too risky-that we may like to earn high profit as well as higher chance of losing our money if it does not take off. More importantly, we don't want to do thing that exceeds our current capacity...."*

*"...During the time of low economic growth, customers are reluctant to spend-especially for our service which considered being a bit of luxury. We don't want to expand during this time, it is better to be sure than sorry...."*

*"The King's philosophy of SEP can help us to carefully access our options and the consequences, especially during the time of hardship or low economic growth. We need to ensure that we do not do things (or make additional investment) that are exceeding our capacity...."*

Not only the businesses are more caution during the time of hardship resulted from low economics growth conditions, many SMEs business owners are likely to apply more caution steps for the future business plan as well as revising the existing business plan.

*"....Business partners should try to find out the consequences of borrowing to invest in future business line or business expansion. We need to make sure that we can produce enough sales to cover our current loan payment..."*

*"....Our business needs to re-examine our current stage of business and to make sure that our current business plan (and the business operation) is sound enough. Moreover, taking step into future business may have to be revised in accordance to the economic conditions...."*

#### 5.2.2. Competition intensity

The intensity of competition among the business rivals is considered to be another factor in which induces the SMEs business owners to look for ways to protect themselves from the

**Table 1: General information of the interviewees, industry, location, year of establishment, interviewees' position and the length of interview**

Industry	Location (province)	Year of establishment	Interviewees' details	Length of interview
Food and catering	Chiang Rai-Myanmar	2003	Owner	55 min
Clothing and footwear	Chiang Rai-Myanmar	1991	A son of an owner	1.03 h
Hotel and restaurant	Chiang Rai-Laos	1998	A daughter of an owner	1.25 h
Restaurant	Chiang Rai-Laos	1995	Owner	49 min
Hotel and short-term accommodation	Sa Kaeo-Cambodia	1990	Owner	1.38 h
Footwear	Sa Kaeo-Cambodia	2002	A son of an owner	47 min
Restaurant	Songkhla-Malaysia	2000	Owner	1.05 h
Hotel	Songkhla-Malaysia	1997	Owner	56 min

**Table 2: Summary of major influencing factors, consideration SEP, the application SEP and example quotation from respondents**

Major influencing factors	Consideration SEP	The application SEP	Example quotation
General economic conditions	Many SMEs consider SEP to be a risk mitigation procedure during the time of turbulence which characterized by moderate-to-low economics growth	Carefully assess the business investment or business expansion  More cautions in making future investment (i.e., business loan) and revision of current business capacity	"...(we) considered not to invest in the business line that seems too risky-that we may like to earn high profit as well as higher chance of losing our money if it does not take off. More importantly, we don't want anything that exceeds our current capacity..." "...Business partners should try to find out the consequences of taking out loan to invest in future business line or business expansion. We need to make sure that we can produce enough sales to cover our current loan payment..."
Competition intensity	Many SMEs business apply the element of "resilience" into their business operation during the time intensify business competition	Carefully access a fallback options in competing with business competition	"...One of the crucial requirements during the intensity of competitive pressure is to find a backup plan to ensure that (we) can maintain our sales. Example is during the tourist high session when many of our competitors reduce their prices. We need to have another plan such as more sales from our restaurant..."
Social change	Higher level of completion will induce more of the behavior of SMEs in seeking more sustainable way to operate the business SMEs are more vulnerable towards different change in social structure in comparison to the larger business. Most SMEs business owners look for the alternative in operating their businesses in the more moderate manner during the time of rapid social change	Many business owners identify somewhat of the factor in relation to social responsibility as the way to differentiate themselves from others Searching for the middle path in order to maintain the level of sales as well as the need to maintain their business current level of sales	"...We need to put more concern towards our partners whether they may be our customers, suppliers or financial lenders. This is the only way to show that we are different from the others (competitors)..." "...During the social change event (e.g., lesser influx of migrant worker), we experienced hardship as we have to pay more to make sure that we can keep our current workers. In comparison to the time that migrant workers were abundant and much cheaper. The business has more expenses now to ensure that we have enough service to keep our client happy..."
Political instability	Political instability was identified as another factor that can induce lesser risk taking behavior among SMEs business owners. They need to ensure that they are immune against the negative consequences as a result of political instability	The use of risk mitigation and risk forecasting procedures in order to ensure that the result of political instability will not affect their businesses in a significant way	"...We usually try to gather information from our business peers to the events in which will occur in our town. We need to find out how are these events will affect us and our businesses. We need to pay more attention to these events. In some cases we have to forecast or predict the things that are going to happen to our businesses..."

SEP: Sufficiency economy philosophy, SMEs: Small and medium-sized enterprises

effect of the intense competition. Many SMEs try to be more resilience and apply SEP into their business operation during the time of intensify competition. A number of SMEs owners reflected that they usually have to carefully access fallback options in competing with the competitors.

"...SEP can be applied in order to help us to be more resilience and lessen the undue affect resulted from the competition. If our customers stop coming to us or stop buying our products what is going to happen. The element of SEP will help us to realize that we need to have self-awareness and more importantly we need plans...."

"...One of the crucial requirements during the intensity of competitive pressure is to find a backup plan to ensure that (we) can maintain our sales. Example is during the tourist high session when many of our competitors reduce their prices. We need to have another plan such as more sales from our restaurant..."

More importantly many SMEs business owners referred to SEP as the measurement which would help them to realize that there are alternative in creating more "sustainable growth." During a high competitive pressure, many owners opted to explore on the factors that can help them to sustain business growth. They identified that

having good relationship with the business key stakeholders can help SMEs to grow in the more sustainable manner. This is also reflects in social responsibility programs in which the business should try to project good image and develop longer lasting relationship with the business key stakeholders.

*“...Intensify of competition makes us look for ways to compete differently rather than focus on who can sell the cheapest. SEP teaches us to put more concern towards social and environmental factors as well. This can boost our image especially in the eyes of customers....”*

*“...We need to put more concern towards our partners whether they may be our customers, suppliers or financial lenders. This is the only way to show that we are different from the others (competitors)....”*

*“...Social responsibility program for our SMEs business does not have to be large project. Simply donation to temples or helping disadvantages students at local schools can be considered social responsibility programs as well. In a plus side, we also can gain better image from our current customers as well as build our business network at the same time.”*

### 5.2.3. Social change

Social change is another factor that is significant in the implementation of SEP for many SMEs business owners. Social change refers to changes in nature, social institutions, social behaviors, or social relations. Being smaller sized organization with limited resources, SMEs are venerable towards different social changes in comparison to larger businesses. During the interview session all eight SMEs business owners indicated that they operated their businesses in the moderation manner during the time of social change. They seek for different alternatives in order to maintain their sales level as well as to balance the need of their customers' demand.

*“...During the social change event (e.g., lesser influx of migrant worker), we experienced hardship as we have to pay more to make sure that we can keep our current workers. In comparison to the time that migrant workers were abundant and much cheaper. The business has more expenses now to ensure that we have enough service to keep our client happy....”*

### 5.2.4. Political instability

Political instability is mentioned to be one of significant factors that can increase the overall risk for SMEs businesses. Thailand in particular experienced a number of political related events during the past years. Political instability not only cause change in government but also can cause the changes in the overall economic condition. Many SMEs business owners reflected that they need to ensure that they are immune from the negative consequences of political instability. Many owners opted for risk forecasting and simple risk management plans in order to ensure that the result of political events will not affect their businesses in a significant way.

*“...We usually try to gather information from our business peers to the events in which will occur in our town. We need to find out how*

*are these events will affect us and our businesses. We need to pay more attention to these events. In some cases we have to forecast or predict the things that are going to happen to our businesses...”*

The summary of in each category of condition can be found in Table 2.

## 6. DISCUSSION

This research has major objective to find out the conditions to which SMES business owners would like to apply the King Bhumibol Adulyadej's SEP into their business operations. Qualitative methodology was used in order to find out the answer to the main research question. The results of the study found some significant elements to which SEP can be applicable to the operation of SMEs. The finding highlights some of the important conditions to which SMEs business owners can implement SEP into their daily business operations. More importantly, SEP has great perception as risk mitigation procedure for SMEs business owners. To some certain extents, SEP found to be quite critical during the time of hardship of economic downturn. Moreover, SEP also found to be as an alternative for SMEs business owners in the search for sustainable business growth in the long run. In accordance to the research objective the conditions to which SEP will become significant when applied to SMEs business owners can be outlined in the four major aspects.

Economic condition found to be the most influencing factor of SMEs business owners to adopt SEP. Economic conditions can caused a number of different risk and these changes can also produce different type of risks which will in turn influence SMEs. Furthermore, SMEs businesses are found to be easily prone to these different conditions and risks. Risk management is majorly crucial for all type of businesses, especially to SMEs which are particularly sensitive towards business risks and competition (Blanc-Alquiler and Lagasse-Tignol, 2006). The fact that SMEs usually have low equity ratio, they can be more vulnerable to externalities than the businesses with larger size (Altman et al., 2010). Therefore, managing risks for SMEs is equally as important as or even more important than that of the larger enterprises. SEP should therefore be considered as risk management procedure in order to help SMEs business owners realize their own ability to protect themselves from these externalities. SEP can be applied to SMEs not only during the time of hardship but also during all stages of economic conditions. This is due to the element of philosophy where it allows the business owners to realize their strengths and weaknesses and to operate their businesses in the more caution manners.

The level of business competition is another influential condition which can induce SMEs business owners to look for the alternative in order to maintain their competitive level. During the time of intense business competition, SEP is not only served as risk mitigation procedure it is also significant in the way of allowing SMEs business owners to create more sustainable growth in the future. Growth can be used as performance measuring criteria for SMEs and that growth is considered to be the significant criteria (Salojarvi et al., 2005).

Some researchers may yet argue that growth may not be as significant factors to SMEs. Whereas they are arguing that the business goals of many SMEs may be determined by personal lifestyle or family factors instead of business growth (Curran, 1986; Stanworth and Curran, 1986). Nevertheless, it is still quite crucial to examine SMEs growth in terms of its success and its sustainable future growth.

The third condition that influences the adoption of SEP for SMEs is social change. The definition of social change extensively covered larger area of changes in the social order of society. The changes in social structure can cause large impact on SMEs business. Again, one of the three pillars, moderation, can help SMEs business owners to protect themselves from many of the external factors in which can cause the undue affect to the business as a whole. One of the significant factors found during this research was regarding to staffing. Staffing is the factor that is largely influenced by the change in social structure as witnessed by the change in the structure of migrant workers. Moreover, SMEs business usually witness higher turnover rate among the employees (Huder and Lussier, 2016).

Political instability is the final condition in which this study examined. Political instability can influence the overall business and economic level within a country in a significant way. Political instability has been regarding as the factor which is harmful to economic performance. Moreover, political instability can cause to shorten the policy makers' horizontal view and leading to suboptimal short term macroeconomic policies (Aisen et al., 2011). All of the pillars of SEP can assist SMEs business owners, especially to be more resilience towards any type of risks or negative influential that can cause undesirable affect to the business. In this aspect SMEs business owners can adopt the element of SEP in the way to effective managing these different types of risks. This is also refer to the fact the SMEs business should become more proactive toward risk management. As evidence in the work by Brustbauer (2016) which was found that many SMEs are now stepping toward a proactive approach to risk management.

## 7. CONCLUSION AND IMPLICATION

Small to medium- SMEs have been important to the Thai economy. Over the past years there have been a number of changes and event which influence SMEs business operation. Given the size and limited resources as characterized by many SMEs, they are easily prone to externalities than larger-sized businesses. Over the years, SEP has been one of the philosophical thinking's that proven to help those who apply with stand any pressures from externalities. In this research, it also shows that SMEs business owners can apply and implement SEP into their business operation.

Moreover, the result of the study reveals a number of conditions in which SEP can be applied including: general economic conditions, competition intensity, social changes and political instability. More importantly, SEP can be used not only as risk mitigation procedure for SMEs but also as the way to create future sustainable growth for the business. Referring to the research results, the government and the policy makers can assist SMEs business owners to the potential benefit and apply SEP to business operation not only during the time of turbulence but SEP should be applied as the

basis of business operation. SEP can help SMEs to realize their own strengths and weaknesses as well as considered to be a factor that can lead SMEs to the more sustainable future growth.

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