



Asia-Pacific
Economic Cooperation

SAOWALUCK SHIMADA AND THAI TATAMI PRODUCTS

One afternoon, Saowaluck, a Thai businesswoman with a Japanese family name, was sitting alone in her spacious and comfortable office in Chiang Mai Province, the major city of northern Thailand, located about 696 kilometers from Bangkok, the capital of the country. She was looking at all the plaques she had been awarded on different occasions for her social contributions and business successes, including the Prime Minister's Award on business initiative given in March 2003. She had come a long way and had weathered the ups and downs, struggling and enjoying since she started her own business in 1986. Saowaluck herself did not think that she had attained high business success. She still faced some problems and challenges everyday. However, she was willing to share her experiences with those who were interested to learn.

Saowaluck was born in 1953 to one of the successful business families in Bangkok. Her family gave very high value to education; they thus supported her to get the best education a diploma in Business Administration in Bangkok and a Bachelors degree in Hotel and Tourism Management from Okayama Daikakku University in Japan. After coming back from Japan, she got a job as the secretary to the managing director of a Thai-Japanese joint venture running a mining business at Mae Chaem District in Chiang Mai. The managing director, a Japanese, would later play a very important role in Saowaluck's life.

The Thai-Japanese joint venture exported all of its products to Japan in 1980 – 1985. After that, the Japanese market started to have problems. The Japanese customers found the imports from China cheaper and in more abundant supply. The joint venture was consequently dissolved.

While the joint venture was going through a hard time, Saowaluck worked closely with the company's managing director, Mr. Mazaharu Shimada. The two had the opportunity to know each other much better and found out that they had common

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beliefs and interests. The two got married, and both became unemployed after the liquidation of the joint venture.

New Career, New Business

After being an employee for many years, Mazaharu and Saowaluck had to decide on new careers. Considering their age and working experience, they believed that it was not a good idea to work for other people anymore. However, what business should they set up? They scanned the environment and came up with a new business idea. Saowaluck shared that:

At that time we saw that Chiang Mai and the northern part of Thailand could be very attractive to tourists. The tourism business would have promising opportunity. Nonetheless, the existing travel agents did not provide services with international standards. With my educational background in hotel and tourism management together with Mazaharu's good understanding of the Japanese people, we would be able to provide good services to the Japanese tourists who visited Chiang Mai and northern Thailand.

Saowaluck and Mazaharu did not only bring out their strengths to develop a new business; they also had a vision of doing things with clear focus – only Japanese tourists, and only the northern part of Thailand. “No one is good at everything, and everywhere. We had to think it out, then chose only what we could do best, or do better than others,” said Saowaluck.

Mazaharu and Saowaluck set up Sarika Tour Co., Ltd. in 1986. Both of them were running the company together. Saowaluck considered herself very lucky as Mazaharu had adjusted his traditional Japanese belief and agreed to have his wife work at the same time. She appreciated his support and tried to balance her tasks as a housewife and managing the business. Along with the growth of the tourism industry, Sarika Tour continued to grow and contributed to the development of the northern Thailand economy.

Mazaharu and Saowaluck were enjoying the success and expansion of Sarika Tour until the Gulf War broke out in 1992. Not even one customer came to Chiang Mai during that time while the company had 80 people on full-time payroll.

We had to look after our employees although we did not have any income. They had been devotedly working for us during good times. When hard times came, it was our responsibility to keep them and their families well. We were paying our employees every month for six months during the crisis. At the same time, we were looking for a new business that would not easily be affected by the fluctuation of the external environment, in order to save the company and the employees.

Even though the war had seriously affected their business, Mazaharu and Saowaluck still had high morale to search for another new business.

Thai Handicraft from Japanese Rush

If you don't give up, you will get some support one day and find your way to success. Nobody will be willing to give help to those who don't help themselves first.

After looking for new business opportunities for a few months, Saowaluck was fortunate to meet one Japanese tourist who was the president of one Japanese *tatami* mat¹ manufacturer. The Japanese businessman told Saowaluck of his interest in expanding *tatami* rush plantation overseas because the planting areas in Japan were very limited and entailed high labor cost. At the same time, demand for *tatami* mats was growing. In accordance with Japanese culture, every Japanese house must have *tatami* mats.

Saowaluck found it very interesting to try to grow *tatami* rush in Chiang Mai. She therefore went to Japan to bring *tatami* strains, Ikusa, to grow in Thailand. The first five trays of strains could be planted for about ten rais (1 acre = 2.5 rais). The climate and soil condition in the suburb of Chiang Mai helped produce much finer stems with more strength than in Japan. Saowaluck and Mazaharu felt that they were on the right track. They were not however very confident about what they were doing. "Whatever we do, especially new things, we have to really learn and have good understanding of it, in order to be able to see how to do it well and succeed."

Mazaharu decided to go to Furashiki town in Japan to seriously learn about *tatami* plantation. He discovered that sandy soil was most appropriate for growing *tatami*. When he returned to Thailand, he set up a research team, comprising of Japanese and Thai experts, to do experiments on *tatami* planting in the Fang District in Chiang Mai. Both Mazaharu and Saowaluck grew *tatami* sprouts and transplanted these themselves. They ended up with a stock of *tatami* stems valued at about one million baht.

Having the raw materials to produce *tatami* products in Chiang Mai, Saowaluck went to Japan again, this time, to negotiate the purchase of equipment for *tatami* mat production from one of the four leading Japanese *tatami* mat producers. Saowaluck and Mazaharu then started to grow *tatami* rush on a commercial scale at Mae Hia Community, Hang Dong District, in Chiang Mai. A training center for *tatami* plantation was later set up in this area.

In 1993, Mazaharu and Saowaluck established the Thai Tatami Products, Co., Ltd. with a registered capital of 4 million baht to take care of the plantation, production, and marketing of the products. Mazaharu and Saowaluck agreed to have clear division of responsibilities between them. Mazaharu mainly ran Sarika Tour Co., Ltd. with support from Saowaluck, if necessary. Similarly, Saowaluck gave her priority to Thai Tatami Products while getting help from Mazaharu when needed.

¹ *Tatami* mats are rush covered straw mats which are traditional Japanese floor coverings.

Another Hard Lesson

During the first year of operations, Thai Tatami Products planted 20 rais of *tatami* rush. Saowaluck exported all of her first batch of products to Japan. All of these products were unfortunately shipped back as the Japanese partner claimed that the products did not meet the required standards. In addition, they were more expensive than those from China.

We thought that we had learned enough about *tatami* products as well as the agreements with business partners. We learned the hard way and lost a lot of money. However, we did not give up hope. Firm family support and support from the employees helped us have enough strength to work harder to find out how to improve our work and head towards our goals.

Handicraft production is not as simple as someone might think. It requires high investment and goes through many steps and details. The management becomes even more complicated when villagers participate in the production. Saowaluck considered the Department of Industry Promotion (DIP), Ministry of Industry as a good source of assistance to help her solve the problems. She went to DIP in Bangkok to ask for a team of experts and support to train village housewives to produce quality products. DIP saw the potential contributions of Thai Tatami Products to the farmer communities in terms of additional income generation as well as to the Thai home-product industry. Therefore, DIP agreed to support Saowaluck with experts and budget for training in Chiang Mai.

Saowaluck also went to the Department of Skills Development, Ministry of Labor and Social Welfare, to get support for more training for the village housewives.

There are a lot of government agencies supporting new entrepreneurs and SMEs in many aspects. Business people need to know them and tap them in order to best utilize government facilities to help and develop the business. They are there, waiting for you. You have to work with them.

Consequently, Thai Tatami Products significantly improved its products and its export sales. Nevertheless, Saowaluck tried even harder. She visited leading department stores in Bangkok, both Thai and Japanese, to ask them to carry her unique and quality products in their stores to serve Japanese tourists. Finally, she succeeded. Moreover, to reach more customers and to build product awareness, Saowaluck participated in trade exhibitions organized by DIP as well as by the Department of Export Promotion (DEP), both domestically and internationally.

Keep on Learning and Improving

Saowaluck knew that developing the skills of village housewives was very important, not only for her own business but also for community and social development. She thus gave high priority to visiting and observing groups or associations of village housewives throughout Thailand, especially in the northeastern region where there was a big number of active groups. She then brought back the

experience she had and improved the groups in Chiang Mai through continuous training. Nevertheless, she was faced with the problem of dealing with the village culture and attitude. People in farming villages still did not understand the business culture well enough. They stopped working when they had to work in their farms or to attend social functions although they had deadlines to finish the work. Saowaluck had to work with them more, to help them have better understanding and later have willingness to adjust to the requirements of the job.

Even though Thai Tatami Products had increasing sales, there were always some inventories. Saowaluck saw the Chiang Mai Annual Winter Fair as the best outlet for her products. She herself did all the work to sell the *tatami* products at the Fair, and it proved to be the best way to get people to know the products and the brand, as well as to dispose of stock.

Key Successes

Thai Tatami Products has proved to be a very good contributor to add high value to Thai raw materials and community workforce. Its operations covered the whole range of production cycle: rush plantation, tatami mat production, extended *tatami* products production, and marketing as well as export. As of 2003, she has grown over 100 rais of rush and produced more than 600 designs of tatami products - ranging from mat and mattress to cushion, bag, purse, slipper, and so on. Saowaluck summed up the key to their success:

To be good at anything, we have to thoroughly learn about it. Then we practice, evaluate and improve until we reach satisfactory solutions. At Thai Tatami Products, we emphasize high product quality. We have to develop modern, unique product designs which are practical, for both the main products and packaging. We are now adding health-care aspects to our products to keep up with the trend of people being more health conscious.

Presently, we have 179 people, mostly working in marketing and export to distribute our products in Thailand and overseas. Forty percent of our products are channeled to Bangkok through consignment with leading department stores, such as Central, Isetan, Tokyo. The other 60 percent are exported to Asia, Europe and the U.S.

We strongly believe in fairness towards our employees, business partners, customers and communities. It is not possible for anyone to live happily forever among suffering people and a degraded environment. We need to live together, caring and sharing with each other. We, at Thai Tatami Products, are always active in social activities – women skills development, new business development, education and support for the elderly.

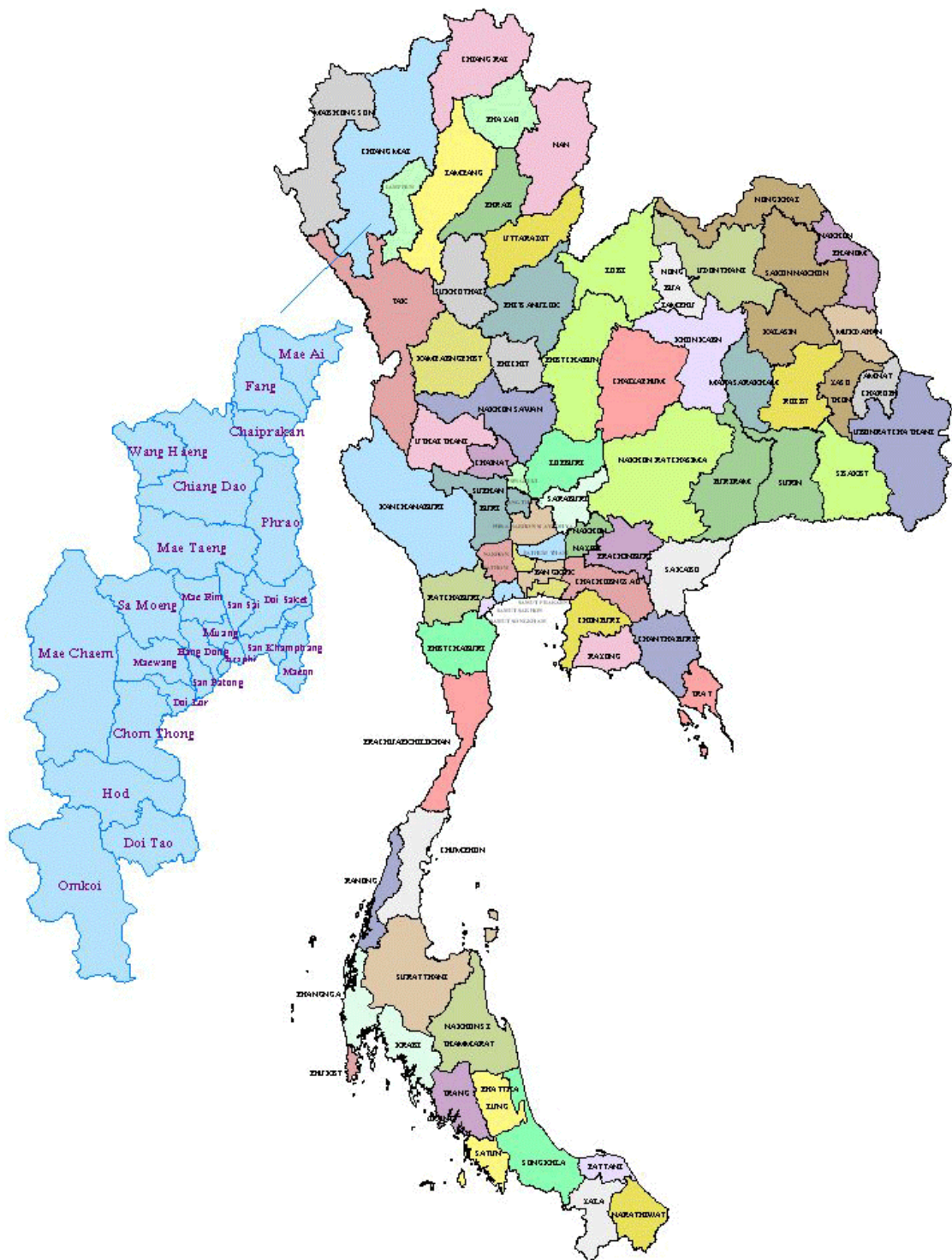
Now in her early 50s, Saowaluck still has a strong mind and a lot of energy to do her various jobs as CEO of Thai Tatami Products, Sarika Tour, and Phumpathai and as the Vice President of Tourism and Home Industrial for the Chiang Mai Chamber of Commerce, among others. She is ready for either more awards or challenges.

APPENDIX I

A. Brief Information on Thailand and Chiang Mai*

Total area of kingdom of Thailand	:	513,115 sq.kms. (198,114 sq. miles)	
Population (2002)	:	62.8 million	
Currency unit	:	baht	
Exchange rate (2002)	:	Average value for the year	
• Baht / U.S. \$ (buying)	:	42.8 baht / US\$	
• Baht / U.S. \$ (selling)	:	43.1 baht / US\$	
Gross Domestic Product (2002)	:	5,430,466 million baht	
GDP per capita (2002)	:	86,473 baht	
Regional structure	:	8 regions,	76
provinces			
		Bangkok	1
province			
		Vicinity of Bangkok	5
provinces			
		Central	6
provinces			
		Eastern	8
provinces			
		Western	6
provinces			
		Northeastern	19
provinces			
		Northern	17
provinces			
		Southern	14
provinces			

* Source : Alpha Research Co., Ltd., *Pocket Thailand in Figures*, 6th ed., Bangkok, Thailand, 2003.



B. Map Of Thailand and Chiang Mai Province

C. Land Area by Region

Region	Area (sq.kms.)	% of total
Bangkok	1,565	0.3
Vicinity of Bangkok	6,193	1.2
Central	16,594	3.2
Eastern	36,503	7.1
Western	43,047	8.4
Northeastern	168,854	32.9
Northern	169,644	33.1
Southern	70,715	13.8
Whole kingdom	513,115	100.0

D. Population by Region: As of Dec. 31,2002

Region	Population (million)	% of total
Bangkok	5.8	9.2
Vicinity of Bangkok	3.9	6.2
Central	3.0	4.8
Eastern	4.3	6.8
Western	3.6	5.8
Northeastern	21.6	34.4
Northern	12.2	19.4
Southern	8.4	13.4
Whole kingdom	62.8	100.0

E. Five largest provinces:

Unit: sq.kms.

Rank	Region	Area	% of total
1	Nakhon Ratchsima (Korat)	20,502	4.0
2	Chiang Mai	20,011	3.9
3	Kanchanaburi	19,498	3.8
4	Tak	16,420	3.2
5	Ubon Ratchathani	15,907	3.1
	Others	420,754	82.0
	Whole kingdom	513,115	100.0

F. Five most populous provinces, 2002

Rank	Region	Population (million)	% of total
1	Bangkok	5.78	9.2
2	Nakhon Ratchsima (Korat)	2.58	4.1
3	Ubon Ratchathani	1.79	2.9
4	Khon Kaen	1.77	2.8
5	Chiang Mai	1.60	2.5
	Others	49.28	78.5
	Whole kingdom	62.80	100.0

G. Minimum wage per day By Province, 2002 – 2003

Unit: baht / day

Province	BOI investment zone	Effective date	
		Jan. 1, 2002	Jan. 1, 2003
Bangkok	1	165	169
Chiang Mai	3	143	143
Nakhon Ratchsima (Korat)	3	143	145
Other provinces	2 or 3	133	133

H. Average wages of employees in private sector By type of wage, By Province, 2001

Region / Province	Average daily wage (baht / day)	Average monthly wage (baht / month)
Whole kingdom	146.1	8,804.5
Bangkok	192.0	12,218.0
Vicinity of Bangkok	176.7	9,985.2
Northeastern	122.4	4,744.5
Nakhon Ratchsima (Korat)	130.6	5,967.3
Northern	125.6	5,147.8
Chiang Mai	127.8	5,516.1