Volume 4 Number 1, January – June 2017

Stamford International University
Research and Development Center
16 Motorway Road, Prawet, Bangkok 10250, Thailand
Telephone +66 02 769 4000

© Stamford International University 2015

ASEAN Journal of Management & Innovation
Volume 4 Number 1
January - June 2017

PERIODICITY
Twice Yearly
First Issue: January – June
Second Issue: July – December

Website: ajmi.stamford.edu

All Correspondence should be addressed to:
ajmi@stamford.edu

ISSN 2351-0307

<u>AJMI Statement of Editorial Policy</u>

The goal of the *ASEAN Journal of Management & Innovation* (AJMI) is to publish insightful, original and timely research that describes or potentially impacts management and/or innovation that has the potential to be applied in the ASEAN context. Topics that are either distinctly ASEAN-related, or are regional or international in scope are encouraged. AJMI is multidisciplinary in scope and interdisciplinary in research methodology and content. AJMI accepts papers that initiate or redirect a line of inquiry as well as papers that provide new insights into previous work.

Volume 4 Number 1, January – June 2017

Editor in Chief

Dr. Apitep Saekow — Stamford International University, Thailand

Senior Consulting Editors

Dr. Andrew David Leslie Scown — Stamford International University, Thailand

Editorial Advisory Board

Prof. Dr. Rahmah Rahmah binti Mohamed	INTI International University
Prof. Josu Takala	University of Vaasa, Finland
Assoc. Prof. Dr. Kosoom Saichai	Rajapruk University, Thailand
Assoc. Prof. Dr. Pongjan Yoopat	Rangsit University, Thailand
Assoc. Prof. Dr. Tippaporn Mahasinpaisan	Panyapiwat Institute of Management
Assoc. Prof. Napat Watjanatepin	Rajamangala University of Technology Suvarnabhumi, Thailand
Dr. Lavanchawee Sujarittanonta	Stamford International University, Thailand
Asst. Prof. Dr. Sa-ard Banchirdrit	Stamford International University, Thailand
Asst. Prof. Dr. William Philip Wall	Stamford International University, Thailand
Dr. Alexander Franco	Stamford International University, Thailand
Dr. Ake Choonhachatrachai	Stamford International University, Thailand
Dr. Bampen Maitreesophon	Stamford International University, Thailand
Dr. Rachaya Pakdeejit	Stamford International University, Thailand

Managing Editor

Hathai Kateratorn — Stamford International University, Thailand

Volume 4 Number 1, January – June 2017

Editorial

Dear readers,

On behalf of ASEAN Journal of Management & Innovation (AJMI) editors, it is a great honor for me to welcome all readers to this edition Volume 4 Number 1 (V4N1). As the AJMI has been placed in the ASEAN Citation Index (ACI) for two consecutive years, it is a time to look forward to a next success on indexing AJMI to a higher international rank. For year 2017, Thai Citation Index (TCI) has selected our AJMI as a potential journal of the TCI project for SCOPUS indexing preparation. This indicates another successful step of AJMI. Therefore I would like to take this opportunity to offer a word of great thanks to our authors, our readers, our contributors, and our editorial board for their continued support of the journal and consistently high-quality content from outstanding contributors.

This issue (V4N1) continued to publish high quality of the selected articles in the diverse fields of international business, entrepreneurship, marketing, management, finance and education. The articles outline research outcomes on trade facilitation in ASEAN focusing on Japanese case of import cargo, entrenched CEO in aspects of loss aversion behavior on dividend policy in Thailand, factors influencing entrepreneurial innovation capability in jewelry business in Thailand and the related research on M-Commerce on an integration of cognitive and affective factors describing satisfaction and loyalty. From the interesting managerial and marketing aspects, the articles explore the establishment of a survey research conceptual framework on management, perceptions of consumers in Thailand towards purchasing products made in China and modern managerial accounting capability of textile expert business in Thailand. One interesting article presents an empirical investigation of corporate governance and cost of capital from a case of Thai listed companies. Other impressive papers investigate the research cases of Thailand on the microfinance trust factor of the village fund case, the examination of relationship between SHRM roles, human resource professional and performance of private hospitals, and antecedents of employee creativity management capability with the empirical evidence from furniture exporting business. Related to educational research, this issue accepted the interesting articles that investigate the exploring sources of the university’s awareness and contact channels used among prospective students and culturally leading diverse teachings on leadership style and job satisfaction of multinational teachers.

As always, the success of this journal is built on the efforts of all the authors, reviewers, editors and the AJMI staff and my special thanks to all for great support and contribution to this journal. Also, my great thanks to Dr.Alexander Franco for your continued submission of the book reviews. I always look forward to our continuing relationship and to receiving your future contributions to our AJMI which makes a valuable scholarly contribution to our academic and research community. If you have any comments, please do not hesitate to send an email to: research@stamford.edu and/or visit the website: http://ajmi.stamford.edu.

Thank you for your continued support of the AJMI.

Sincerely yours,
Apitep Saekow, Ph.D.
Editor in Chief
ASEAN Journal of Management & Innovation

ASEAN Journal of Management & Innovation

Volume 4 Number 1, January – June 2017

Contents

Volume 4 Number 1, January – June 2017

Book Review

Guideline for Authors

ASEAN Journal of Management & Innovation
Vol. 4 No. 1, 1 – 16
©2015 by Stamford International University
DOI: 10.14456/ajmi.2017.1
ajmi.stamford.edu

Trade Facilitation in ASEAN: Evidence from Japanese Affiliates' Import Cargo Release Time

Hirotoshi ITO
Pridi Banomyong International College, Thammasat University, Thailand
JETRO Bangkok, Japan External Trade Organization, Thailand
Hirotoshi_Ito@jetro.go.jp

Abstract

With the completion of substantial tariff elimination intra region, ASEAN policy makers' focus has shifted drastically towards trade facilitation. Meanwhile, for the private sector in ASEAN, effective trade facilitation measures are placed at the most important and anticipated measures among those wide-ranged initiatives taken by ASEAN. In line with the interest and expectation of private sectors in ASEAN, this study focuses on import related procedures in ASEAN member states, in particular, time taking for the import cargo release at the ports/airports. In contrast to a number of prior studies in this field those which focus on country-to-country comparison, the measurement of the impact of import facilitation, this paper will investigate how firm characteristics are related to import cargo release time. The estimates from the regression found that, among other characteristics, increase in 1) number of the employee, 2) age (a period after the establishment), and 3) share of exports in total sales will lead to the reduction of average time (in days) required for cargo release. Following the result, it is derived that ASEAN's policy implementation for customs facilitation should be more focused on supporting small and medium enterprises or newly established firms, encouraging effectual export promotion schemes, expanding intra-ASEAN trade, and the composition of them.

Keywords: ASEAN; Trade Facilitation; Release time; Customs clearance; Japanese affiliates

Introduction

While officially announcing the establishment of ASEAN Economic Community (AEC) at the end of 2015, ASEAN leaders adopted the AEC Blueprint 2025, which provides visions and broad directions of next phase of integration during the period from 2016 to 2025. Subsequently in August 2016, ASEAN Economic Ministers (AEMs), with recognizing the state of progress, announced the implementation and monitoring mechanisms for the AEC Blueprint 2025, and adopted nine strategic Action Plans covering major pillars of integrations. In the 'AEC 2025 Strategic Action Plans for Trade in Goods,' which stipulates a series of continuous trade liberalization measures, trade facilitation is a key area of focus for ASEAN member states. While AEMs have adopted the action plan in August 2016, they emphasized ASEAN's continued commitment to enhance trade facilitation through implementation of various initiatives such as simplifying or expediting the customs related procedures.

Reviewing the key achievements in the field of trade in goods through the last AEC Blueprint 2015 initiatives, the community's six earlier members - Brunei, the Philippines, Indonesia, Malaysia, Thailand, and Singapore - had practically abolished tariffs on almost all items, i.e., 99.2% of all products on average. The four later members - Cambodia, Lao PDR, Myanmar, and Vietnam (CLMV) also eliminated tariffs for 90.8% of all products by 2015. Consequently, 96% of all items traded among the 10 ASEAN member states have come down to zero tariffs. This made ASEAN one of the world's most liberalized free trade areas. Furthermore, by 2018, the average percentages of tariff elimination in CLMV countries and ASEAN 10 countries will be 97.8% and 98.7%, respectively.

With the completion of substantial tariff elimination within ASEAN region, the discussion of trade facilitation has become even more important in today's trade liberalization, expansion, and development contexts in ASEAN. In other words, substantial achievements in tariff reduction shifted ASEAN policy makers' focus drastically towards trade facilitation. As stipulated in ASEAN Trade Facilitation Framework, which officially adopted in August 2016, "trade facilitation is a recognized driver of economic development and regional integration. It plays a key role with respect to the realization of establishing ASEAN as a single market and production base."

Meanwhile, in the private sectors in ASEAN, effective trade facilitation measures are placed at the most important and anticipated measures among those wide-ranged initiatives taken by ASEAN through AEC Blueprint. According to JETRO (2015), as shown in Table 1, 53.8% of Japanese affiliated firms operating in ASEAN expect "Simplified customs related procedures" to be achieved through AEC initiatives, which is the highest expectation.

Table 1: Expectations for the AEC among business sectors in ASEAN (%)

Rank	Answers (Multiple choices from 17 key measures under AEC Blueprint 2015)	2014 Survey	2015 Survey
1	Simplified customs related procedures (etc. Unified customs declaration documents, and introduction of a single-window system for import and export)	63.9	53.8
2	Mutual duty exemption among CLMV (Cambodia, Laos, Myanmar and Vietnam)	29.6	26.9
3	Avoidance of double taxation and correction of irregular withholding tax rates	32	25.8
4	Integration of interpretation and management concerning the rules of origin	28.2	25.6
5	Free movement of skilled labor	24.7	20.9
6	Infrastructure development in CLMV	15.9	20.9
7	Reduction of non-tariff barriers (license requirements and mandatory standards)	23.3	18.3
8	Relaxation of capital control in the service sector (ASEAN corporations at most 70%)	16	17.7
9	Introduction of harmonized standards, certification and labeling system for the ASEAN nations	20.9	15.7
10	Further deregulation of capital transfers (Financing by cross border, reinforcement of investment system by regional headquarters, etc.)	17.6	13.9

Source: JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania (Dec. 2014, Dec. 2015) , Number of valid answers: 1987 for 2014 survey, 2067 for 2015 survey

In line with above expectation and interest of private sectors in ASEAN, this paper focus on import related procedures. In particular, time taking for the import cargo release at the ports/airports is examined. It may include the time for customs clearance, duty payment, cargo handling, examination if applicable, procedural requirement for other government agencies, and inaction time. In contrast to a number of prior studies in this field that focus on country-to-country comparison, the measurement of the impact of import facilitation (reduction of time), or the investigation of the bottlenecks in each division of import procedure, this paper will investigate how firm characteristics are related to import cargo release time. In this paper, import cargo release time indicates the time (in number of days) from the arrival or goods to the port/airport to the release of them after clearance, in importing. Specifically, this paper will analyze for Japanese affiliates in Southeast Asian developing countries. To do that, this paper employs a unique dataset that was collected by the Japan External Trade Organization (JETRO).

The survey, named "Survey on Business Conditions of Japanese Companies in Asia and Oceania," has been conducted since 1987 and has collected basic information on Japanese affiliates' activities, such as the breakdown of their export destinations and procurement sources. In the survey for 2016, JETRO for the first time asked the average cargo release time in importing. Exploiting the answer to this question, this paper examines what kinds of Japanese affiliates experience the longer time in import procedure at the port/airport. In particular, we shed light on the firms' characteristics such as size, years in operation, export ratio, partnership with indigenous firms, and investigates whether those characteristics correlates significantly with release time.

There are already a number of research reports and datasets that identify, monitor, and evaluate the performance of trade facilitation in ASEAN member states. Performance indicators include time needed for customs clearance, number of documents for export/import procedures, degree of electronization, number of license or restrictions, and cost in each stage of transactions. In this regard, international organizations represented by the World Bank, World Customs Organization (WCO), Asian Development Bank (ADB), or the United Nations, are notably prominent with its capacity of extensive country-wise data collection from relevant organizations. In line with those prior studies, this paper stands on the recognition of the impact of efficient trade facilitation on the improvement of business operations through cost and time reductions. According to ADB and UNESCAP (2013), intraregional trade could increase by over $250 billion (or about 21%), assuming that trade facilitation reforms in port and customs efficiency, domestic regulations, and the e-business environment can bring countries in Asia and the Pacific with below-average trade performance closer to the regional average.

In addition, this paper related to at least two literatures. First, there are several studies that examine the effects of trade facilitation on performance indicators such as trade amount. Some studies have examined its effects on trade (Feenstra and Ma, 2014; Persson, 2013; Hornok and Koren, 2015). Country- or firm-level studies on the effects of customs clearance time on trade include Djankov, Freund, and Pham (2010); Freund and Rocha (2011); Portugal-Perez and Wilson (2012); Dollar, Hallward-Driemeier, and Mengistae (2006); Li and Wilson (2009); Shepherd (2013). As a result, these studies found a significantly negative effect of custom clearance time on trade. There are also some firm-level studies that use actual shipment dates to measure the time in customs clearance, as in this paper. While Martincus, Carballo, and Graziano (2015) investigate the effects of customs clearance time for export on firm-level export performances, the effects of customs clearance times for import on firm-level imports performances are examined in Carballo et al. (2016a; 2016b) and Fernandes et al. (2015). Similarly, Hayakawa et al. (2016) examine the effects of customs clearance time for import on firm-level export performances. These studies found negative effects on export or import performances. Contrast to these studies, this paper investigates how release time is related to firm characteristics.

Second, Hillberry and Zhang (2015) empirically investigates how customs clearance time is related to country characteristics. More specifically, they examine the effects of country characteristics on customs clearing time. As a result, they found that of the 12 policy bundles, the good governance and impartiality indicator is most clearly related to customs clearance time. On the other hand, this paper sheds light on firm characteristics rather than on country characteristics. Thus, the findings from this study will provide some novel insights on how customs clearance time is determined.

The rest of this paper is organized as follows. After explaining our empirical framework in Section 2, Section 3 introduces our estimation results on the correlation of several variables of firm characteristics with release time. Last, Section 5 concludes the paper.

Empirical Framework

In this section, empirical framework to examine the role of firm characteristics in cargo release time in importing is explained. Sample affiliates are restricted to Japanese affiliates locating and operating in ASEAN member states who get engaged in importing. Therefore, this study select the explanatory variables from among variables that are available in our dataset and were examined in the firm-level studies on overseas affiliates (e.g., Hanson et al. 2005; Kimura and Kiyota, 2006; Kiyota et al., 2008). Specifically, this study estimate the following equation by the ordinary least square (OLS) method:

$$\begin{aligned}\ln Days_{ics} = {} & \beta_1 Parent_i + \beta_2 Consumer_i + \beta_3 Local_i + \beta_4 \ln Age_i + \beta_5 \ln Labor_i \\ & + \beta_6 LIntesity_i + \beta_7 Export_i + \gamma_1 Imp\_ASEAN_i + \gamma_2 Imp\_China_i \\ & + \gamma_3 Imp\_Japan_i + \gamma_4 Imp\_Asia_i + \gamma_5 Imp\_Europe_i + \gamma_6 Imp\_US_i + \mathrm{u}_c + \mathrm{u}_s \\ & + \epsilon_{ics}.\end{aligned}$$

$Days_{ics}$ indicates the average number of days for cargo release at the port/airport in importing reported by affiliate *i* in country *c* in sector *s*. We estimate the above equation for Days in sea and air transportation separately.

This paper introduces various kinds of firm characteristics. $Parent_i$ is a dummy variable that taking the value one if affiliate i's parent firm is a large-sized firm and zero otherwise. $Consumer_i$ is a dummy variable that taking the value one if affiliate i's main customer is not firms but consumers and zero otherwise. $Local_i$ is a dummy variable that taking the value one if affiliate *i* is a joint venture with indigenous firms and zero otherwise. Age_i is affiliate i's age, i.e., 2017 minus affiliate i's entry year. $Labor_i$ is the number of employee in affiliate i. $Export_i$ is a share of exports in total sales. This paper also introduces various import dummy variables including ${Imp_{ASEAN}}_i$, ${Imp_{China}}_i$, ${Imp_{Japan}}_i$, ${Imp_{Asia}}_i$, ${Imp_{Europe}}_i$, and Imp_US_i, and each variable takes the value one if affiliate *i* have any import from ASEAN, China, Japan, the other Asian countries, Europe, and the U.S. and zero otherwise respectively. Last, country fixed effects (u_c) and sector fixed effects (u_s) are introduced.

The source of data used in this paper is the JETRO survey, "Survey on Business Conditions of Japanese Companies in Asia and Oceania." This survey has been conducted annually since 1987 to understand the current business activities of Japanese-affiliated companies operating in Asia and Oceania and to disseminate those findings widely. In this paper, the survey data of the 30th survey conducted in October-November 2016 is used. In the 2016, questionnaires were sent to more than 10,000 Japanese affiliates operating in those regions, and 4,642 valid responses were received. JETRO is a quasi-governmental organization and survey participation is not mandatory. Nevertheless, the survey has a sufficiently high response rate of more than 40%. In 2016 survey, as shown in table 2, there are 2,582 respondents from nine ASEAN member states (Thailand, Malaysia, Singapore, Indonesia, the Philippines, Vietnam, Cambodia, Lao PDR, and Myanmar), 1,258 from Northeast Asia (China, Korea, Taiwan, and Hong Kong), 522 from South Asia (India, Bangladesh, Pakistan, and Sri Lanka), and around 280 from Oceania (Australia and New Zealand). Meanwhile, Respondents belong to 17 sectors of business as shown in Table 3 (11 in manufacturing sectors and 6 in non-manufacturing sectors), being aggregated from total 39 sub-sectors.

Table 2: Number of firms surveyed by locating country (firms)

	Firms surveyed	Firms responding		Category		Valid responses (%)
		Valid	(%)	Manufacturing	Non-Manufacturing	
Total	**10,983**	**4,642**	**100**	**2,335**	**2,307**	**42.3**
ASEAN	7,019	2,582	55.6	1,401	1,181	36.8
Thailand	2,176	695	15	395	300	31.9
Vietnam	1,285	639	13.8	409	230	49.7
Indonesia	1,001	359	7.7	222	137	35.9
Singapore	824	315	6.8	77	238	38.2
Malaysia	941	287	6.2	169	118	30.5
Philippines	357	103	2.2	60	43	28.9
Cambodia	248	91	2	38	53	36.7
Myanmar	144	74	1.6	20	54	51.4
Laos	43	19	0.4	11	8	44.2
Northeast Asia	2,507	1,258	27.1	594	664	50.2
China	1,379	604	13	388	216	43.8
Hong Kong /Macau	388	270	5.8	45	225	69.6
Taiwan	531	209	4.5	80	129	39.4
South Korea	209	175	3.8	81	94	83.7
Southwest Asia	994	522	11.3	262	260	52.5
India	795	411	8.9	203	208	51.7
Bangladesh	121	54	1.2	32	22	44.6
Pakistan	42	31	0.7	17	14	73.8
Sri Lanka	36	26	0.6	10	16	72.2
Oceania	463	280	6	78	202	60.5
Australia	317	202	4.4	56	146	63.7
New Zealand	146	78	1.7	22	56	53.4

Source: 2016 JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania

Table 3: Number of firms surveyed by Sector (Industrial Category) (firms)

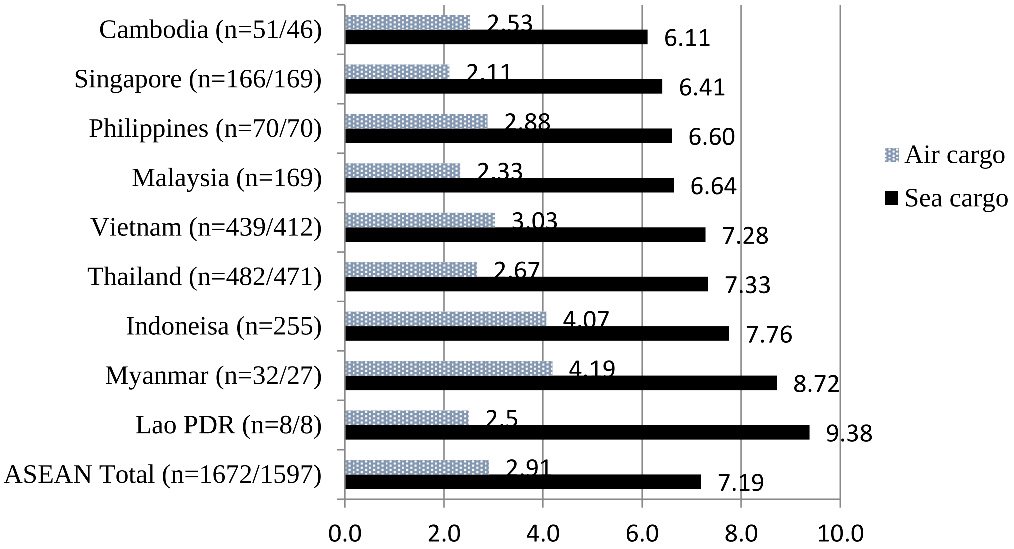
Sectors (industries)		Valid Responses	% in total
Manufacturing sector		2,335	50.3
	Motor vehicles/Motorcycles	407	8.8
	Electric machinery	379	8.2
	Chemical/Pharmaceutical	344	7.4
	Iron/Nonferrous metals/ Metals	335	7.2
	General machinery	183	3.9
	Food	150	3.2
	Textiles	123	2.7
	Precision machinery	91	2
	Rubber/Leather	56	1.2
	Wood/Pulp	46	1
	Other manufacturing industries	221	4.8
Non-manufacturing sector		2,307	49.7
	Wholesale/Retail	967	20.8
	Transport	273	5.9
	Construction	164	3.5
	Communications/Software	143	3.1
	Finance/Insurance	125	2.7
	Other non-manufacturing industries	635	13.7

Source: 2016 JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania

Figures 1 and 2 show primary aggregation of the responses concerning the import cargo release time. Respondents were asked to enter the average days required from the arrival of cargo at the port or airport to receipt (clearing the customs) for both sea and air freight, with regard to the import of the items the respondents generally handles. From the primary result, we can find out average days for the cargo release compared by respondents' locating country or sectors of business.

In regard to the difference of the data by country, additional qualitative research through interviews suggests a need for an investigation on several possible factors correlating with cargo release time. For instance, in the case of Cambodia's shorter clearance time, interviews found out that it is mainly because majority of respondents are export oriented firms locating in Special Economic Zones (SEZs) where one stop service with own custom office is provided. Cargo release time in this regard is shorten as the customs at the port/airport just release goods and transfer to each SEZ without clearance or examination.

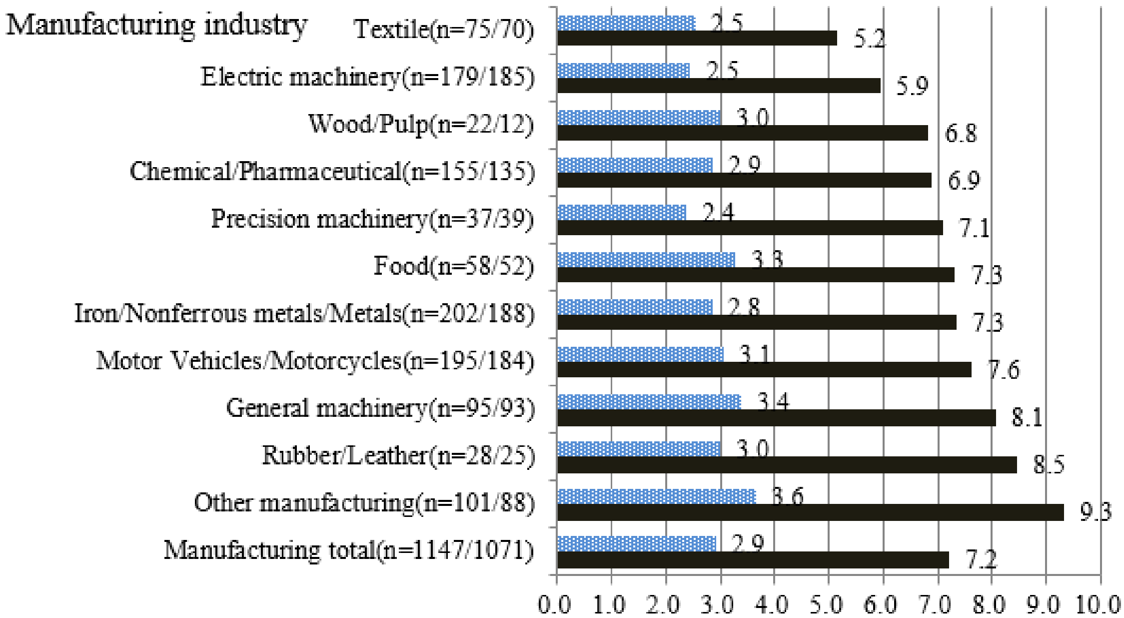
Figure 1: Average days for cargo release by locating country

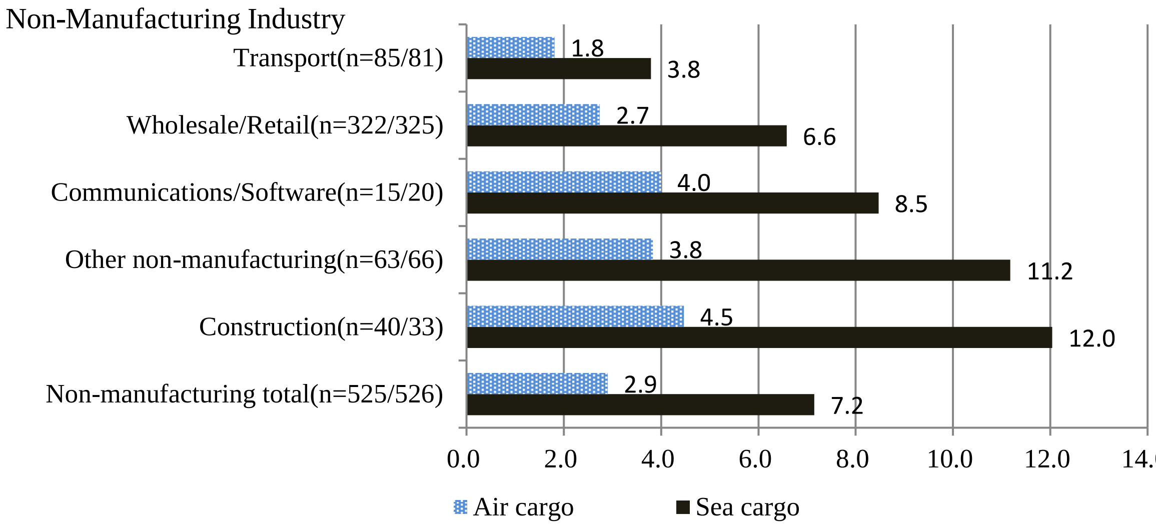


Note: n indicates number of valid responses (for sea cargo/air cargo)
Source: Author, based on the result from 2016 JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania, JETRO (December, 2016)

With taking those distributions of data by locating country or by sector of the respondents, correlation of several firm characteristics with cargo release time will be estimated simply without country fixed effects (u_c) nor sector fixed effects (u_s), with each one of them, and with both of them.

Figure 2: Average days for cargo release by sectors





Source: Author, based on the result from 2016 JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania, JETRO (December, 2016)

Empirical Results

The estimates from the regression indicates that three variables of affiliates' characteristics, which are 1) number of employees in the affiliate ($Labor_i$), 2) age of the affiliate (Age_i), and 3) share of exports in total sales ($Export_i$) of the affiliate, significantly correlate with the affiliates' average number of days for cargo release in importing. In addition, as for sea transport cargo, affiliates with certain imports from ASEAN (Imp_{ASEAN_i}) show significance in correlation with the number of days for cargo release.

On the other hand, the results do not show significant correlation of other variables such as $Parent_i$ (whether the affiliate i's parent firm is a large-sized firm or SMEs), $Consumer_i$ (whether affiliate i's main customer is other firms or general consumers), $Local_i$ (whether affiliate *i* is a joint venture with indigenous firms or not), or Imp_{China_i}, Imp_{Japan_i}, Imp_{Asia_i}, Imp_{Europe_i}, and Imp_US_i (whether affiliate *i* respectively have any import from China, Japan, the other Asian countries, Europe, and the U.S, or not) with the affiliates' average number of days for cargo release in importing.

The first column (I) of Tables 5 and 6, with both of them neither include country fixed effect nor sector fixed effect, shows that the above three variables are negatively correlated with the average number of days for cargo release in either case of maritime transport or air transport. More specifically, increase in 1) number of the employee in the affiliate, 2) age (a period after the establishment) of the affiliate, and 3) share of exports in total sales will help the reduction of average time (in days) required for cargo release in the following correlations.

1) The double increase of the number of employees decreases cargo release days by 4.1% for sea transport and by 3.7% for air transport.
2) The double increase of affiliates' age decreases cargo release days by 8.8% for sea transport and by 9.6% for air transport.
3) If the share of export in total sales increases by 0.1 point (10 percentage points), number of days for cargo release is expected to be reduced by 3.3%

(=10*(exp(0.2842)−1) for sea transport and by 1.8% (=10*(exp(0.1685)−1) for air transport.

In addition, only for the case of sea cargo, the result shows that

4) If the affiliate has positive imports from ASEAN (Imp_{ASEAN_i}), the number of days for cargo release is expected to be shorter by 11.6% (=100*(exp(0.1097)−1) in comparing with affiliates which do not have any imports from ASEAN

On the other hand, if we see other column (II) and (III) of the same tables, which show the estimates with inclusive of Sector fixed effect (but without Country fixed effect) and with Country fixed effect (but without Sector fixed effect) accordingly, above three variables, namely (1) number of the employee in the affiliate ($Labor_i$), (2) age of the affiliate (Age_i), and (3) share of exports in total sales ($Export_i$) similarly show significance in correlation with number of days for cargo release.

With inclusive of country fixed effect and sector fixed effect in the same time, as shown in the column (IV) of the same tables, we can still see significance in correlation of aforesaid three variables 1) to 3) with number of days for cargo release explained as follows.

1) The double increase of the number of employees decreases cargo release days by 4.6% for sea transport and by 4.4% for air transport.
2) The double increase of affiliates' age decreases cargo release days by 9.4% for sea transport and by 7.5% for air transport.
3) If the share of export in total sales increases by 0.1 point (10 percentage points), number of days for cargo release is expected to be reduced by 2.7% (=10*(exp(0.2421)−1) for sea transport (but no significant correlation was shown for air transport cargo).
4) If the affiliate has imports from ASEAN (Imp_{ASEAN_i}), the number of days for cargo release in sea transportation is expected to be shorter by 11.2% (=100*(exp(0.1064)−1) in comparing with affiliates which do not have any import from ASEAN

Above result investigates that 1) Larger firms in terms of numbers of the employee, 2) Older firms in terms of years after establishment, 3) Export oriented firms in terms of the share of exports in total sales, and 4) Firms having import relations with other ASEAN member states are experiencing relatively shorter time in cargo release at the port. Accordingly, it is derived that ASEAN's policy implementation for customs facilitation should be more focused on supporting small and medium enterprises (SMEs) or newly established firms, encouraging effectual export promotion schemes, and expanding intra-ASEAN trade, and the composition of them.

Table 4: Basic statistics of the estimation samples in Tables 5 and 6

Variable	Obs.	Mean	Std. Dev.	Min	Max
Days (Air)	1,002	0.851	0.646	-1.609	3.401
Days (Sea)	1,077	1.629	0.786	0	4.500
Parent	1,077	0.441	0.497	0	1
Local	1,077	0.130	0.336	0	1
ln Labor	1,077	5.061	1.640	0	10.541
ln Age	1,077	2.492	0.810	0	4.477
Customer	1,077	0.082	0.274	0	1
Imp_Japan	1,077	0.873	0.333	0	1
Imp_ASEAN	1,077	0.438	0.496	0	1
Imp_China	1,077	0.375	0.484	0	1
Imp_Asia	1,077	0.282	0.450	0	1
Imp_US	1,077	0.051	0.220	0	1
Imp_Europe	1,077	0.072	0.259	0	1
Export	1,077	0.541	0.406	0	1

Table 5: Effect of firm characteristics on cargo release time (for sea transport cargo)

	(I)	(II)	(III)	(IV)
Parent	-0.0454	-0.0607	-0.0464	-0.0603
	[0.0526]	[0.0550]	[0.0533]	[0.0556]
Local	0.0503	0.0569	0.0162	0.0255
	[0.0729]	[0.0743]	[0.0743]	[0.0755]
ln Labor	-0.0409**	-0.0382**	-0.0473**	-0.0459**
	[0.0180]	[0.0193]	[0.0191]	[0.0205]
ln Age	-0.0882***	-0.0863**	-0.1015***	-0.0940**
	[0.0327]	[0.0340]	[0.0385]	[0.0394]
Customer	0.1196	0.128	0.1282	0.1386
	[0.0864]	[0.0910]	[0.0867]	[0.0913]
Imp_Japan	-0.0161	-0.03	-0.018	-0.0339
	[0.0705]	[0.0729]	[0.0714]	[0.0737]
Imp_ASEAN	-0.1097**	-0.1029**	-0.1125**	-0.1064**
	[0.0504]	[0.0516]	[0.0517]	[0.0529]

	(I)	(II)	(III)	(IV)
Imp_China	-0.0577	-0.0418	-0.0501	-0.0337
	[0.0516]	[0.0548]	[0.0516]	[0.0548]
Imp_Asia	0.0162	0.0538	0.0058	0.0417
	[0.0528]	[0.0544]	[0.0528]	[0.0545]
Imp_US	0.1823	0.1394	0.1667	0.1342
	[0.1108]	[0.1136]	[0.1111]	[0.1139]
Imp_Europe	-0.0917	-0.1024	-0.0667	-0.0784
	[0.0941]	[0.0962]	[0.0943]	[0.0963]
Export	-0.2842***	-0.2802***	-0.2501***	-0.2421***
	[0.0618]	[0.0661]	[0.0649]	[0.0688]
Sector FE	NO	YES	NO	YES
Country FE	NO	NO	YES	YES
Number of observations	1,077	1,077	1,077	1,077
R-squared	0.074	0.0949	0.0882	0.1084

Notes: ***, **, and * represent significance at the 1%, 5%, and 10% statistical levels, respectively. Standard errors are in brackets.

Table 6: Effect of firm characteristics on cargo release time (for air transport cargo)

	(I)	(II)	(III)	(IV)
Parent	0.0161	-0.0133	0.0177	-0.0166
	[0.0449]	[0.0467]	[0.0447]	[0.0464]
Local	0.1407**	0.1206*	0.071	0.0657
	[0.0638]	[0.0649]	[0.0637]	[0.0645]
ln Labor	-0.0372**	-0.0252	-0.0596***	-0.0444***
	[0.0152]	[0.0162]	[0.0160]	[0.0170]
ln Age	-0.0959***	-0.0983***	-0.0667**	-0.0747**
	[0.0282]	[0.0291]	[0.0323]	[0.0329]
Customer	0.0769	0.1164	0.0778	0.1228
	[0.0761]	[0.0797]	[0.0746]	[0.0783]
Imp_Japan	-0.0271	-0.0396	-0.0571	-0.0737
	[0.0643]	[0.0662]	[0.0633]	[0.0652]
Imp_ASEAN	-0.044	-0.0392	-0.0576	-0.0584
	[0.0434]	[0.0442]	[0.0436]	[0.0444]
Imp_China	-0.0235	0.0158	-0.0063	0.0269

	(I)	(II)	(III)	(IV)
	[0.0444]	[0.0471]	[0.0434]	[0.0461]
Imp_Asia	-0.0229	-0.0148	-0.044	-0.0393
	[0.0455]	[0.0464]	[0.0444]	[0.0454]
Imp_US	0.1203	0.0949	0.0928	0.0783
	[0.0982]	[0.0999]	[0.0960]	[0.0977]
Imp_Europe	-0.0724	-0.107	-0.0414	-0.0699
	[0.0814]	[0.0834]	[0.0798]	[0.0817]
Export	-0.1685***	-0.1237**	-0.1137**	-0.0723
	[0.0534]	[0.0568]	[0.0551]	[0.0581]
Sector FE	NO	YES	NO	YES
Country FE	NO	NO	YES	YES
Number of observations	1,002	1,002	1,002	1,002
R-squared	0.0647	0.0973	0.1222	0.1503

Notes: ***, **, and * represent significance at the 1%, 5%, and 10% statistical levels, respectively. Standard errors are in brackets.

Evaluation and Policy Recommendations

There are many conceivable reasons for the empirical result in section 3. Concerning the factors which significantly affect cargo release time, this section pinpoints the priority issues for policymakers in ASEAN to focus their effort of specific measures on, and suggests the recommendations for future challenges.

First, as for the size and age of the firms, Small and Medium Enterprises (SMEs) tend to have difficulties to engage international trade business and related procedures. Limited numbers of dedicated staff or limited resources force them burden higher costs and more time in getting regulatory related information or handling cumbersome paper works. Several customs facilitation schemes such as Authorized Economic Operators (AEO), Green-lanes, or selected traders scheme which give preferences in clearance with lesser examination of the cargo, operate in favor of large-sized companies. As those schemes usually have certain criteria of past import record, tax payment, appropriate workplace or facilities, and internal assessment/management systems. This is similar situation to the difficulties of newly established firms with limited resources of skilled staffs and practical experiences.

Priority challenge to resolve the disparity between SMEs and Large firms, newly established firms and older firms is the improvement of access to relevant information. WTO (2016) indicated that SMEs needs to face the cost of gathering information. Lack of knowledge about regulations could result in the product not complying with the importing country regulations, which, in turn, could cause the firm to face the costs of the product's rejection at the border of the target country. The problem or difficulty for SMEs in the absence of timely and up-to-date information are identified in several proposals made by ASEAN-based business councils such as ASEAN Business Advisory Council (ABAC), ASEAN-EU Business council, or Federation of Japanese Chambers of Commerce and Industry in ASEAN (FJCCIA). In this regard, ASEAN Trade Repository (ATR) and National Trade Repository (NTR) of each ASEAN member state, mentioned as “trade facilitation platform” in the ASEAN Strategic action plan for Trade in goods, will play a key role to enable easier access to information. Further challenge to enhance the ATR’s function as an information platform as well as more user-friendly interface of each NTR should be pursued. Through the ATR and NTRs, public can freely access tariff, regulatory and procedural information for trade.

In addition, as relatively medium-to long-term challenge for ASEAN policymaker to focus the target sector more effectively, is the engagement and collaboration with private sector. ASEAN policymakers should collaborate with representative Business Councils/business associations to promote key messages on SMEs, and conduct regular dialogues with private sectors at the regional level to collect the useful input from target sector. Each council or association should also encourage and deepen its own mechanism of identifying actual barriers for SMEs, proposing direct claims to the targeted member states, as well as the securing of dialogue opportunities with relevant ASEAN sectoral bodies on the matters.

Second, based on the empirical result showing that export oriented firms are experiencing relatively shorter time in import cargo release, increasing the export ratio of ASEAN firms by sector focused promotion schemes can be considered as an efficient policy measure which contribute to trade increase as well as customs facilitation.

One of those considerable reasons for the difference in cargo release time by export ratio, is export promotion zones or facilities schemes including Special Economic Zones, Export Processing Zone, Bonded Warehouse, Free Zone or any other zonal incentives where locating companies can be provided with one-stop services centers with customs offices facilities as well as application and issuance of licensing, permission, administrative procedures in each zone. Generally, raw materials or parts to be used for the export production can be brought into the zone with free import duty or bonded treatment with simplified and expedited customs procedures. Accordingly, further challenge by each member state to facilitate and expand those zonal incentives and one-stop services will contribute overall trade facilitation.

As for the regional initiatives for export promotion or expansion, with the strategy of “Integration into the Global Economy” being a 4th pillar of former AEC Blueprint 2015, ASEAN have progressively concluded the ASEAN+1 FTAs with key trading partners in Asia Pacific region. However, there are several challenges still left for ASEAN policy makers as rules and procedures for the implementation of FTAs/EPAs are so complicated, that practical issues and problems commonly happens at the site of business in every member states. According to a questionnaire survey conducted by JETRO Bangkok in February 2016 at Bangkok, 48% out of 139 valid responses pointed out “Troublesome procedure for Certificate of Origin (CO) issuance” as problems/difficulties for utilization of the FTA in Export. Then followed by “Handling of different Rules of Origin by each FTA/EPA” (32%) and “Description Requirement on CO such as FOB price indication” (27%). For encouraging exporter to utilize existing ASEAN-centralized FTAs, the unification in each different Rules of Origin and operational certification procedures under ASEAN Trade in Goods Agreement (ATIGA) and ASEAN+1 FTAs is the priority challenge for policy makers.

Last factor of the empirical result is the import relations with other ASEAN member states which contributes to the reduction of the cargo release time. This also provides several implications for ASEAN policymakers. Because lesser time for import cargo release in intra-ASEAN trade, in comparison with inter-ASEAN trade, simply means that AEC's trade facilitation initiative has been making certain tangible outcomes. Those initiatives are, for instance, launch of trade information portal such as ATR/NTRs, computerization of the customs documents and procedures in each member state under ASEAN Single Window (ASW) initiatives, implementation of the unified tariff nomenclature based on the ASEAN Harmonized Tariff Nomenclature (AHTN), cooperation in customs valuation and classification among ASEAN Customs officers, etc. In view of customs facilitation, among others, the launching of the ASW is a key measure as it has a function of one-stop service for every clearance and port-related procedure and include on-line connection to every involved port, ministry and government agency, and a paperless electronic data linkage system. ASW also leads development to diminish the room for human intervention which may cause individual officers' discretionary judgment. As a first step towards the implementation of ASW, 10 member states should commit own customs clearance procedures to be under e-system, together with e-payment system for custom duties, and e-application of Certificate of Origin to utilize ATIGA.

Establishment of AEO programs, stated as "key strategic measures" for trade facilitation in AEC Blueprint 2025 (A.1.10.iii) is another key measure to be pursued by each member state. It should be further followed by a challenge of mutual recognition among all member states. For the practical implementation of the AEO programs, criteria and conditions for SMEs to apply and to be approved with AEO status should be relatively flexible and relaxed, considering the aforesaid disadvantages against SMEs.

Conclusion

This paper empirically investigated how firm characteristics are related to import cargo release time in sea and air transportations. We found that 1) larger firms in terms of the number of employees, 2) older firms in terms of years after establishment, 3) export oriented firms in terms of the share of exports in total sales, and 4) firms having import relations with other ASEAN member states experience relatively shorter time in custom clearance procedure. These results imply that ASEAN's policy implementation for customs facilitation should be more focused on supporting small and medium enterprises or newly established firms, encouraging effectual export promotion schemes, expanding intra-ASEAN trade, and the composition of them. Priority measures to be taken by ASEAN policymakers include, improvement of information access by web-portal, engagement and collaboration with private sector through dialogues, encouragement of export incentives by each member state, unification in each different Rules of Origin of effective FTAs, computerization of the customs documents and procedures towards gradual ASW formation, and establishment and mutual recognition of AEO program among member states. Those measures should be mutually challenged through state-level and ASEAN regional-level initiatives.

References

ADB, UNESCAP (2013). Designing and Implementing Trade Facilitation in Asia and the Pacific 2013updates https://aric.adb.org/pdf/Trade_Facilitation_Reference_Book.pdf

ASEAN Secretariat. (2008). "ASEAN economic community blueprint". Jakarta: ASEAN Secretariat. http://asean.org/wp-content/uploads/archive/5187-10.pdf

ASEAN Secretariat. (2015). "ASEAN economic community blueprint 2025". Jakarta: ASEAN Secretariat. http://astnet.asean.org/docs/AEC-Blueprint-2025-FINAL.pdf

ASEAN Secretariat. (2017). "ASEAN Economic Community 2025 Consolidated Strategic Action Plan". Jakarta: ASEAN Secretariat. http://asean.org/storage/2017/02/Consolidated-Strategic-Action-Plan.pdf

Carballo, J., Graziano, A., Schaur, G., and Martincus, C. (2016a). The Heterogeneous Costs of Port-of-Entry Delays, Mimeograph.

Carballo, J., Graziano, A., Schaur, G., and Martincus, C. (2016b). Endogenous Border Time: Ports, Customs, Storage?, Mimeograph.

Djankov, S., Freund, C., and Pham, C. (2006). Trading on Time, World Bank Working Paper No. 3909.

Djankov, S., Freund, C., and Pham, C. (2010). Trading on Time, Review of Economics and Statistics, vol. 92(1), pp. 166–173.

Dollar, D., Hallward-Driemeier, M., and Mengistae, T. (2006). Investment Climate and International Integration, World Development, vol. 34(9), pp. 1498–1516.

Economic Research Institute for ASEAN and East Asia (ERIA) (2012). "ASEAN Economic Community Blueprint Mid-term Review: Integrative report". Jakarta: ERIA.

Sukma, R. (2014). "ASEAN Beyond 2015: The imperatives for Further Institutional Changes" *ERIA Policy Brief NO.2014-05*. Jakarta: ERIA.

Federation of Japanese Chambers of Commerce and Industry in ASEAN (FJCCIA). (2015). "Request from Japanese Business Community in ASEAN". FJCCIA.

Fernandes, A., Hillberry, R., and Alcantara, A. (2015). Trade Effects of Customs Reform: Evidence from Albania, Policy Research Working Paper 7210, The World Bank.

Freund, N. and Rocha, N. (2011). What Constrains Africa's Exports? World Bank Economic Review, vol. 26(1), pp. 361–386.

Feenstra, R. and Ma, H. (2014). Trade Facilitation and the Extensive Margin of Exports, Japanese Economic Review, vol. 65(2), pp. 158–177.

Hanson, G., Mataloni, R., and Slaughter, M., (2005). Vertical Production Networks in Multinational Firms, Review of Economics and Statistics, vol. 87(4), pp. 664-678,

Hayakawa, K., Laksanapanyakul, N., Yoshimi, T. (2016). Effect of import time on export patterns. IDE Discussion Paper. No. 566.

Hillberry, R. and Zhang, X. (2015). Policy and Performance in Customs: Evaluating the Trade Facilitation Agreement, Policy Research Working Paper 7211, The World Bank.

Hornok, C. and Koren,M. (2015a). Administrative Barriers to Trade, Journal of International Economics, vol. 96, pp. 110–122.

Hornok, C. and Koren, M. (2015b). Per-shipment Costs and the Lumpiness of International Trade, Review of Economics and Statistics, vol. 97(2), pp. 525–530.

Hummels, D. L. and Schaur, G. (2013). Times as a Trade Barrier, American Economic Review, vol. 103(7), pp. 2935–2959.

Intal, P. (2015). AEC Blueprint Implementation Performance and Challenges: Trade Facilitation. *ERIA Discussion Paper, 41*.

JETRO (2016). 2016 JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania, Japan External Trade Organization (JETRO)

Kasahara, H. and Lapham, B. (2013). Productivity and the Decision to Import and Export; Theory and Evidence, Journal of International Economics, vol. 89(2), pp. 297–316.

Kimura, F. and Kiyota, K. (2006). Exports, FDI, and Productivity: Dynamic Evidence from Japanese Firms, Review of World Economics, vol. 142(4), pp. 695-719.

Kiyota, K., Matsuura, T., Urata, S., and Wei, Y. (2008). Reconsidering the Backward Vertical Linkages of Foreign Affiliates: Evidence from Japanese Multinationals, World Development, vol. 36(8), pp. 1398-1414

Kropf, A. and Sauré, P. (2014). Fixed Costs per Shipment, Journal of International Economics, vol. 92(1), pp. 166–184.

Li, Y. and Wilson, J. (2009). Trade Facilitation and Expanding the Benefits of Trade: Evidence from Firm Level Data, Asia-Pacific Research and Training Network on Trade, Working Paper Series, No. 71.

Martincus, C., Carballo, J., and Graziano, A. (2015). Customs, Journal of International Economics, vol. 96, pp. 119–137.

Muuls, M. and Pisu, M. (2009). Imports and Exports at the Level of the Firm: Evidence from Belgium, The World Economy, vol. 32(5), pp. 692–734.

Nguyen, A. T., Nguyen, T. T., & Hoang, G. T. (2016). Trade facilitation in ASEAN countries: harmonisation of logistics policies. *Asian Pacific Economic Literature*, *30*(1), 120-134.

Otsuki, T. (2011). Quantifying the Benefits of Trade Facilitation in ASEAN. *Toward a Competitive ASEAN Single Market: Sectoral Analysis*, 2010-03.

Persson, M. (2013). Trade Facilitation and the Extensive Margin, Journal of International Trade & Economic Development, vol. 22(5), pp. 658–693.

Portugal-Perez, A. and Wilson, J. (2012). Export Performance and Trade Facilitation Reform: Hard and Soft Infrastructure, World Development, vol. 40(7), pp. 1295–1307.

Rauch, J.E. (1999). Networks Versus Markets in International Trade, Journal of International Economics, vol. 48(1), pp. 7–35.

Shepherd, B., & Wilson, J. S. (2009). Trade facilitation in ASEAN member countries: Measuring progress and assessing priorities. *Journal of Asian Economics*, *20*(4), 367-383.

Shepherd, B. (2013). Trade Times, Importing, and Exporting: Firm-level Evidence, Applied Economics Letters, vol. 20 (9), pp. 879–883.

World Trade Organization (2015). World Trade Report 2015, World Trade Organization.

World Trade Organization (2016). World Trade Report 2016, *Levelling the trading field for SME*, World Trade Organization

Yan, L., & Cadot, O. (2016). *Facilitating ASEAN Trade in Goods* (No. DP-2016-20). Economic Research Institute for ASEAN and East Asia (ERIA).

ASEAN Journal of Management & Innovation
Vol. 4 No. 1, 17 – 31
©2015 by Stamford International University
DOI: 10.14456/ajmi.2017.2
ajmi.stamford.edu

Entrenched CEO, Loss Aversion Behavior on Dividend Policy of Listed Firms in Thailand

Zhongwu Li
49/170, Soi Nawamin 26, Nawamin Road, Klongkum, Bungkum, Bangkok, 10240, Thailand
Tel: 662-7347946 E-mail: sdarth@csloxinfo.com

Abstract

This study aims to investigate the dividend policy of listed firms in Thailand stock exchange market and fill the gap in academic literatures by integrating two sides: demand side (investors) and supply side (CEO) of dividends simultaneously. According to five years backward time series yearly data (2011 to 2015), the logit model in the current study can explain well on dividend policy. The findings are not only aligned with some theories in modern finance field, such as agency theory, life cycle theory, catering theory and managerial entrenchment hypothesis, but also complied with some theories in behavioural finance field, such as loss aversion, or risk aversion. Furthermore, the findings can be used by regulators to monitor the management of listed firms on the dividend provisions, and can also be used by institutional and individual investors to select firms to invest according to their risk preferences.

Keywords: Dividend Policy, CEO Index, Loss Aversion, Entrenched CEO, Managerial Impatience.

Introduction

Dividend policy is a very important issue for every listed firm due to its significant effects on capital structure and related to every stakeholder of firms. Since Modigliani and Miller (1961) raised the dividend irrelevant theorem, many theories and hypotheses have been used to explain the dividend behaviours under the relaxation of perfect market conditions, such as Agency theory; the Life cycle theory; the Catering theory; Managerial entrenchment hypothesis; Pecking order hypothesis; Signal theory, and the free cash flow theory.

In Thailand, many researchers focused on dividend policy based on these theories, for example, Agency theory (Jensen and Meckling, 1976) points that if there is no effective separate and control mechanism between the principal and agent, then there will be agency costs. These costs affect firms' values negatively and cannot maximize all shareholders' values (Stulz, 1988) especially when the law to protect the individual investors is weak (Jensen et al., 1992; La Porta et al., 2000; Burkart et al., 2003), several studies about listed firms of Thailand confirmed this theory (Wiwattanakantang, 2001; Polsiri 2004; Thanatawee, 2013; Sukkaew, 2015).

Meanwhile, the Life cycle hypothesis (DeAngelo et al., 2006) suggests that if firms in their maturity stage, these firms are large and pay out dividends at high level. Thanatawee (2011), Sukkaew (2015) supported this hypothesis. However, Komrattanapanya (2013) found evidence against this hypothesis: small firms with profit like to pay dividend, and firms in different industries seems to have different propensity to pay dividends.

The Catering theory (Baker and Wurgler, 2004) states that if the dividend premium, which is measured by the difference on prices between dividend payers and non-payers in the market, is higher, non-payers may initiate to pay dividend, Tangjitprom (2013) underpinned such conclusion.

From prior studies, the Pecking order theory (Myers and Majluf, 1984) is still in doubt. This hypothesis predicts that if a firm funds a new investment, the firm must arrange the funds from internal to the external. The debts would be heavily relied on if the firm seek external funds. But, Fama and French (2002) found that the tradeoff model between the costs and benefits by using debts predict that the more profitable firms have high level of debt ratios, this finding against the Pecking order theory, meanwhile, the Frank and Goyal (2003) concluded that the Pecking order was only valid for larger firms.

According to managerial entrenchment hypothesis (Morck et al., 1988), an entrenched CEO who controls a significant portion of the equity of the firm may not be aligned with shareholders' interests. So, some theories about dividend policy may not be valid anymore, for example, the "Bird in Hand" theory (Gordon, 1963; Lintner, 1964), Signal theory (Miller and Rock, 1985) and the free cash flow hypothesis (Jensen, 1986). "Bird in Hand" reveals that risk averse investors always prefer current dividends stream rather than discount on uncertain future higher share prices, however, the entrenched CEO may not pay dividends currently, the "Bird in Hand" theory is not valid; this is also true for the free cash flow hypothesis which express that the extra cash (the cash left after the firm invested in all positive net present value projects) must be paid out as dividends to shareholders (Shleifer and Vishny, 1989). Further, as the dividend always be interpreted as a signal to outside shareholders about the firms' future profitability, if the entrenched managers dishonestly pay dividends to imitate firms with good reputation or just intermittently pay dividends according to their selfish interests, then, the Signal theory is in doubt too (Hangsasuta. 2015).

Meanwhile, the findings from prior studies which linked managerial entrenchment hypothesis directly with dividend policy supported that the likelihood of dividend payout and level of such payout were significantly and positively (negatively) related to factors that increase (decrease) executive entrenchment levels (Farinha, 2002; Hu and Kumar, 2004; Chemmanur et al. 2009).

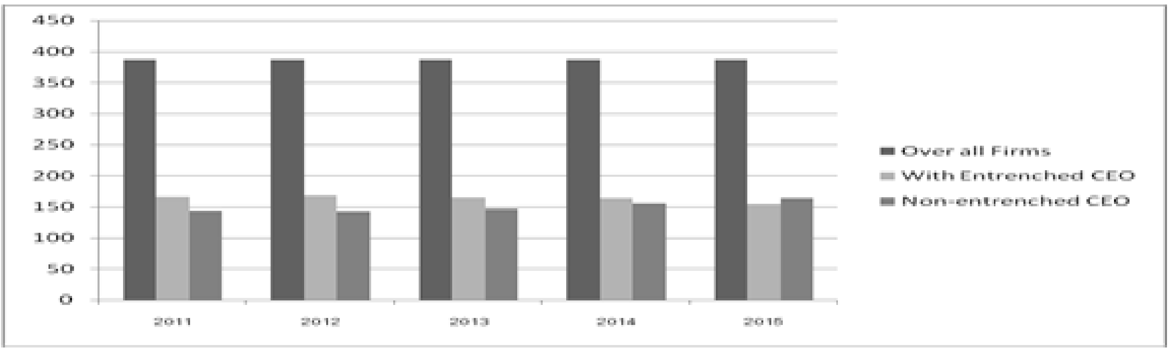
In behavioral finance field, the loss aversion, which "refers to the phenomenon that decision makers are distinctly more sensitive to losses than to gains" (Berkelaar et al. 2004, p 973), also plays an important role on firms' dividend policy. For instance, Shapiro and Zhuang (2013) established a model consist of two separate sides: investors as demand side and managers as supply side. The investors are loss aversion, managers will determine the dividend policy and pay out level according to outside investors' preference and firms' current earnings as well as predicted future profitability distribution function for next period.

Needless to say some macroeconomic factors, such as inflation rate and monetary policy affect the firms' dividend policy. However, these factors affect the firms' dividend policy indirectly (Ameer, 2012; Ghafoor et al., 2014). For example, if there is an inflation, the nominal value of firms will increase, then, managers may timing the market to pay dividend, or, if investors foresee that there will be a tight monetary policy, then, they may expect the higher interest rate and lower dividend yield in the future. In current study, the firms' the yearly Return on Assets (ROA) which stands for profitability, Firm Size (FIRM), which was measured by firm's market capitalization, as well as the lagged one year's Price to dividend ratio (PD) can be used to reflect these macroeconomic factors' impacts.

Determinants on dividend policy:

1) The statistics of listed firms in Thailand

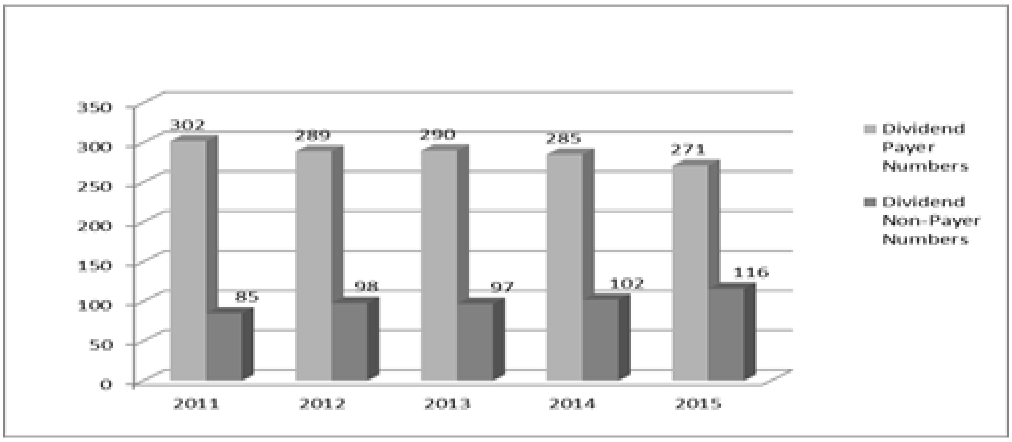
Figure 1: Number of All Sample Firms and Firms with or without Entrenched CEO



If a CEO inside ownership equals or more than 20% of total outstanding shares of the firm, this CEO is entrenched CEO (Wiwattanakantang, 1999, Page 380)

Figure 1 shows that among all sample of listed firms, there are nearly half of firms have entrenched CEO, and the Figure 2 reveals that the total dividend payers were reduced and Dividend Non-payers increased.

Figure 2: Dividend Payers and Non-Dividend Payers During 2011 to 2015



Dividend Payer and Non-Payer numbers during 2011 to 2015

2) Variables Descriptions

In current study, all the variables are summarized in Table 2.1

Table 2.1 Definitions of Variables and Related Theories and Hypotheses

Variable Name	Descriptions	Related Theory	Referent Author, Year	Measurement In Current Study	Expected Sign
Dependent Variable					
Dividend Policy -DVP	*"the practice that management follows in making decisions about dividend payout or, in other words, the size and pattern of cash distribution return shareholders"*		Lease, et al., 2000, p 29	Pay equals to 1, otherwise, 0	
Independent Variables					
Supply Side Variables					
Single Ownership CEO Index (ENT)*	*"A single Shareholder own at least 25% of a firm's outstanding share, either directly or indirectly"*	Entrenchment Hypothesis Agency Theory	Hu and Kumar, 2004 Chemmanur et al. 2009	Wiwattanakantang, 1999, on p 380. (In the current paper, more than 20% of inside ownership as an Entrenched CEO, if Not, high ENT means Powerful CEO)	Positive (+)
CEO with Loss Aversion (LENT)**	*Multiplicative variable*	Loss Aversion	Berkelaar et. Al, 2004, p 975	Loss Aversion Utility value multiplied by CEO Indexes which are above All CEO Index mean	Negative (-)
Managerial Impatience BW ((β/ω))***	*"Increasing Impatience raise current payout at expenses of future payout"*	Risk Aversion	Lambrecht and Myers, 2012, p 1774	Equals to 1 divided by 1+p, then divided by averaged two consecutive managerial subjective return rates (current ROA and lagged one year's ROA)	Positive (+) or Negative (-)
Demand Side Variables					
Loss Aversion of Individual Investors (LVI)	*"The investor's stage is the demand side story where the focus is on how investors preferences and behavior affect the payout policy"*	Loss Aversion	Shapiro and Zhuang, 2015, p 63 Berkelaar et. Al, 2004, p 975	Loss Aversion Utility value (use lagged two consecutive years' ***Relative dividends received*** ****)	Positive (+)
Price to Dividend Ratio (PD)	*"The change in the price must reflect news about future dividend"*	Signal Theory Catering Theory	Cochrane J.H., 1992, p 244	Lagged one year market price divided by real dividend	Positive (+)

Table 2.1 Definitions of Variables and Related Theories and Hypotheses (Continued)

Variable Name	Descriptions	Related Theory	Referent Author, Year	Measurement In Current Study	Expected Sign
Independent Variables					
Firms' Variables					
Retained Earnings to total Asset Ratio (RETA)	*"Retained Earnings divided by Total Assets (RE/TA)"*	Life Cycle Theory Pecking Order Theory	Thanatawee, 2011, p 55	Current year's retained earnings (unappropriated) divided current year's Total Assets	Positive (+)
Total Debts to Total Assets Ratio (DE)	*"The Ratio of Total Debt divided by Total Assets"*	Pecking Order Theory	Thanatawee, 2011, p 55	The logarithm absolute value between the lagged one year's debt ratio minus the lagged two year's debt ratio	Negative (-) or Positive (+)
Turnover Ratio (TN)	*"The equity value traded for each period divided by that equity's market capitalization of that period"*	The Theory of Clienteles Effects	Banerjee et al., 2007, p 1786	Logarithm value of current year's turnover ratio	Negative (-)
Return on Total Assets (ROA)	*"Operating income divided by Total Assets"*	Life Cycle Theory Signal Theory	Thanatawee, 2011, p 55	A sample firm's current ROA divided by mean of all sample firms' current ROA	Positive (+)
Firm Size (FIRM)	*"Among dividend payers, larger and more profitable firms have higher payout ratios"*	Life Cycle Theory	Fama and French, 2001, p 21	Logarithm value of current year's market capitalization of a sample firm	Positive (+)

*. ENT: the current Relative Strength for each CEO's status or powerful score in total sample group. The higher CEO's status or powerful scores compromised by higher relative CEO's tenure, higher percentage of CEO's related directors in the Board, lower percentage of independent directors in the board, smaller of board size, higher capability.

**. LENT: Loss Aversion Utility value multiplied by CEO Indexes which are above All CEO Index mean, by using a firm's market price: current market price and the lagged one year's market price. All parameters are as same as the formula used by Berkelaar et al., 2004, p 975.

***. BW ((β/ω)) equals to $(1/1+\rho)/\{(|ROA_t| + |ROA_{t-1}|)/2\}$, where ρ equals to risk free rate (20 year's Thailand Government bond coupon yield).

****. Relative dividend received = (a firm's Dividend Yield – Mean of Dividend Yields of all sample firms) x Current Market Price.

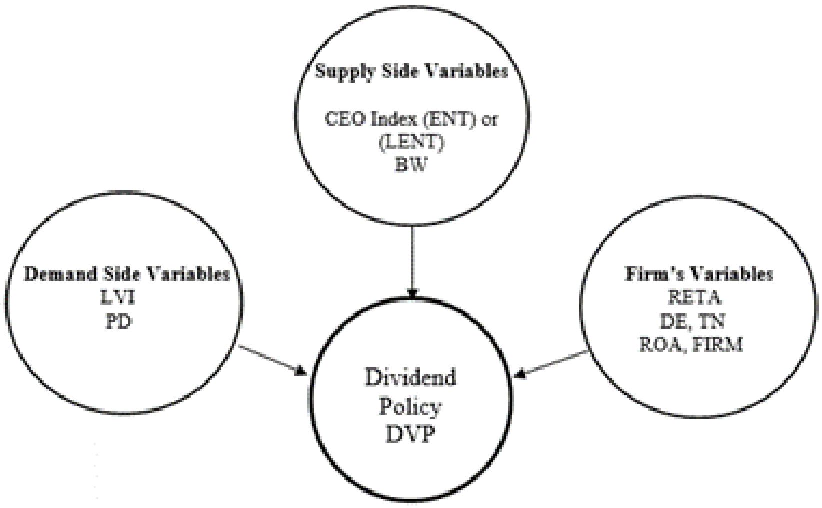
Research Methodology

1) *Data collection and Sample size*: The sample size is categorized into 22 industries according to the Stock Exchange of Thailand (SET) and Market of Alternative Investment (MAI)

2) *The population of samples*: Total 387 listed firms during the year 2011 to 2015, except the firms fall into following categories: Stated Owned firms; Crown Property Bureau Owned; Mutual Funds; Financial Firms; Firms listed after 2011; Firms whose data are not completed during 2011 to 2015.

3) *Theoretical Framework*: Agency theory states that if there is a conflict between owners and managers, then, agency cost happened, so, the dividend may be used as a tool to reduce this cost. However, prior studies based on several theories and hypothesis mentioned above could not explain well, for example, even there is tax disadvantage on dividend, why managers still pay dividends? This is still a "puzzle" owed to be answered. Such ambiguous relationships between management and dividend policy became more complicated when a CEO control a portion of share of the firm and become entrenched CEO: does this entrenched CEO still pay dividend or if this entrenched CEO is loss averse or has managerial impatience, does this CEO pay dividend or not? Can demand for dividend from individual investors be satisfied if there is an entrenched CEO or entrenched CEO with loss aversion behavior or has managerial impatience?

4) *Conceptual Framework*: As the dependent variable in current study (DVP) is a binary or categorical variable: 1 (dividend payer) or 0 (non-dividend payer) and to avoid the problem of multicollinearity which may generate invalid result about each high correlated independent variable when linear function is applied, so, the logit model is suitable to be adopted to estimate the probability (1 or 0) under the cumulative distribution function (Hu and Kumar, 2004, p 764).



5) *Logit Model*:

$$Pr_i\,(DVP=1)$$

$$= \left\{ \beta_0 + \beta_1 BW_{(\beta/\omega_t)} + \beta_2 DE_{t-(t-1)} + \beta_3 dummy\,(1)^*ENT_t + \beta_4\,dummy\,(2)^*LENT_t + \beta_5 FIRM_t + \beta_6 LVI_{t-1} + \beta_7 PD_{t-1} + + \beta_8 RETA_{t-1} + \beta_9 ROA_t + + \beta_{10} TN_{t-(t-1)} + \varepsilon_i \right\}$$

Where ε_i is random error term.

*. When dummy (1) = 0, dummy (2) =1, or dummy (1) =1, then, dummy (2) = 0;

Study hypothesis: Either Entrenched CEOs or Entrenched CEOs with loss aversion have effects on dividend policy of the listed firms of Thailand.

Presentation of Test Results and Critical Discussion of Results

1) *Empirical Logit regression test results*

From Table 4.1, the coefficient of ENT has no significant relationship with the dividend policy under the Entrenched CEO group. This result is contradict with prior studies, however, one explanation is that if the CEO is entrenched, some dividend related theories may not be valid anymore. But, when the CEO has impatience or risk aversion, he or she tends to pay dividend. This is confirmed from the results in Table 4.2 when the independent variable is LENT instead of ENT. The coefficient of BW has significant negative relationship with dependent variable and does not vary much between the Table 4.1 and 4.2. Meanwhile, for other two groups, the CEO Index have significant and positive relationship with the dividend policy.

The independent variable LVI has significant positive relationship with the dependent variable under the overall market group and non-entrenched CEO groups no matter CEO has risk aversion attitude or not. These results suggest that individual investors are more satisfied with relative dividend received under the non-entrenched CEO group. As the coefficient of the LVI is too small, so, the power of their demand for higher current dividend payment is too weaker, instead, they have to pay higher price for the current dividend, this is confirmed by the significant and positive coefficients of the independent variable PD with dependent variable from all the groups.

The coefficients of other independent variables, such as RETA, TN, ROA, and FIRM, have significant relationships with dependent variable, either in positive or negative directions, except DE.

One important finding is that under the entrenched CEO group, all the coefficients either have highest values or lowest values with expected signs. These results suggest that all independent variables under entrenched CEO group have extreme effects on dividend policy in either negative or positive ways, for example, the independent variables RETA and FIRM, the coefficients are the highest at 7.71 (7.95 in Table 4.2) and 7.43 (7.23 in Table 4.2) respectively, these results imply that the firms' sizes and retained earnings under Entrenched group are smaller and the lowest.

As the best McFadden R-squared is 0.494, the Logit model's predictive power seems to be in doubt. So, the data from 2011 to 2014 are used to establish a logit model and to forecast the dividend policy for each firm in year 2015 under three groups separately.

2) *Robust Test*

The predictive outputs are classified by more than or equals to 0.8 and 0.5 as the thresholds to categorize each firm's dividend policy. For example, if the predicted value is more than or equals to 0.8 or 0.5, then, this firm is assumed as a dividend payer.

In Table 4.3, when the threshold is set as more than 0.80, the out of sample predictive results are all above 77%, and the predictive accuracy for the Entrenched CEO group is the highest either by using ENT (83.77%) or by using LENT (86.36%). Meanwhile, in Table 4.4, when the threshold is set as more than 0.50, the out of sample predictive results are all above 83%.

The Total observation accuracies for Entrenched CEO group are relative constant under both thresholds. For example, under 0.80 threshold, the total accuracies are 83.77% (using ENT), and 86.36% (using LENT); when the prediction under 0.50 threshold, the total accuracies are 85.71% (using ENT) and 84.42% (using LENT). These results express that the total accuracies are not affected much for using different thresholds for the Entrenched CEO group. So, the logit model has more constant predictive power on total observation accuracy for the Entrenched CEO group.

Conclusions

From the empirical test results, the current study hypothesis is partially supported: when the entrenched CEO with loss aversion, these CEOs have a significant and negative relationship with dividend policy of firms.

Summarized, from supply side, a CEO has an important role to the dividend payment decision, especially, when there is a powerful CEO. Meanwhile, when an Entrenched CEO has loss aversion utility, he or she has significant negative relationship with the dividend policy. The CEO's managerial impatience is another important factor to determine the dividend policy no matter the firm is larger or small, and whether the firm is in its maturity stage or not. These make the current study to be more realistic on the dividend policy of listed firms in Thailand.

From demand side, two independent variables LVI and PD reinforce the reality: as many of firms involved in the current study have entrenched CEOs (Figure 1), so, the coefficients of LVI has not significant relationship with the dependent variable under the entrenched CEO group, even when the CEO has loss aversion. These results reveal that small firms with entrenched CEOs may or may not pay dividends, but, even they pay, such dividends rarely meet with the demand of individual investors because of the lower levels of these dividends.

Table 4.1: Logit Regression Results: By Using ENT

Logit Regression Results: Three Groups

Dependent Variable: DVP (Dividend Policy: Pay or Not Pay)

Group Name	Overall Market		Entrenched CEO		Non-Entrenched CEO	
Total Observations	1935		817		753	
Independent Variables						
Intercept	-4.64	(0.000)**	-5.39	(0.0003)**	-5.88	(0.0001)**
BW	-1.85	(0.000)**	-2.27	(0.0001)**	-1.48	(0.0066)**
DE	-0.13	(0.1345)	-0.04	(0.7744)	-0.16	(0.3002)
ENT	2.43	(0.000)**	2.23	(0.0741)	6.23	(0.000)**
FIRM	6.62	(0.000)**	7.43	(0.0004)**	6.42	(0.002)**
LVI	0.11	(0.000)**	0.12	(0.1328)	0.12	(0.0017)**
PD	16.75	(0.000)**	12.95	(0.000)**	20.52	(0.000)**
RETA	4.89	(0.000)**	7.71	(0.000)**	2.99	(0.000)**
ROA	0.44	(0.000)**	0.55	(0.000)**	0.37	(0.001)**
TN	-0.53	(0.000)**	-0.69	(0.0002)**	-0.43	(0.0106)*
McFadden R-squared	0.466		0.474		0.494	

*Significant at 5% confident level **Significant at 1% confident level

These conclusions can be interpreted from the coefficients of independent variables: FIRM and ROA: both of these two variables are significantly and positively related to dividend policy with the highest coefficients among three groups no matter the CEO with or without loss aversion utility, these results suggest that both firm size and profitability are smaller and lower for firms with the entrenched CEOs, so, the dividend payout would be lower than that under other two groups. The individual investors were not satisfied, they rather pay higher prices (PD) to exchange for the future dividends from firms under other two groups.

Table 4.2: Logit Regression Results: By Using LENT

Logit Regression Results: Three Groups

Dependent Variable: DVP (Dividend Policy: Pay or Not Pay)

Group Name	Overall Market		Entrenched CEO		Non-Entrenched CEO	
Total Observations	1935		817		753	
Independent Variables						
Intercept	-3.22	(0.000)**	-3.55	(0.009)**	-2.25	(0.0775)
BW	-1.96	(0.000)**	-2.35	(0.000)**	-1.77	(0.0013)**
DE	-0.13	(0.1251)	-0.04	(0.7634)	-0.16	(0.2737)
LENT	-0.38	(0.2544)	-0.92	(0.033)*	-1.69	(0.0105)*
FIRM	6.42	(0.000)**	7.23	(0.0006)**	5.51	(0.0049)**
LVI	0.12	(0.000)**	0.13	(0.1442)	0.12	(0.0007)**
PD	16.34	(0.000)**	13.03	(0.000)**	21.82	(0.000)**
RETA	5.27	(0.000)**	7.95	(0.000)**	3.28	(0.000)**
ROA	0.52	(0.000)**	0.58	(0.000)**	0.47	(0.000)**
TN	-0.53	(0.000)**	-0.74	(0.0001)**	-0.43	(0.009)**
McFadden R-squared	0.456		0.476		0.478	

*Significant at 5% confident level **Significant at 1% confident level

The current study support several theories and hypotheses in both modern finance field and behavior field, except the Pecking Order hypothesis. In current study, there is no significant relationship between the debt ratio and dependent variable for all three groups. However, as the variable of RETA has a significant and positive relationship related to the dependent variable for all three groups, so, all sample firms, especially for the firms under Entrenched CEO group, emphasize on internal resources first when the management make dividend policy.

Though there is no significant relationship between the variable DE and dividend policy for all three groups, such results are not unexpected. Under the managerial entrenchment hypothesis, the powerful or entrenched CEOs may use debt as a tool in both directions: they may use less debts to reduce firm's risk and avoid monitoring from creditors, or they may use more debts to reduce possibility of takeover (Stulz, 1988; Shleifer and Vishny, 1989; Berger et al., 1997).

With robust tests, the logit model has explanatory power on prediction of dividend policy for all groups. This predictive power are more strong and constant for the entrenched group. So, the current study has fill the gap by integrating demand and supply sides to analyze the dividend policy for the listed firms of Thailand.

Table 4.3: Predictive Results for Year 2015: Using 0.8 as threshold

Panel A: Overall Market Data: Predictive results for year 2015

	Actual Observations	by using ENT		by using LENT	
Dividend Payer	271	219	80.81%	216	79.70%
Non-Dividend Payer	116	94	81.03%	100	86.21%
Total Observations	387	313	80.88%	316	81.65%

Panel B: Entrenched CEO group's Data: Predictive results for year 2015

	Actual Observations	by using ENT		by using LENT	
Dividend Payer	107	94	87.85%	96	89.72%
Non-Dividend Payer	47	35	74.47%	37	78.72%
Total Observations	154	129	83.77%	133	86.36%

Panel C: Non-Entrenched CEO group's Data: Predictive results for year 2015

	Actual Observations	by using ENT		by using LENT	
Dividend Payer	108	82	75.93%	80	74.07%
Non-Dividend Payer	56	46	82.14%	47	83.93%
Total Observations	164	128	78.05%	127	77.44%

Theoretically, the factors used in current study can be employed in other researches, and practically, the findings in current study can be used by regulators to monitor the management on the dividend provisions, and can also be used by institutional and individual investors to select firms to invest according to their risk preference.

For further study, this logit model may include other dynamic independent variables to improve the explanatory power, for example, according to Lintner (1956) and Lamberecht and

Myers (2012), if there is an assumed optimal dividend or target dividend payout ratio, but, when the firms do not pay dividends at such ratios, either overpaid or underpaid, how the debts or equities issued for dividend payment as well as cash saved in hand will affect the dividend policy in the next period given that there is a powerful CEO or an entrenched CEO?!

Table 4.4: Predictive Results for Year 2015: Using 0.5 as Threshold

Panel A: Overall Market Data: Predictive results for year 2015

	Actual Observations	by using ENT		by using LENT	
Dividend Payer	271	260	95.94%	263	97.05%
Non-Dividend Payer	116	74	63.79%	74	63.79%
Total Observations	387	334	86.30%	337	87.08%

Panel B: Entrenched CEO group's Data: Predictive results for year 2015

	Actual Observations	by using ENT		by using LENT	
Dividend Payer	107	105	98.13%	105	98.13%
Non-Dividend Payer	47	27	57.45%	25	53.19%
Total Observations	154	132	85.71%	130	84.42%

Panel C: Non-Entrenched CEO group's Data: Predictive results for year 2015

	Actual Observations	by using ENT		by using LENT	
Dividend Payer	108	100	92.59%	102	94.44%
Non-Dividend Payer	56	37	66.07%	36	64.29%
Total Observations	164	137	83.54%	138	84.15%

References

Ammer. R. (2012). Macroeconomic Factors and Initial Public Offerings (IPOs) In Malaysia. *Asian Academy of Management Journal of Accounting and Finance*. Vol.8, No. 1, 41-67

Banerjee S., Gatchev V. A., and Spindt P. A. (2007). Stock Market Liquidity and Firm Dividend Policy. *The Journal of Financial and Quantitative Analysis*, Vol. 42. No. 2. 369-397

Baker M., and Wurgler J. (2004). A Catering Theory of Dividends. *The Journal of Finance*, Vol. LIX, NO. 3.

Baker M., and Wurgler J. (2004). Appearing and disappearing dividends: The link to catering incentives. *Journal of Financial Economics*, 73. 271-288

Berger P. G., Ofck E., and Yermack D.L (1997). Managerial Entrenchment and Capital Structure Decision. *The Journal of Finance*, Volume 52, Issue 4, 1411-1438.

Berkelaar A. B., Kouwenberg R., and T Post T. (2004). Optimal Portfolio Choice under Loss Aversion. *The View of Economics and Statistics*, Vol.86, No.4.973-987

Burkart M., Panunzi F and Shleifer A. (2003). Family Firm. The Journal of Finance, Vol.8, No.5. 2167-2201

Chemmanur T. J., Paeglis I., and Simonyan K. (2009). Management Quality, Financial and Investment Policies, and Asymmetric Information. *The Journal of Financial and Quantitative Analysis*, Vol.44, No. 5. 1045-1079

Cochrane J. H. (1992). Explaining the Variance of Price-Dividend Ratios. *Reviews of Financial Studies*, Volume 5, Issue 2. 243-280.

DeAngelo H., DeAngelo L., and Stulz R. M. (2006). Dividend policy and the earned Contributed capital mix: a test of the life-cycle theory. *Journal of Financial Economics*, 81. 227-254

Farinha J. (2002). Dividend Policy, Corporate Governance and the Managerial Entrenchment Hypothesis: An Empirical Analysis. *Journal of Business Finance & Accounting*, Vol.30, Issue 9-10, 1173-1209.

Fama E. F., and French K. R. (2002). Testing Trade-Off and Pecking Order Prediction about dividend and debt. *The Review of Financial Studies*, Vol. 15, No. 1, 1-33

Frank M.Z., and Goyal V. K. (2003). Testing the pecking order theory of capital Structure. *Journal of Financial Economics*, 67, 217-248

Ghafoor A., Khan M. A., Shah S. A., and Khan H. H. (2014). Inflation and Dividend Behavior of Pakistani Firms: An Empirical Investigation Using ARDL. *International Journal of Business and Management*, Vol. 9, No. 9; 86-95

Gordon M. J. (1963). Optimal Investment and Financing Policy. *The Journal of Finance*. Vol.18, No.2 (May), pp 264-272

Hangsasuta C. (2015). Dividend changes and future profitability: Evidence from Stock Exchange of Thailand. *International Conference on Management Science, Innovation, and Technology*, 59-72

Hu A., and Kumar P. (2004). Managerial Entrenchment and Payout Policy. *The Journal of Finance and Quantitative Analysis* Vol.39. No.4, 759-790

Jensen M. C., and Meckling W. H. (1976). Theory of Firm: Managerial Behaviour, Agency Costs and Ownership Structure. *Journal of Financial Economics*, V. 3, No. 4, 305-360

Jensen M. C. (1986). Agency Costs of Free Cash Flow, Corporate Finance, and Takeovers. *The American Economic Review*, Vol. 76. No. 2, Papers and Proceedings of the Ninety-Eight Annual Meeting of the American Economic Association. 323-329

Jensen G. R., Solberg D. P., and Zorn T. S. (1992). Simultaneous Determination of Insider Ownership, Debt, and Dividend Policies. *The Journal of Financial and Quantitative Analysis*, Vol. 27, No. 2. 247-263

Komrattanapanya P. (2013). Factors Influencing Dividend Payout in Thailand: A Tobit Regression Analysis. *International Journal of Accounting and Financial Reporting* ISSN: 2162-3082, Vol. 3, No. 2. 255-267

Lamberecht B. M., and Myers S. C. (2012). A Lintner Model of Payout and Managerial Rents. *The Journal of Finance*, Vol.67, No.5. 1761-1810.

Lintner J. (1956) Distribution of Incomes for corporations Among Dividends, Retained Earnings, and Taxes. *The American Economics Review*, Vol. 46. No. 2 Papers and Proceedings of the Sixty-eighth Annual Meeting of the American Economic Association. 97-113

Lintner J. (1964). Optimal Dividends and Corporate Growth under Uncertainty. *The Quarterly Journal of Economics*, Vol.78, No.1 (Feb), pp 49-95

Miller M. H., and Rock K. (1985). Dividend Policy under Asymmetric Information. *The Journal of Finance*, Vol. XL, No. 4.

Miller M. H., and Modigliani F. (1961). Dividend Policy, Growth and the Valuation of Shares. *The Journal of Business,* Vol. 34, No. 4. 411-433

Morck R., SHLEIFER A., and VISHNY R. W. (1988). Management ownership and Market Valuation, An Empirical Analysis. *Journal of Financial Economics* 20. 293-314. North-Holland.

Myers S. C., and Majluf N. S. (1984). Corporate Financing and Investment Decisions When Firms
Have Information That Investors Do Not Have. *Journal of Financial Economics*, Vol.13, Issue2, 187-221

Polsiri P. (2004). Concentrated ownership and firm responses to a crisis: Evidence from Thailand. *Working Paper*, 1-49

Porta R. L., Lopez-de-Silanes F., Shleifer A., Vishny R. W. (2000). Agency Problems and Dividend Policies around the World. *The Journal of Finance*, Vol. 55, No. 1. 1-33

Shapiro and Zhuang. (2015). Dividends as Signaling Device and Disappearing Dividend Puzzle. Journal of Economics and Business, Vol. 79, May-June, p 62-81

SHLEIFER A., and VISHNY R. W. (1989). MANAGEMENT ENTRENCHMENT: The case of Manager-Specific Investments. *Journal of Financial Economics*, 25, 123-139 North-Holland.

Stulz R. M. (1988). Managerial Control of Voting Rights: Financing Politics and the Market for Corporate Control. *Journal of Financial Economics* 20, 25-54, North-Holland.

Sukkaew D. (2015). Agency Costs and Free Cash Flow Hypothesis of Dividend Payout Policy in Thailand. *Review of Integrative Business & Economics research*, Vol. 4(2). 315-327

Thanatawee Y. (2011). Life Cycle Theory and Free Cash Flow Hypothesis: Evidence Dividend policy in Thailand. *International journal of Financial Research*, Vol.2.

Tangjitprom N. (2013). Propensity to pay dividends and catering incentives in Thailand. *Studies in Economics and Finance,* Vol. 30, 1. 45-55.

Thanatawee Y. (2013). Ownership Structure and Dividend Policy: Evidence from Thailand. *International Journal of Economics and Finance*, Vol. 5, No.1. 121-131

Wiwattanakantang Y. (1999). An empirical study on the determinants of the capital Structure of Thai firms. *Pacific-Basin Finance Journal* 7. 371-403

Wiwattanakantang Y. (2001). Controlling shareholders and corporate value: Evidence from Thailand. *Pacific-Basin Finance Journal 9*. 323-362

ASEAN Journal of Management & Innovation
Vol. 4 No. 1, 32 – 45
©2015 by Stamford International University
DOI: 10.14456/ajmi.2017.3
ajmi.stamford.edu

Factors Affecting Entrepreneurial Innovation Capability: Empirical Evidence of Gem and Jewelry Businesses in Thailand

Khotchanipa Wanitkittikul
Mahasarakham University, Thailand, khotchanipa.81@gmail.com
Karun Pratoom
Mahasarakham University, Thailand, karun.p@acc.msu.ac.th
Prathanporn Jhundra-indra
Mahasarakham University, Thailand, prathanporn.j@acc.msu.ac.th

Abstract

Currently, many businesses operation have faced business environment resulting the need to understand and adapt to appropriately respond to circumstance. Entrepreneurial innovation capability is, therefore, interested the researcher for the investigation. Entrepreneurial innovation capability is the organization's ability to develop the new method for the operation allowing businesses increase higher competitiveness than competitors. This also helps the businesses get the competitive advantage leading to the success at the end. This research aimed at investigating both internal and external factors influencing the entrepreneurial innovation capability of gem and jewelry businesses in Thailand. The samples were 127 managing directors and managing partners of gem and jewelry businesses in Thailand. The data collection was manipulated by mail survey. For the statistics used in analyzing data, multiple regression analysis was employed for the hypothesis testing. The results revealed that competitive pressure, market-driving vision, organizational resource readiness and business experience complementarity had the positive and significant effect on entrepreneurial innovation capability. The results also showed the insight understanding about the antecedents of entrepreneurial innovation capability and it can be used to rapidly changing environment.

Keywords: Entrepreneurial Innovation Capability, Market-Driving Vision, Business Experience Complementarity, Organizational Resource Readiness, Technological Change, Competitive Pressure

Introduction

The current rapidly changes of consumer behavior, increase new competitors and modern technology as a result of the operation businesses has become dynamic, complex and difficult to predict. These changing are allowing businesses to create new knowledge and changing competitive method resulting in overall performance (O'Regan, Ghobadian and Sims, 2006). Importantly, business achievement is reflecting about management capability with many differentials environments. Consequently, businesses need to increase new way bringing the opportunity to add wealth and use of exploit. Therefore, entrepreneurial innovation capability is one interesting issue that allows businesses to favorably deal with environment leading to create continually competitive advantage and achievement.

Entrepreneurial innovation capability indicates the support of new ideas, experiment and the creative process that will produce new product, service or process. In this research, entrepreneurial innovation capability is combining between entrepreneurship and innovation perspective. It refers to the organization's ability to new organizational development in the operation resulting in competitive effectiveness beyond competitors and success. In addition, entrepreneurial innovation capability reflects on the support about innovative, proactive, risk-taking, competitive aggressiveness and firm's independence. According to organizational learning theory, business that has the ability to learn to be a better chance of recognizing events and trends in the marketplace as well (Skerlavaj, Song and Lee, 2010). Especially, the learning about internal and external factors influences the operation. Consequently, organizations are learning the internal and external environment that is contributed to new knowledge development, clearly understand, more operational flexible and create opportunities respond to new challenges over competitors (Jimenez and Valle, 2011; Wang, 2008).

As mentioned earlier, it can be seen that both internal and external factors have a significant influence on the ability to develop new operational ways. The previous research indicated that the importance of proactive vision is looking ahead for planning to achieve long-term goals by the bringing existing resources to provide the benefits in competitor retaliation (Collins and Porras, 1991). The source of information for operating and treating competitors as well as responding to customer needs through the advancement of techniques and systems is based on the available resource of businesses (Gil and Hartmann, 2006). In addition, focusing on the role of exploiting experience is the ability able to improve products and processes, as well as the understanding of new things better than a competitor (Majocchi, Bacchiocchi and Mayrhofer, 2005). Meanwhile, the advanced technologies and know-how to reflect market changes are factors supporting learning for adapt quickly (Wang et al., 2015). These factors are significant and effective to the ability in developing new method for the operation that lead to competitive advantage. However, there was no study has examined the relationships among these constructs in a combination. Based on a review of relevant literatures, this research highlights the antecedents to entrepreneurial innovation capability as the constructs of market-driving vision, business experience complementarity, organizational resource readiness, technological change and competitive pressure. Thus, the aim of this research was to investigate internal and external factors that influence on entrepreneurial innovation capability. Moreover, this research was conducted with gem and jewelry businesses, because these businesses have to face the consumer behavior changing and new emerging competitors. In addition, gem and jewelry businesses were small and medium sized enterprises having sensitive adaptation and need to the operation based on new method for identity creation and competitive advantage through new product. This research also helped fulfill the understanding in entrepreneurship and innovation perspective, and expand the concept of organizational learning theory using phenomenon in gem and jewelry businesses. Importantly, this research had benefits to help improve the better operational business under uncertainty environment that creates competitiveness beyond competitors and achievement.

Literature review and hypotheses development

The theoretical perspective indicated organizational learning is the ability to drive an organization and can explain why a company is so successful over its competitors (Bapuji and Crossan, 2004).The businesses with a view to learning for the application and maintainable of business's ability which is the key for improvement and is not exclusion by the current business model or practice that is more likely to discover new ways to better meet customers (Hanvanich, Sivakumar and Hult, 2006). Moreover, businesses operation supported by the new knowledge from learning and understanding internal and external environment that affect the business flexibility and responding to the challenges and new ways in operation more quickly than their competitor. Consequence, the organizational learning theory is fundamental to explain the relationship of antecedents of entrepreneurial innovation capability which the conceptual framework is showed presented the relationship of the construct in Figure 1 as below:

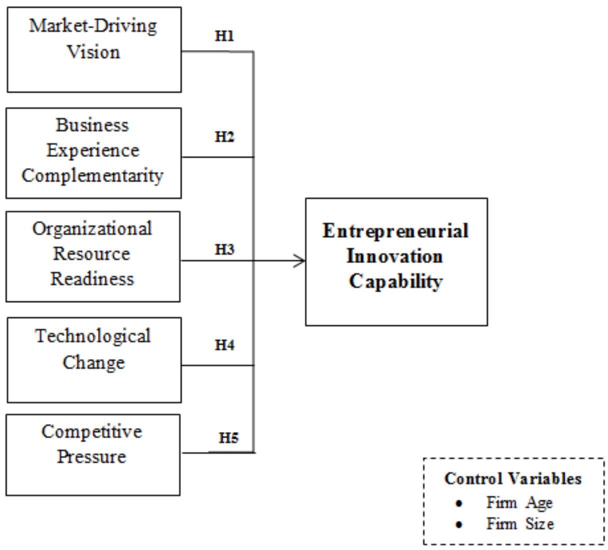


Figure 1: A Conceptual Framework

Entrepreneurial Innovation Capability

On the basis of the relevant literature review, entrepreneurial innovation capability is a result of the integration of entrepreneurship and innovation perspective. This research concentrates on the entrepreneurial innovation capability by developing the concept of Lumpkin and Dess (1996). Entrepreneurial innovation capability, therefore, refers to the organization's ability to develop the new method for the operation allowing businesses increase higher competitiveness than competitors. This organizational ability is develop and refine a new way to support practices, processes, and the decision-making activities involving with the operation in order to contribute the opportunity to enter new markets and to modify the operation under the remaining dynamic environment. Business success depends on innovative behavior and the ability to determine competitive strategy, implementation, and response to market challenge (Wang et al., 2015). The operation under the capabilities efficiency, customer response and exceed competitors result in successful as well (Covin, Green and Slevin, 2006). Hence, these results in businesses must pay attention to both internal and external environments in order to develop new method that lead to the adaptation, potential operational creation and increase competitiveness. These lead to the explanation of the understanding and response of both internal and external environments as following detail below.

The Effect of the Antecedents on Entrepreneurial Innovation Capability

This research concentrates the study of internal and external factors impact to entrepreneurial innovation capability that comprises internal factors as market-driving vision, business experience complementarity and organizational resource readiness. In addition, external factors consist of technological change and competitive pressure follow as below.

Market-driving Vision

Market-driving vision refers to the perspective in creating goal-oriented concepts that focus on going ahead in the future of a company. It is also the basis of motivation, planning and goal determination that are likely to create the effectiveness in operation and achievement of the organization. The basis for setting vision is that a leader should have a priority to track and analyze the internal and external environment that is beneficial to stakeholders for vision processes in marketing and technology views (Sarpong and Maclean, 2012), and important customer views. A vision that is focused on looking ahead is useful for planning to achieve long-term goals by the bringing existing resources to provide the benefits in competitor retaliation. The predicted events may occur and seek protection, and the policy covers the needs of customers in the present and the future as well. Meanwhile, proactive firms dedicate effort to environmental scanning and monitoring for new trends, and stay with the competition (Sciascia, Naldi and Hunter, 2006). Moreover, a market-driving vision allows an organization to have an entrepreneurial innovation capability as to competitiveness. Thus, this research proposed the hypothesis follow as:

Hypothesis 1: Market-driving vision has a positive effect on entrepreneurial innovation capability.

Business Experience Complementarity

The experience of the business is the company's ability to bring past applications to the capabilities that exist at present, leading to higher potential and superior efficiency over competitors (Ucbasaran et al., 2010). For this research, business experience complementarity refers to bringing operations in the past of the company, and applying it to the current ability in order to create knowledge and new opportunities of business as well as increase higher potential and performance than competitors. When an organization has employed the previous experience in operating, this help to link and understand the circumstances faced in the past and also helps finding solution for the current situation. This consistent with the previous study of Davidsson and Honig (2003) which found that previous experience of the entrepreneurship will have a positive relationship with the possibility of entering into the initiation of entrepreneurship and making progress in taking advantage of new opportunities. Thus, this research proposes the hypothesis as follows:

Hypothesis 2: Business experience complementarity has a positive effect on entrepreneurial innovation capability.

Organizational Resource Readiness

Organizations with the readiness of resources can develop the new potential method for operation. In this research, organizational resource readiness refers to the integrity of both tangible and intangible factors supporting in the working process of a business. These factors are valuable for companies in creating efficiency, and are effective in delivering value to the market and operations by achieving set goals. Moreover, research related to entrepreneurship suggested that the available resources made by the company are resources allow utilization in the drive for the creation of an entirely new product, process, and system for the company. It can lead to competitiveness over rivals and gain a competitive advantage leading to success (Bradley, Wiklund and Shepherd, 2010). This is consistent with the previous research of Paradkar, Knight and Hansen (2015) which found that the commercial success of innovation depends on the relationships of the value of assets and the capability of the resource base. Thus, this research proposes the hypothesis as follows:

Hypothesis 3: Organizational resource readiness has a positive effect on entrepreneurial innovation capability.

Technological Change

The role of technology is important in contributing to increased performance and enables the advantage of success over the competition (Huang, 2011) as well as being a driving force for economic growth, productivity, creating new products, and process innovations (Newbert, Gopalakrishnan and Kirchhoff, 2008). Technological change refers to the advancement of technology that contributes to the creation of new innovation, a continuous process of technological improvements, and the distribution of business driven by productivity, to support the process of new link to the goal achievement of organizations. Technology change is a breakthrough that encourages companies to apply, synthesize, and adopt the gathered information which is suitable with the organization. Indeed, technological change also helps develop new products, services, or administrative processes more efficiently and ultimately with better performance which is consistent with the study of Rojas, Morales and Ramos (2013). Thus, this research proposed the hypothesis as follows:

Hypothesis 4: Technological change has a positive effect on entrepreneurial innovation capability.

Competitive Pressure

The dynamics environment reflects the intensity level that the company also faces from competition within the industry (Gu, Hung and Tse, 2008). The external business environment of the firm can have an influence upon the internal process by creating or suitably matching which can help companies to have better performance (Chen et al., 2015). In this research, competitive pressure refers to the competitive situation between competitors in the intense market and the lack of opportunity to generate future growth. As a result, businesses must find new ways in competition to create a competitive advantage and to help a firm to be successful. From the entrepreneurship literatures, companies must observe closely the wide range of uncertainty such as innovation technology, threat of new entrants, and supplier risk (Li and Liu, 2014) and changing customer needs. These operations will allow the company to recognize the situation and the expected trend that might occur and be able to impose approaches in response to those events before the competitors as well. As a result, competitive pressures are factors that drive business changes and lead to new business opportunities. Thus, this research proposed the hypothesis as follows:

Hypothesis 5: Competitive pressure has a positive effect on entrepreneurial innovation capability.

Research Methodology

Sample Selection and Data Collection Procedure

The samples in this entrepreneurial innovation capability research were 626 gem and jewelry businesses derived from the Department of International Trade Promotion, Ministry of Commerce. Gem and jewelry businesses were suitable for this research because it is the small and medium enterprises that have been recognizing in the global market. In addition, it is one of the export industries that can increase the incomes for country. Meanwhile, they are facing a variety of consumer behavior and the increase of competitors. As a result, businesses need to be more entrepreneurial and innovative to find competitive advantages that are different from competitors and to create a stable market position (Shirokova et al., 2016). Moreover, gem and jewelry businesses have adapted to implement the quick and flexible operation based on the development of the capabilities of the organization to bring the new way of operation for both domestic and abroad competitions. Furthermore, questionnaire mail survey is a tool for the data collection. It was directly sent to the managing directors or managing partners who had the authority decision making and who had the insight understanding of operational business. All questionnaires were sent in June 2016 and follow-up letters were also sent after four weeks to firms that had not yet replied. Finally, 127 completed questionnaires were sent back calculating for approximately response rate 22.04 percent which is considered acceptable and sufficient for the further analysis according recommend to Aaker, Kumar and Day (2001). Moreover, the multiple regression analysis was used for hypotheses testing in this research.

Measurements

The construct of measurement was developed from the definition and literature review having the development process as a multiple items in each construct. These variables are measured by a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree) as follows:

Entrepreneurial innovation capability is measured through firm innovativeness, the independence operation, the understanding and coping with uncertainty situation, the competition analysis focusing on customer and competitors in the future. To measure entrepreneurial innovation capability, twenty items were developed from Lumpkin and Dess (1996; 2001).

Market-driving vision is measured through the operations focusing on the future, competitive analysis trends, the allocated budget for the development of products and services, the investment in operational technology, and personal training. These items were measured using five items and developed from Jaworski, Kohli and Sahay (2000).

Business experience complementarity is measured by the good past experience, management, integration, and application of past knowledge and ability to guide the implementation, resulting in the effectiveness of the organization. These items were measured using four items and developed from Ucbasaran et al. (2010).

Organizational resource readiness is measured by the availability of existing resources having appropriate knowledge and ability for employees, the improvement of operational databases, and the application of new methods which is sufficient to cause the efficiency and effectiveness of operations. These items were measured using four items and developed from Edelman, Brush and Manolova (2005).

Technological change is measured by the progress and technology development which is beneficial for the operations of the company. These items were measured using four items and developed from Jaworski and Kohli (1993) and Slater, Hult and Olson (2010).

Competitive pressure is measured by situation that business facing diverse needs of customers, the emergence of new competitors, the differences of the product, and market growth which will contribute to the company's management to be more efficient. These items were measured using four items and developed from Yasamorn and Ussahawanitchakit (2011).

The control variable in this research is firm age and firm size. The previous research indicated that older firms will have more opportunities to understand the process, while younger firms hold the flexibility and learning ability needed to adapt (Dai et al., 2014). Thus, firm age was measured by years of the operations and represented by a dummy variable (0 = all firms that have experience of operations of 15 years or less, and 1 = all firms that have experience of operations more than 15 years). In addition, previous research has shown that firm size impact to operate a business capability (Shirokova et al., 2016). Therefore, firm size was measured by the number of full-time employees and represented by a dummy variable (0 = total employees less than 50, and 1 = total employees that are equal to or more than 50).

Validity and Reliability

This research has conduct validity and reliability test of the questionnaires. The content validity is employed by two experts who verified, recommend and improved the questionnaires corresponding with the conceptual definition recommended by Nunnally and Bernstein (1994). Meanwhile, the first set of 30 returned questionnaires were considered to construct validity and reliability. The construct validity was measured through factor loading which found the value between 0.664 – 0.960, which exceeds the acceptable should be greater 0.4 cut-offs (Nunnally and Bernstein, 1994). The reliability measurement is considered by Cronbach’s alpha coefficients that showed value between 0.784 – 0.934, greater than 0.7 to ensure the internal consistency (Hair et al., 2010) as show in Table 1.

Table 1: Results of Measure Validation of Entrepreneurial Innovation Capability and Its Antecedents

Constructs	Factor Loadings	Alpha Coefficient
Entrepreneurial Innovation Capability (EIC)	.664 - .773	.934
Market-Driving Vision (MDV)	.752 - .901	.882
Business Experience Complementarity (BEC)	.710 - .893	.857
Organizational Resource Readiness (ORR)	.736 - .854	.825
Technological Change (TCH)	.795 - .960	.927
Competitive Pressure (CPR)	.675 - .851	.784

The multiple regression analysis was manipulated for hypotheses testing in this research. The equation model for statistical analysis was presented as follows:

Equation: $EIC = \alpha_1 + \beta_{01}MDV + \beta_{02}BEC + \beta_{03}ORR + \beta_{04}TCH + \beta_{05}CPR + \beta_{06}FA + \beta_{07}FS + \varepsilon_1$

Results and Discussion

This results had the correlation value of all variables in the conceptual model between 0.303 – 0.666, p<0.01 which showed that independence variable had no relationship with other variables in as presented in Table 2.

Table 2: Descriptive Statistics and Correlation Matrix of Entrepreneurial Innovation Capability and Its Antecedents

Variables	EIC	MDV	BEC	ORR	TCH	PRE
Mean	4.01	3.69	3.92	3.89	3.93	4.13
S.D.	.50	.61	.57	.57	.63	.54
EIC	1					
MDV	.609***	1				
BEC	.540***	.594***	1			
ORR	.625***	.666***	.655***	1		
TCH	.400***	.381***	.485***	.485***	1	
CPR	.516***	.524***	.303***	.492***	.525***	1
FA	-.004	.115	.028	-.043	.064	.114
FS	-.060	.133	-.056	-.026	.099	.229***

***Correlation is significant at the 0.01 level (2-tailed)

For the multiple regression analysis in Table 3, the results demonstrated that market-driving vision was significantly and positively effect on entrepreneurial innovation capability (β_{01}=0.249, p<0.05) which is consistent with expectation. Vision-setting is a basic that leaders should give priority to in the process of focusing on marketing and technology (Sarpong and Maclean, 2012) including a focus on the customer's perspective as well (Von Hippel, 2005).

Vision-setting determine the future direction into operational reality. This will reduce the risk which is expected to occur, increase competitive ability, and enable achievement of long-term goals from searching new opportunities, and implementation approaches to meet the needs of customers. Moreover, it includes the counter-competition with competitors under intense competition exists which is consistent with the previous research of Sciascia, Naldi and Hunter (2006). Therefore, the determining direction of business in the future should focus on operational proactive and customer response that were essential. The access to consumer behavior based on market trends survey and competitor's competitive strategy were the methods that help to provide a guideline for developing new approaches for business operations. Meanwhile, businesses should pay attention to the existing potential and should clearly understand the strength and weakness in order to the determine the right and available direction in the future. **Thus, hypothesis 1 is supported.**

Secondly, business experience complementarity is a positive and significant effect on entrepreneurial innovation capability (β_{02} =0.164, p<0.10). This result showed the consistence with the expectation that operational business based on experience is capable to take the success or failure of past operations to lead to the appropriate applications for the current situation, and has potential for superior performance (Ucbasaran et al., 2010). The experience can also help increase the flexibility to decision-model development, and the creation of new ways. Moreover, the experience leads to new opportunities for business and increases competitiveness creation of new ideas that quickly lead to new products development to meet customer needs more than competitors (Covin and Lumpkin, 2011). Especially, businesses related to export context, the past operation is a good information source that helps increase learning and understands about business operation that will lead to the creation of new operation for the competitive in global market. **Thus, hypothesis 2 is supported.**

Table 3: Results of Regression Analysis of Entrepreneurial Innovation Capability and Its Antecedents

Independent Variables	**Dependent Variables**
	EIC
Market-Driving Vision (MDV): H1	**.249**** **(.096)**
Business Experience Complementarity (BEC): H2	**.164*** **(.093)**
Organizational Resource Readiness (ORR): H3	**.219**** **(.101)**
Technological Change (TCH): H4	-.005 (.083)
Competitive Pressure (CPR): H5	**.265***** **(.086)**
Firm age (FA)	-.075 (.148)

Independent Variables	**Dependent Variables**
	EIC
Firm size (FS)	**-.271*** **(.142)**
Adjusted R^2	.492
Maximum VIF	2.523

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$ Beta coefficients with standard errors in parenthesis

Thirdly, organizational resource readiness was positively significant influence on entrepreneurial innovation capability ($\beta_{03} = 0.219$, $p<0.05$). The firms need to systematically scan both internal and external environments, especially for the evaluation of new combinations of existing technology, concepts and ideas, and new applications for existing competencies (McFadzean, O'Loughlin and Shaw, 2005). Particularly, the company that can build capability by linking specific resources such as the creation of a superior functional organization, and allowing access to resources efficiently result in achievement competitive (Oliver and Ripoll, 2014). This is very crucial for, especially, the export context that face the turbulence competitive environment in global market, business had sufficient resources for performance which is simple to operate. These were beneficial for decisions-making and finding new ways to improve operations that provide progress beyond and before competitors under intense competitive environments. **Thus, hypothesis 3 is supported.**

Fourthly, technological change was not significant with the entrepreneurial innovation capability ($\beta_{04} = -0.005$, $p>0.10$) which is inconsistent with the stated that the technological advance is supporting the business's operations lead to development and adoption for enterprises (Bradley et al., 2011). For gem and jewelry businesses in this research, technology was a factor contributed to the outstanding performance and was able to respond to market needs to quickly change. However, businesses have been using the technology in low level, as well as facing restrictions on investment and technology transfer skills. Moreover, it also found that human resources and materials management problems were major important issues that leader should solve (www.oic.go.th, accessed December 2016). Beside, some entrepreneurs might focus on increasing the marketing and ability to response the customer's needs. There is a possibility that the business should focus on the development of these factors more than the importance of technology. **Thus, hypothesis 4 is not supported.**

Finally, competitive pressure was positive and significant with entrepreneurial innovation capability ($\beta_{05} = 0.265$, $p<0.01$). This result was consistent with expectation. Because, under increasingly competitive environments, innovation is partly results of a strong competitive advantage from an innovation process which is different beyond other companies (Veglio and Zucchella, 2015). The competitive environment makes companies faces the challenge of change, and also market growth which will be supported by the company to expand capacity in order to advance competition (Bhattacharya and Michael, 2008). Companies need to respond quickly to new opportunities and challenges for the growth and profit potential. This suggested that competitive pressures arising from uncertainty is a driving the creation of growth opportunities by the development of new method for the operation. **Thus, hypothesis 5 is supported.**

Contributions

Entrepreneurial innovation capability is important issue that enterprise especially gem and jewelry businesses should significantly prioritize due to the search of new operational methods increasing competitiveness and lead to success of businesses. Businesses can learn and understanding to the internal and external factors as well. It allows businesses to adapt the situation and to respond the challenges of competitors, and to react the changing consumer behavior. Therefore, this research benefited to explain and expand the understanding of entrepreneurship and innovation perspective. Furthermore, it also fulfilled the explanation of phenomenon that learning helps businesses in higher clarity and potential operation resulting in competitive advantage and firm success.

The result in this research recommended that executive should pay significant attention to both internal and external factors influence on entrepreneurial innovation capability. Importantly, the executive should, therefore, consider very seriously to the determine direction in the future. Especially, the determination on how to counter the competitor and to response customer needs by assess of customer needs from the survey on customers' trend as well as the direction in the future and competitive strategy of competitors. It is actively encouraged to the business situation that expected to occur, and help determine the comprehensive vision and effective operation. Meanwhile, executive should pay attention to bring exist resource of business exploiting, particularly the supporting organizational ability to the development of new ways for the operation that rapidly and flexibly leads to the success of business. In this research context, the personnel is also an important resource for the operation. The executives should, therefore, pay attention on recruitment process and training for developing the personnel. When businesses have enough and appropriate resources, they can operate effectiveness.

However, businesses that pay attention only on internal factor might not have enough competitive advantage. The executive should, therefore, pay attention on external factor influencing the business operation. The competitive environment is an issue that the executive need to learn, understand and analyze for the situational evaluation which leads to the determination strategy. This is a challenge for businesses how to operate business appropriately with existing resource and potential. Businesses need to integrate knowledge of customer needs, competitor's strategy and the experience of business in order to provide new method development for the competition. These could directly help business on operational effectiveness and a continuously competitive advantage and finally achievement.

Conclusions

This research focused on studying both internal and external environment that influence on entrepreneurial innovation capability leading to operational effectiveness and superior competitors. The purpose was to investigate the relationship of antecedents effect on entrepreneurial innovation capability. The data collection was conducted with gem and jewelry businesses and multiple regression analysis was employed for the hypothesis testing. The results revealed that business should concentrate on competitive pressure and market-driving vision. Furthermore, organizational resource readiness and business experience complementarity were also important which business should pay attention for creating and increasing the entrepreneurial innovation capability. This helps business to be quickly and continuously competitive and successful.

For the suggestion in future research, the research should moderate variable as learning culture because it is the critical process driving the emergence of new idea leading to better performance (Khazanchi, Lewis and Boyer, 2007). Thus, the moderating effect of learning culture is interesting to further study in entrepreneurial innovation capability.

References

Aaker, D. A., Kumar, V. and Day, T. X. (2001). *Marketing Research*. New York: John Wiley and Sons.

Bapuji, H. and Crossan, M. M. (2004). From questions to answers: reviewing organizational learning research. *Management Learning*, 35(4), 397-417.

Bhattacharya, A. K. and Michael, D. C. (2008). How local companies keep multinationals at bay. *Harvard Business Review*, 85–95.

Bradley, S. W., Aldrich, H., Shepherd, D. A. and Wiklund, J. (2011). Resources, environmental change, and survival: Asymmetric paths of young independent and subsidiary organizations. *Strategic Management Journal*, 32, 486–509.

Bradley, S. W., Wiklund, J. and Shepherd, D. A. (2010). Swinging a double-edged sword: the effect of slack on entrepreneurial management and growth. *Journal of Business Venturing*, 26(5), 537-554.

Chen, Y., Wang, Y., Nevo, S., Amado, J. B. and Kou, G. (2015). IT capabilities and product innovation performance: The roles of corporate entrepreneurship and competitive intensity. *Information & Management*, 52, 643-657.

Covin, J. G. and Lumpkin, G. T. (2011). Entrepreneurial orientation theory and research: Reflections on a needed construct. *Entrepreneurship: Theory and Practice*, 35(5), 855-872.

Covin, J. G., Green, K. M. and Slevin, D. P. (2006). Strategic process effects on the entrepreneurial orientation-sales growth rate relationship. *Entrepreneurship Theory and Practice*, 30(1), 57-81.

Collins, J. C., and Porras, J. I. (1991). Organizational vision and visionary organizations. *California Management Review*, 34(1), 30-52.

Dai, L., Maksimov, V., Gillbert, B. A. and Fernhaber, S. A. (2014). Entrepreneurial orientation and international scope: The differential roles of innovativeness, proactiveness, and risk-taking. *Journal of Business Venturing*, 29, 511-524.

Davidsson, P. and Honig, B. (2003). The role of social and human capital among nascent entrepreneurs. *Journal of Business Venturing*, 18, 301–331.

Edelman, L. F., Brush, C. G. and Manolova, T. (2005). Co-alignment in the resource-performance relationship: Strategy as mediator. *Journal of Business Venturing*, 20(3), 359-383.

Gil, D. N. and Hartmann, F. (2006). How top management teams use management accounting systems to implement strategy. *Journal of Management Accounting Research*, 18, 21–53.

Gu, F., Hung, K. and Tse, D. K. (2008). When does quanxi matter? Issues of capitalization and its dark sides. *Journal of Marketing*, 72(4), 12-28.

Hair, J. F., Black, W. C., Babin, B. J. and Anderson, R. E. (2010). *Multivariate data analysis*. Seventh edition. Prentice Hall, Upper Saddle River, New Jersey.

Hanvanich, S., Sivakumar, K. and Hult, G. T. M. (2006). The relationship of learning and memory with organizational performance: The moderating role of turbulence. *Journal of the Academy of Marketing Science*, 34, 600-612.

Huang, K. F. (2011). Technology competencies in competitive environment. *Journal of Business Research*, 64(2), 172-179.

Jaworski, B. and Kohli, A. K. (1993). Market orientation: Antecedents and consequences. *Journal of Marketing*, 57, 53- 70.

Jaworski, B., Kohli, A. K. and Sahay, A. (2000). Market driven versus driving markets. *Journal of the Academy of Marketing Science*, 28(1), 45-54.

Jimenez, D. J., and Valle, R. S. (2011). Innovation, organizational learning, and performance. *Journal of Business Research*, 64, 408-417.

Khazanchi, S., Lewis, M. W. and Boyer, K. K. (2007). Innovation-supportive culture: The impact of organizational values on process innovation. *Journal of Operations Management*, 25(4), 871-884.

Li, D. Y. and Liu, J. (2014). Dynamic capabilities, environmental dynamism, and competitive advantage: Evidence from China. *Journal of Business Research*, 67, 2793–2799.

Lumpkin, G. T. and Dess, G. G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*, 97, 135-172.

____________________ (2001). Linking two dimensions of entrepreneurial orientation to firm performance: The moderating role of environment and industry life cycle. *Journal of Business Venturing*, 16(5), 429-451.

Majocchi, A., Bacchiocchi, E. and Mayrhofer, U. (2005). Firm size, business experience and export intensity in SMEs: A longitudinal approach to complex relationships. *International Business Review*, 14, 719–738.

McFadzean, E., O'Loughlin, A. and Shaw, E. (2005). Corporate entrepreneurship and innovation part 1: the missing link. *European Journal of Innovation Management*, 8(3), 350-372.

Newbert, S. L., Gopalakrishnan, S. and Kirchhoff, B. A. (2008). Looking beyond resources: exploring the importance of entrepreneurship to firm-level competitive advantage in technologically intensive industries. *Technovation*, 28(1/2), 6-19.

Nunnally, J. C. and Bernstein, I. H. (1994). *Psychometric theory*. 2nd ed. Vol. New York: McGraw-Hill, Inc.

O'Regan, N., Ghobadian, A. and Sims, M. (2006). Fast tracking innovation in manufacturing SMEs. *Technovation*, 26(2), 251–261.

Oliver,J. L. H. and Ripoll, F. S. (2014). Disentangling the influence of technological process and product innovations. *Journal of Business Research*, 68(1), 109–118.

Paradkar, A., Knight, J. and Hansen, P. (2015). Innovation in start-ups: Ideas filling the void or ideas devoid of resources and capabilities?. *Technovation*, 41-42, 1-10.

Rojas, R. M., Morales, V. J. G. and Ramos, M. T. B. (2013). Influence of technological support, skills and competencies, and learning on corporate entrepreneurship in European technology firms. *Technovation*, 33, 417-430.

Sarpong, D. and Maclean, M. (2012). Mobilising differential visions for new product innovation. *Technovation*, 32, 694–702.

Sciascia, S., Naldi, L. and Hunter, E. (2006). Market orientation as determinant of entrepreneurship: An empirical investigation on SMEs. *The International Entrepreneurship and Management Journal*, 2(1), 21-38.

Shirokova, G., Bogatyreva, K., Beliaeva, T. and Puffer, S. (2016). Entrepreneurial orientation and firm performance in different environmental settings. *Journal of Small Business and Enterprise Development*, 23(3), 703-727.

Skerlavaj, M., Song, J. H. and Lee, Y. (2010). Organizational learning culture, innovative culture and innovations in South Korean firms. *Expert Systems with Applications*, 37, 6390-6403.

Slater, S. F., Hult, G. T. M., and Olson, E. M. (2010). Factors influencing the relative importance of marketing strategy creativity and marketing strategy implementation effectiveness. *Industrial Marketing Management*. 39, 551–559.

The official Information Commission. (2016). [Online]. Available from: http://www.oic.go.th/web2014/main.html [Acceessed December 2016].

Ucbasaran, D., Westhead, P., Wright, M. and Flores, M. (2010). The nature of entrepreneurial experience, business failure and comparative optimism. *Journal of Business Venturing*, 25, 541–555.

Veglio, V. and Zucchella, A. (2015). Entrepreneurial firms in traditional industries. Does innovation matter for international growth?. *Journal of International Entrepreneurship*, 13, 138–152.

Von Hippel, E. (2005). *Democratizing innovation*. MIT Press, Cambridge, MA.

Wang, C. L. (2008). Entrepreneurial orientation, learning orientation, and firm performance. *Entrepreneurship: Theory and Practice*, 32(4), 635-657.

Wang, K. Y., Hermens, A., Huang, K.P. and Chelliah, J. (2015). Entrepreneurial orientation and organizational learning on SMEs' innovation. *The International Journal of Organizational Innovation*, 7(4), 71-81.

Yasamorn, N. and Ussahawanitchakit, P. (2011). Strategic collaborative capacity, business growth, and organizational sustainability: Evidence from tourism businesses in Thailand. *International Journal of Business Strategy*, 11(3), 1-27.

ASEAN Journal of Management & Innovation
Vol. 4 No. 1, 46 – 62
©2015 by Stamford International University
DOI: 10.14456/ajmi.2017.4
ajmi.stamford.edu

What Fashion Shoppers Want from M-Commerce: An Integration of Cognitive and Affective Factors to Explain Satisfaction and Loyalty

Panitharn Juntongjin, DBA
Lecturer of Department of Marketing,
Thammasat Business School, Thammasat University
Email: panitharn@tbs.tu.ac.th

Abstract

Due to current situation, huge growth rate of mobile users, it is undeniable that M-Commerce has become a huge opportunity as a distribution channel for many firms. In Thailand, fashion product is the most famous product selling online. From the uniqueness of fashion product, emotion is among the factors believing to have impact on satisfaction and loyalty in this context. Nevertheless, from prior research, affective factor (i.e. emotion) has not been integrated with other cognitive factors to explain the satisfaction and loyalty in M-Commerce. The author proposed new model integrating the affective factor with cognitive variables to better explain satisfaction and loyalty in M-Commerce. To emphasize the uniqueness of what fashion shoppers want from M-Commerce, the author compared the impact of the factors on satisfaction and loyalty for general product versus fashion product. Structural Equation Modelling (SEM) with multi-group techniques was employed to test the hypotheses. The results illustrate that the different types of product leads to different in factors affecting shoppers' responding outcomes. Firms in fashion and M-Commerce industries can use the proposed model and the results of this study to obtain long- term benefit from effective improving of their customer satisfaction and loyalty.

Keywords: M-Commerce, Mobile Shopping, Fashion, Emotion, Satisfaction, Loyalty

Introduction

According to Electronic Transactions Development Agency (Public Organization), or ETDA, in 2016, the total value of E-Commerce market in Thailand has surpassed 2.5 billion baht or about 40% of purchasing value of all products and services (ETDA, 2016b). In addition, more people use their mobile devices to search and to buy product online every day, this is due to an explosive growth of mobile subscription reaching 90.94 million or equal to 133% of the Thailand population (Kemp, 2017), and smartphone is the most famous device people using to access to the internet (ETDA, 2016a). Therefore, at present, Mobile Commerce (M-Commerce) is a huge opportunity as a role of distribution channel for business. As a result, many E-Commerce providers expand their business to M-Commerce.

Among several products available online, in Thailand, fashion product (e.g. apparel, bag, shoes, and accessary) has been accepted as the most famous product people buying online (ETDA, 2015). This is a great opportunity for firms in the fashion and e-commerce industries to use online channel to sell this fascinating products, especially via M-Commerce. That is the reason why there are many players selling fashion product online and also many firms provides mobile shopping applications to sell fashion items. This creates convenience to the fashion shoppers, due to many choices of websites and mobile applications selling fashion items, for instance ZALORA, LAZDA, Line Shop, and 11street.

Nevertheless, many choices available also mean that shoppers can easily switch the brand of websites or applications to buy the fashion product. As a result, knowing what shoppers want, in order to keep them satisfy and repurchase the product at the websites or application, is crucial in this context. M-Commerce service providers must not only attract new customers but also retain them to repurchase (Lin & Wang, 2006).

In this intense online competition, in order to maintain competitive advantage and grasp the huge opportunity of selling fashion product, loyalty certainly is an essential tool for the firms doing M-Commerce business, since it provides better financial benefit than finding new customers (Lin & Wang, 2006). Satisfaction is wildly accepted as the main factor affecting loyalty. It had been mentioned that satisfaction is a loyalty's Achilles' tendon (Oliver, 1999). It has been proved by many scholars that once satisfaction increases to a certain level, loyalty rate usually increases (Bowen & Chen, 2001; Oliva, Oliver, & MacMillan, 1992; Shankar, Smith, & Rangaswamy, 2003). Nonetheless, customer satisfaction as a factor itself has been criticized the lack of ability to perfectly explain loyalty, since relationships among other relevant constructs in particular context can play important role (Kumar, Dalla Pozza, & Ganesh, 2013).

According to the concept of consumer response, consumer evaluative judgement process is not only relying on the consumers' cognition, but also depending on their affection (Schiffman & Wisenblit, 2014). Hence, during the evaluation of satisfaction and loyalty, which consider being types of evaluative judgement process, cognitive and affective factors should be considered together to explain the outcomes of the situations. Cognitive part in M-Commerce can comprise of factors that consumers use as their consideration to evaluate the situation. Trust, mobile shopping application design, and perceived usefulness of the application are among important factors that prior researchers have demonstrated in order to create online satisfaction and loyalty (Cyr, Head, & Ivanov, 2006; Flavián & Guinalíu, 2006; Li & Yeh, 2010; Lin & Wang, 2006). However, one important affective factor has rarely been studied by previous researcher is emotion. Since, emotion usually plays an important role in impulsive buying product, impulse buying can be normally found in the buying situation of fashion product. (Joo Park, Young Kim, & Cardona Forney, 2006).

Therefore, the first objective of this research is to study the role of emotion, a crucial factor but lack of attention from prior researches, to explain satisfaction and loyalty in M-Commerce for fashion product. Second objective is to propose a new satisfaction and loyalty model of M-Commerce for fashion product that integrates cognitive and affective factors of shoppers. Firms in the fashion and M-Commerce industries can use the proposed model as a guideline to better understand factors affecting satisfaction and loyalty. Last objective is to prove that impact from factors affecting satisfaction and loyalty of shoppers who want to buy fashion products might be different from those of other shoppers who are looking for other kinds of products.

Theoretical Background and Research Model

Derived and adapted from cognitive appraisal theory (Lazarus, 1991), the proposed model of this research comprised of six constructs; Trust, Mobile Shopping Application

Design, Perceived Usefulness, Emotion, Satisfaction, and Loyalty. Lazarus (1991) stated that people can have various outcomes responding to different affective and cognitive process in diverse situations. Integrating all of the six constructs and empirically examining them can advance the understanding of how the independent constructs can affect loyalty in M-Commerce as an outcome. A conceptual model with hypotheses that were empirically tested is illustrated in Figure 1.

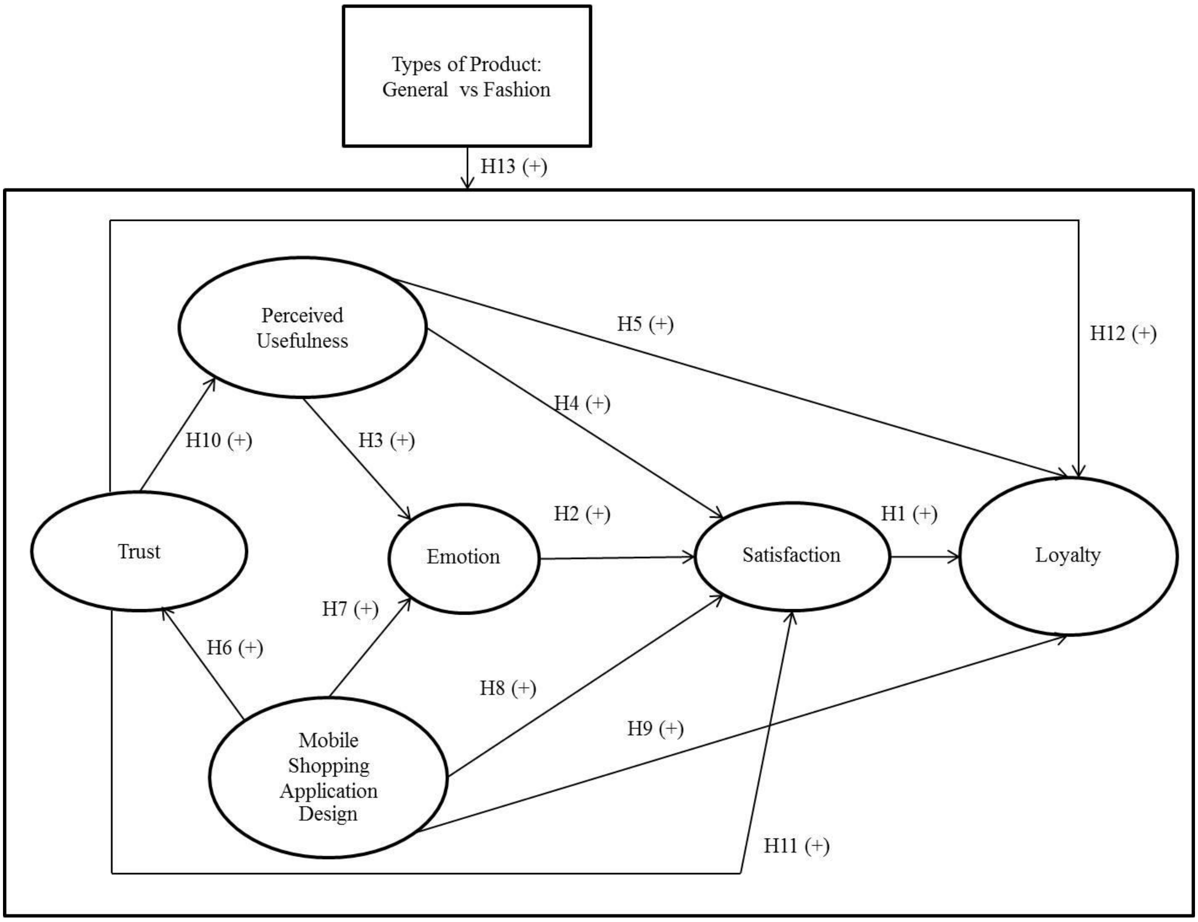


Figure 1: The research model

Loyalty

Oliver (1999) clearly defined brand loyalty as a deeply held commitment to consistently re-patronize a preferred product in the future, although situational influences and marketing efforts having potential to cause switching behavior. Moreover, according to Hoehle and Venkatesh (2015), loyalty in M-Commerce is the situation when mobile application users show their strong commitment in returning to use or to purchase the product via specific mobile application. Therefore, according to the definitions, this dependent construct can be separated into two dimensions; attitudinal commitment (when users have an intention to purchase) and revisiting behavior.

Satisfaction

A situation of consumers' post-purchase evaluation responding to the overall product or service experience has been defined in prior research as satisfaction (Oliver, 1992). Satisfaction has often been measured from many scholars (Audrezet et al., 2016; Voss, Parasuraman, & Grewal, 1998), since it is wildly accepted as predictor for word-of-mount recommendation and loyalty. Furthermore, prior research (Oliver, 1980) found that satisfaction mediated consumers' attitude from prior experience and can be used to describe interesting post-purchase behaviors; i.e. complaining, repurchase intention, and product usage. In addition, in the context of M-Commerce, Deng, Lu, Wei, and Zhang (2010) proved that satisfaction is an important factor having impact on loyalty. When customers have satisfaction with the products they purchased, loyalty has tendency to be formed. Then, as a result, although the customers may not shortly come back to buy any products from the same provider, they should not go to buy the products from other providers. Nonetheless, there is evidence of situation when satisfaction is not always lead to loyalty (Matzler & Hinterhuber, 1998). This makes the relationship still interesting to investigate, especially in the context of M-Commerce which the shoppers have several choices regarding where to shop. This leads to the first hypothesis as follows:

H1 (+): Satisfaction has a positive influence on loyalty in M-Commerce.

Emotion

According to Bagozzi, Gopinath, and Nyer (1999), emotion is a mental state of readiness arising from cognitive appraisals from events or thoughts, resulting in a specific activity to sustain or deal with particular emotion, which depend on its nature and meaning for the person having it. The author measured three dimensions of emotion; pleasure, arousal, and dominance, adapted from the E-Commerce study of Porat and Tractinsky (2012). Scholars explained emotions as patterns of responses having evolved for the ability to enable a quick and efficient response to main environmental events (Ekman, 1992). As for M-Commerce context, event that can create emotion is probably the situation when consumers use mobile shopping application to buy product. There are evidences from previous literature showing that emotion can lead to satisfaction in E-Commerce (Hsu & Lin, 2015; Machleit & Mantel, 2001).

According to Lazarus (1991), the explanation of emotion affecting on satisfaction can be described, after using mobile shipping application, the users then have cognitive appraisal which derived from mobile shopping application design and perceived usefulness of the application. These, as a result, can lead to emotional response affecting satisfaction toward the application. Nonetheless, prior researchers rarely prove the relationship of how emotion can have impact on satisfaction in M-Commerce, specifically for the fashion product which emotion has a high chance to affect consumers' shopping outcome (Joo Park et al., 2006).

H2 (+): Emotion has a positive influence on Satisfaction in M-Commerce.

Perceived Usefulness (PU)

Perception of users who believe that there will be utility from using the information system or application can be explained as perceived usefulness (Bhattacherjee & Premkumar, 2004). The author measured four dimensions of perceived usefulness for M-Commerce application; performance, productivity, effectiveness, and overall usefulness, which adapted from previous study (Bhattacherjee, 2001; Davis, 1989). According to previous researches, there are evidences showing that perceived usefulness can have impact on satisfaction and loyalty (Cyr, Hassanein, Head, & Ivanov, 2007; Wong, Lo, & Ramayah, 2014) in online context. Moreover, from cognitive theory of Lazarus (1991), emotion of users after using mobile shopping application can also be affected by perceived usefulness as well. Hence, perceived usefulness of M-Commerce application can have outcomes on emotion, satisfaction, and loyalty.

H3 (+): Perceived Usefulness has a positive influence on Emotion in M-Commerce.

H4 (+): Perceived Usefulness has a positive influence on Satisfaction in M-Commerce.

H5 (+): Perceived Usefulness has a positive influence on Loyalty in M-Commerce.

Mobile Shopping Application Design (Design)

This construct is the perception of consumers, who use M-Commerce application to buy product, regarding how well the application was designed. According to Hoehle and Venkatesh (2015), this variable can be measured from four types of consumers' perception about the application design. First dimension is branding of the application, how the trademark of the application has been well designed, in terms of color or image to be refined and to easily remember. Second is data preservation, whether the application can memorize users' information and can maintain users' status when users come back to use the application or not. Next is instant start, which is the readiness to use or how fast the application can be opened when users want to use. Last dimension is orientation, whether the application can perform properly according to the directions; vertical or horizontal, that users want. When users are perceived that the mobile shopping application has been well designed, the trust in the application can be increased (Deng et al., 2010). A well designed application can also lead the users to have positive emotion and satisfaction with the use of application and finally can persuade user to use the application again in the future when they want to buy products online (Lin & Wang, 2006).

H6 (+) Mobile Shopping App Design has a positive influence on Trust in M-Commerce.

H7 (+) Mobile Shopping App Design has a positive influence on Emotion in M-Commerce.

H8 (+) Mobile Shopping App Design has a positive influence on Satisfaction in M-Commerce.

H9 (+) Mobile Shopping App Design has a positive influence on Loyalty in M-Commerce.

Trust

According to Morgan and Hunt (1994), this construct is described as the willingness to rely on the honesty of the other parties in a relationship. Many scholars believed that trust is a key variable that should pay attention in an online shopping context (Kim, Ferrin, & Rao, 2008; Lin & Wang, 2006; Park & Yang, 2006; Sun, 2011). Trust has been proved by Horst, Kuttschreuter, and Gutteling (2007) that it has positive impact on perceived usefulness in online context. The reason is that when consumers have trust in the application, they tend to have positive attitude with it. This leads to positive impact on perceived usefulness of the application. Trust has also been mentioned that it has a strong impact on satisfaction in M-Commerce (San-Martín, López-Catalán, & Ramón-Jerónimo, 2015; Zhou, Li, & Liu, 2010). Moreover, trust implies that the consumers feel secure to use the mobile shopping application, which will lead to repeat using the application (Lin & Wang, 2006).

H10 (+): Trust has a positive influence on Perceived Usefulness in M-Commerce.

H11 (+): Trust has a positive influence on Satisfaction in M-Commerce.

H12 (+): Trust has a positive influence on Loyalty in M-Commerce.

Last hypothesis is developed due to the uniqueness of fashion product (Joo Park et al., 2006) that makes the product different from other products. The author believes that different types of product (general versus fashion) possibly lead to different in factors affecting satisfaction and loyalty in M-Commerce.

H13: Types of product (general versus fashion) can lead to different in factors affecting M-Commerce Satisfaction and Loyalty.

Research method

Sampling Method

Population of this research is people who have experience with mobile shopping application; all of them must have used mobile shopping application (B2C or C2C only) for shopping product at least one time. All respondents were asked to project themselves into the recent situation when they used M-Commerce to buy product. Furthermore, as one objective of this research is to illustrate the different among the impacts of independent constructs on satisfaction and loyalty of general product versus fashion product, the author compared the two conditions by using two groups of respondents; which are people who just used mobile shopping application to shop for general product versus fashion product. This purposive sampling method is applied to ensure the relevant of the respondents toward the research objective.

As Structural Equation Modelling (SEM) is selected to test the hypotheses, the sample size should meet the statistical requirement of SEM to ensure the quality of the results. Weston and Gore (2006) mentioned that the minimum sample size of SEM should not be less than 200. This study has to prove relationships of variables in two product conditions (general versus fashion), hence sample size in total should be around 400. Finally, 386 respondents were recruited for the condition of general product and 215 participants for those of fashion product.

Measurement of the Constructs and Questionnaire Development

Measurement items in the questionnaire were adapted from previous literature and adjusted after the interviewing with two target respondents (see more detail in Appendix). All measurement items were back translated into Thai. Then, the questionnaire was pre-tested for practicability by interviewing with the other seven respondents. For all constructs, the subjects were asked to answer the questions by rating on 7-point Likert-type scale (1 = ‘‘strongly disagree’’, 7 = ‘‘strongly agree’’). Moreover, pilot study of 50 people had been employed to ensure reliability of all measurement items before collecting the samples for hypotheses testing.

Data Analysis and Results

Quality of Research Instruments

To check for quality of the research instruments, reliability and construct validity testing were employed. The reliability was assessed using Cronbach's alpha (α) to verify the internal consistency of the constructs (Hair, Black, Babin, & Anderson, 2010), and the construct validity was examined by confirmatory factor analysis (CFA) of each construct (Jöreskog & Sörbom, 2001). Cronbach's alpha should be greater than 0.70 for sufficient internal consistency (Nunnally, 2010). All constructs have reliabilities ranging from 0.85 to 0.93 (see Table 1), showing good reliability and illustrating high reliability results. CFA is used to investigate how well the indicators are grouped into each construct hypothesized or specified (Jöreskog & Sörbom, 2001). Several indices to evaluate construct fit were employed. The findings of CFA are in Table 1, indicating good fit of the constructs with all fit index criteria. The CFA results show good construct validity, so the author could proceed to test the research hypotheses.

Table 1: Results from CFA and Reliability Test

Constructs	Dimensions	Std. Loading	SE	t-value	R^2	Fit Statistic (not sig.)	Cronbach's alpha
Trust	Trust	0.945	-	-	0.893	P=0.161	0.932
Mobile Shopping Application Design	Branding	0.727	0.131	13.529**	0.529	0.164	0.855
	Data Preservation	0.801	0.099	16.455**	0.641		
	Instant Start	0.794	0.1	16.370**	0.63		
	Orientation	0.511	-	-	0.261		
Perceived Usefulness	Performance	0.79	0.04	21.886**	0.624	P=0.174	0.87
	Productivity	0.813	0.042	21.151**	0.662		
	Effectiveness	0.893	-	-	0.797		
	Overall Usefulness	0.743	0.04	20.276**	0.553		
Emotion	Pleasure	0.858	-	-	0.736	P=0.176	0.874
	Arousal	0.668	0.114	15.941**	0.447		
	Dominance	0.84	0.066	23.983**	0.706		
Satisfaction	Satisfaction	0.936	-	-	0.876	P=0.170	0.882
Loyalty	Attitudinal	0.83	-	-	0.689		0.916
	Commitment	0.906	0.41	34.126**	0.822		

Note: ** p < .01

Structural Model

Exploring the proposed model for both conditions; general versus fashion, provides information on how each independent constructs can differently influence satisfaction and loyalty when product types are different.

Statistical assumptions of SEM are tested. Hair et al. (2010) explained that if the sample size is over 200, the effects of normal distribution tend to be reduced because $Z_{skewness}$ and

$Z_{kurtosis}$ are sensitive to sample size. The results should not be affected by a non-normal distribution, since this research has more than 200 respondents. For multicollinearity, this problem might not exist as the author checked for VIF and Tolerance which confirm no multicollinearity.

The results of fit assessment from structural model are in Table 2. The results shows that the research model is satisfactory fit to the empirical data and statistically valid for both data sets of general product and fashion product.

Table 2: Goodness of Fits Indices for the Structural Models

Fits Statistics	Value Obtained (General/Fashion)	Level of Acceptable Fit (Hair et al., 2010)
$\chi 2$/d.f.	1.391 / 1.326	Between 1 and 2
p-value	0.053 / 0.066	Not significant
CFI	0.996 / 0.992	0.90 or more
IFI	0.995 / 0.99	0.90 or more
NFI	0.986 / 0.97	0.90 or more
RFI	0.96 / 0.93	0.90 or more
GFI	0.982 / 0.962	0.90 or more
RMSEA	0.032 / 0.039	0.08 or less

Hypotheses Testing

Before concerning the results of hypotheses testing, the author analyzed the coefficient of determination (R^2) of endogenous constructs for the product conditions; general and fashion. R^2 for the final dependent construct (Loyalty) of the models are 0.65 and 0.705, respectively. It means that trust, perceived usefulness, mobile shopping application design, emotion, and satisfaction altogether can explain 65 and 70.5 percent of variation in Loyalty for the conditions of general product and fashion product, consecutively. According to Jöreskog and Sörbom (2001), surpassing 0.4 means that coefficient of determination for SEM model meets a satisfactory level.

Table 3 presents the hypotheses test results with direct effect, indirect effect, and total effect. For general product, H6, H7, H10, and H12 fail to reject. This means that mobile shopping application design, measured according to the four dimensions – branding, data preservation, instant start, and orientation – has a direct positive effect on trust (H6) and also has direct and indirect effect on emotion, measured according to the three kinds of emotion – pleasure, arousal, and distributive (H7). Furthermore, trust has a direct positive effect on perceived usefulness, measured according to the four dimensions – performance, productivity, effectiveness, and overall usefulness – (H10) and also has direct and indirect effect on loyalty, measured according to the two perspectives of loyalty– attitudinal commitment, and revisit (H12).

As for fashion product, H2, H3, H6, H7, H10, H11, and H12 fail to reject. The supported results from hypotheses testing that differ from the condition of general product are H2, H3, and H11. This means that, during the situation of buying fashion product, there are three unique relationships between factors occurring for this product type. Firstly, trust has direct and indirect positive effect on satisfaction (H11). Secondly, perceived usefulness has a positive direct effect on emotion (H3). Lastly, emotion has a positive direct impact on satisfaction (H2).

The hypotheses test results from both product types reveal that there are different influencing factors for shoppers who buy different kinds of product, hence H13 is supported. The details will be discussed next.

Table 3: Statistical Results of Hypotheses Testing

Hypotheses & Relationships		General Product				Fashion Product			
		TE	DE	IE	Results	TE	DE	IE	Results
H1: Satisfaction -> Loyalty	b	0.319	0.319	-	Not Supported	0.629	0.629	-	Not Supported
	SE		0.720				0.642		
	t		0.444				0.979		
	Std. Coef.	0.199	0.199	-		0.187	0.187	-	
H2: Emotion ->Satisfaction	b	0.132	0.132	-	Not Supported	0.122	0.122	-	Supported
	SE		0.096				0.055		
	t		1.371				2.206*		
	Std. Coef.	0.144	0.144	-		0.230	0.230	-	
H3: PU -> Emotion	b	0.012	0.012	-	Not Supported	0.118	0.118	-	Supported
	SE		0.063				0.059		
	t		0.193				1.987*		
	Std. Coef.	0.015	0.015	-		0.183	0.183	-	
H4: PU -> Satisfaction	b	0.041	0.039	0.001	Not Supported	0.029	0.015	0.014	Not Supported
	SE		0.295				0.053		
	t		0.134				0.286		
	Std. Coef.	0.057	0.055	0.002		0.086	0.044	0.042	
H5: PU -> Loyalty	b	0.054	0.041	0.013	Not Supported	0.116	0.097	0.018	Not Supported
	SE		0.106				0.126		
	t		0.384				0.772		
	Std. Coef.	0.047	0.035	0.011		0.101	0.085	0.016	
H6: Design -> Trust	b	0.936	0.936	-	Supported	0.600	0.600		Supported
	SE		0.141				0.121		
	t		6.610**				4.920**		
	Std. Coef.	0.785	0.785	-		0.739	0.739		

Note: ** $p < .01$ (2-tailed), * $p < .05$ (2-tailed)

Table 3: Statistical Results of Hypotheses Testing (continue)

Hypotheses & Relationships		General Product				Fashion Product			
		TE	DE	IE	Results	TE	DE	IE	Results
H7: Design -> Emotion	b	0.505	0.497	0.007	Supported	0.484	0.406	0.077	Supported
	SE		0.082				0.083		
	t		6.027**				4.872**		
	Std. Coef.	0.633	0.623	0.010		0.655	0.550	0.104	
H8: Design -> Satisfaction	b	0.567	0.168	0.398	Not Supported	0.271	0.005	0.265	Not Supported
	SE		0.301				0.067		
	t		0.559				0.088		
	Std. Coef.	0.776	0.230	0.546		0.693	0.015	0.678	
H9: Design -> Loyalty	b	0.781	0.054	0.727	Not Supported	0.875	0.121	0.753	Not Supported
	SE		0.210				0.142		
	t		0.257				0.852		
	Std. Coef.	0.665	0.046	0.619		0.666	0.092	0.573	
H10: Trust -> PU	b	0.699	0.699	-	Supported	1.086	1.086	-	Supported
	SE		0.090				0.170		
	t		7.737**				6.382**		
	Std. Coef.	0.811	0.811	-		0.769	0.769	-	
H11: Trust -> Satisfaction	b	0.356	0.327	0.028	Not Supported	0.359	0.327	0.032	Supported
	SE		0.626				0.156		
	t		0.521				2.095*		
	Std. Coef.	0.580	0.533	0.046		0.746	0.679	0.066	
H12: Trust -> Loyalty	b	0.696	0.554	0.142*	Supported	1.197	0.864	0.332	Supported
	SE		0.227				0.404		
	t		2.44*				2.136*		
	Std. Coef.	0.706	0.562	0.144		0.740	0.534	0.205	

Note: ** $p < .01$ (2-tailed), * $p < .05$ (2-tailed)

Conclusion and Discussion

The objectives of this research are to study the role of emotion and to propose an alternative model to explain satisfaction and loyalty in M-Commerce for fashion product. Another objective is to prove that impacts from factors affecting satisfaction and loyalty of shoppers who want to buy fashion products might be different from those of other shoppers. All objectives were achieved and the discussions of the objectives are as follows.

Emotion, a crucial factor but lack attention from prior research in M-Commerce context, has an impact on shoppers' satisfaction for fashion product. According to factor loading from SEM results of fashion condition, dimension of emotion that plays important role to create satisfaction is pleasure (see appendix for factor loading of dimensions of each research construct). This finding confirmed that shoppers preferred situation that keep them having positive pleasure (Porat & Tractinsky, 2012). This positive emotion can finally lead to satisfaction of shopping experience in M-Commerce. As for how to create positive emotion to influence on satisfaction, the factors affecting emotion are Mobile Shopping Application Design (Design) and Perceived Usefulness (PU).

As for PU, effectiveness and productivity are the dimensions of PU that play very important role. Effectiveness of mobile shopping application can be derived from the benefit of how fast the application can help shoppers to buy the products. In addition, according to the research finding, PU can be improved by increasing trust of the mobile shopping application.

Regarding Design, instant start and data preservation are the dimensions of Design which play important role. The most crucial is instant start, relating to how fast the application can be responded after opening the application. Data preservation, another main aspect of Design relating to how application can memorize shoppers' information and status after they come back to the shopping application (Hoehle & Venkatesh, 2015). Design can also have a positive impact on trust which in return affecting PU, satisfaction, and loyalty of M-Commerce shopping for fashion product.

In terms of second objective, new alternative model is successfully proposed. According to the results of statistical testing, the model has passed the conditions to explain the proposed constructs. This model will shed the light for future researchers that affective factors should be studied properly to explain shoppers' responding outcomes in M-Commerce context.

As for the last objective, according to the research finding, impacts from factors affecting satisfaction and loyalty of shoppers who want to buy fashion products do have differences from those of other shoppers purchasing general product. For satisfaction of fashion product, factors directly affect satisfaction are emotion and trust, but these two factors do not have impact on satisfaction in the condition of general product. From standardized beta coefficient, trust has the strongest effect on satisfaction. In addition, although not directly influence on satisfaction, Design and PU have indirect effects on satisfaction through emotion.

In terms of loyalty for both product types, trust is the only factor having direct effect on loyalty. Moreover, even though it does not have direct impact on loyalty, Design has indirect effect on loyalty through trust for both product conditions. Attitudinal commitment is the dimension of loyalty that has been more affected by the mention factors than the dimension of revisit.

From the above conclusion, it is clearly shown that trust is the most important factor for creating both satisfaction and loyalty for both product conditions. In addition, there is a contradictory finding compare to previous researches in M-Commerce; satisfaction in this study does not significantly have an impact on loyalty. The explanation for this is that nowadays there are so many M-Commerce providers, therefore shoppers have several choices and loyalty becomes such a difficult thing to obtain. Nonetheless, according to the research of Matzler and Hinterhuber (1998), it makes the author believes that if high level of satisfaction can be achieved, shoppers will have loyalty to that particular M-Commerce provider.

Last but not least, to summarize what fashion shoppers want from M-Commerce, to create satisfaction, trust and emotion of shoppers (especially pleasure) should be well concerned. In addition, emotion of shoppers can be positively adjusted by the appropriate application design and the perceived usefulness of the application. To create loyalty, shoppers want to have trust in the mobile shopping application, which can be achieved through mobile shopping application design, especially the design related to instant start and data preservation.

Theoretical Contributions and Suggestions for Future Research

The author expands the frontier of knowledge in online marketing by integrating emotion as an affective factor into cognitive factors to better explain satisfaction and loyalty in M-Commerce, especially in the context of fashion product. This research can shed the light for future researchers in M-Commerce that in order to understand consumer responding outcomes (e.g. satisfaction and loyalty), affective part of consumer should not be ignored to study together with consumer cognition. The other affective factors that have not been studied in the context but have potential to influence shoppers' responding outcomes are; for example, mood and personality trait. Future researchers; especially those who are interested in fashion product which affective part has a high chance to influence on satisfaction, may study the two mentioned factors.

Furthermore, apart from result of hypotheses testing, the author pointed out that different kinds of product can lead to different in factors affecting satisfaction and loyalty in M-Commerce context. This can make researchers to realize that product type is another moderating variable to help better explain satisfaction and loyalty in M-Commerce. Future research can also apply and adapt the proposed model to explain satisfaction and loyalty in M-Commerce for other types of product. Understanding some product types; for instance electronic product which is also a famous product selling online, should be worth to explore the result for both academicians and practitioners.

Managerial Implications

There are several benefits which executives can obtain from using the research result. First, knowing what factors are important from the proposed model, firms in M-Commerce and fashion businesses can apply those results as a guideline to better deliver satisfaction and create loyalty to their customers. Second, knowing that different types of product can lead to dissimilarity in the concerning factors, M-Commerce firms may be able to design and customize their applications to better suit what their shoppers really want. This will, as a result, benefit their shoppers and increase loyalty of the firm in return.

Moreover, the author explained the detail of dimensions for each construct. This will help to understand which dimensions of each construct in the proposed model having strong effects on the shoppers' responding outcomes in M-Commerce. Therefore, executives can focus on the right detail to improve the outcomes. For example, instant start is the type of application design that firms should pay attention, since it strongly influences on shoppers' satisfaction. All in all, the firms that apply the result of this study can have benefit in the long run, since they can manage their shoppers' satisfaction and loyalty more effectively.

Acknowledgement

The author would like to thank Thammasat Business School, Thammasat University for the research grant. The author gratefully acknowledges the support.

References

Audrezet, A., Audrezet, A., Olsen, S. O., Olsen, S. O., Tudoran, A. A., & Tudoran, A. A. (2016). The GRID scale: a new tool for measuring service mixed satisfaction. *Journal of Services Marketing, 30*(1), 29-47.

Bagozzi, R. P., Gopinath, M., & Nyer, P. U. (1999). The role of emotions in marketing. *Journal of the academy of marketing science, 27*(2), 184-206.

Bhattacherjee, A. (2001). Understanding information systems continuance: an expectation-confirmation model. *Mis Quarterly*, 351-370.

Bhattacherjee, A., & Premkumar, G. (2004). Understanding changes in belief and attitude toward information technology usage: A theoretical model and longitudinal test. *Mis Quarterly*, 229-254.

Bowen, J. T., & Chen, S.-L. (2001). The relationship between customer loyalty and customer satisfaction. *International journal of contemporary hospitality management*, *13*(5), 213-217.

Cyr, D., Hassanein, K., Head, M., & Ivanov, A. (2007). The role of social presence in establishing loyalty in e-service environments. *Interacting with computers, 19*(1), 43-56.

Cyr, D., Head, M., & Ivanov, A. (2006). Design aesthetics leading to m-loyalty in mobile commerce. *Information & management, 43*(8), 950-963.

Davis, F. D. (1989). Perceived usefulness, perceived ease of use, and user acceptance of information technology. *Mis Quarterly,* 319-340.

Deng, Z., Lu, Y., Wei, K. K., & Zhang, J. (2010). Understanding customer satisfaction and loyalty: An empirical study of mobile instant messages in China. *International journal of information management, 30*(4), 289-300.

Ekman, P. (1992). An argument for basic emotions. *Cognition & emotion, 6*(3-4), 169-200.

ETDA. (2015). Thailand Internet User Profile 2015. Retrieved February, 20, 2017, from https://www.etda.or.th/publishing-detail/thailand-internet-user-profile-2015.html

ETDA. (2016a). Thailand Internet User Profile 2016. Retrieved February, 20, 2017, from https://www.etda.or.th/publishing-detail/thailand-internet-user-profile-2016-th.html

ETDA. (2016b). Value of E-Commerce Survey in Thailand 2016 Retrieved February, 19, 2017, from https://www.etda.or.th/content/value-of-e-commerce-survey-2016.html

Flavián, C., & Guinalíu, M. (2006). Consumer trust, perceived security and privacy policy: three basic elements of loyalty to a web site. *Industrial Management & Data Systems, 106*(5), 601-620.

Hair, J., Black, W., Babin, B., & Anderson, R. (2010). *Multivariate data analysis: a global perspective: Pearson Education*.

Hoehle, H., & Venkatesh, V. (2015). Mobile Application Usability: Conceptualization and Instrument Development. *Mis Quarterly*, *39*(2), 435-472.

Horst, M., Kuttschreuter, M., & Gutteling, J. M. (2007). Perceived usefulness, personal experiences, risk perception and trust as determinants of adoption of e-government services in The Netherlands. *Computers in Human Behavior, 23*(4), 1838-1852.

Hsu, C.-L., & Lin, J. C.-C. (2015). What drives purchase intention for paid mobile apps?–An expectation confirmation model with perceived value. *Electronic Commerce Research and Applications*, *14*(1), 46-57.

Joo Park, E., Young Kim, E., & Cardona Forney, J. (2006). A structural model of fashion-oriented impulse buying behavior. *Journal of Fashion Marketing and Management: An International Journal, 10*(4), 433-446.

Jöreskog, K. G., & Sörbom, D. (2001). *LISREL 8: user's reference guide. Lincolnwood, IL: Scientific Software International*: Inc.

Kemp, S. (2017). Digital in 2017: Southeast Asia Overview. *Digital in 2017.* Retrieved February 18, 2017, from http://wearesocial.com/sg/blog/2017/02/digital-southeast-asia-2017

Kim, D. J., Ferrin, D. L., & Rao, H. R. (2008). A trust-based consumer decision-making model in electronic commerce: The role of trust, perceived risk, and their antecedents. *Decision support systems*, *44*(2), 544-564.

Kumar, V., Dalla Pozza, I., & Ganesh, J. (2013). Revisiting the satisfaction–loyalty relationship: empirical generalizations and directions for future research. *Journal of Retailing*, *89*(3), 246-262.

Lazarus, R. S. (1991). Progress on a cognitive-motivational-relational theory of emotion. *American psychologist, 46*(8), 819.

Li, Y.-M., & Yeh, Y.-S. (2010). Increasing trust in mobile commerce through design aesthetics. *Computers in Human Behavior, 26*(4), 673-684.

Lin, H.-H., & Wang, Y.-S. (2006). An examination of the determinants of customer loyalty in mobile commerce contexts. *Information & management*, *43*(3), 271-282.

Machleit, K. A., & Mantel, S. P. (2001). Emotional response and shopping satisfaction: Moderating effects of shopper attributions. *Journal of Business Research, 54*(2), 97-106.

Matzler, K., & Hinterhuber, H. H. (1998). How to make product development projects more successful by integrating Kano's model of customer satisfaction into quality function deployment. *Technovation*, *18*(1), 25-38.

Morgan, R. M., & Hunt, S. D. (1994). The commitment-trust theory of relationship marketing. *the Journal of Marketing*, 20-38.

Nunnally, J. C. (2010). *Psychometric Theory 3E*: Tata McGraw-Hill Education.

Oghuma, A. P., Libaque-Saenz, C. F., Wong, S. F., & Chang, Y. (2016). An expectation-confirmation model of continuance intention to use mobile instant messaging. *Telematics and Informatics, 33*(1), 34-47.

Oliva, T. A., Oliver, R. L., & MacMillan, I. C. (1992). A catastrophe model for developing service satisfaction strategies. *the Journal of Marketing*, 83-95.

Oliver, R. L. (1980). A cognitive model of the antecedents and consequences of satisfaction decisions. *Journal of marketing research*, 460-469.

Oliver, R. L. (1992). An investigation of the attribute basis of emotion and related affects in consumption: suggestions for a stage-specific satisfaction framework. *NA-Advances in Consumer Research Volume 19*.
Oliver, R. L. (1999). Whence consumer loyalty? *the Journal of Marketing*, 33-44.
Park, J., & Yang, S. (2006). The moderating role of consumer trust and experiences: Value driven usage of mobile technology. *International Journal of Mobile Marketing*, *1*(2). Porat, T., & Tractinsky, N. (2012). It's a pleasure buying here: The effects of web-store design on consumers' emotions and attitudes. *Human–Computer Interaction, 27*(3), 235-276.
San-Martín, S., López-Catalán, B., & Ramón-Jerónimo, M. A. (2015). Signalling as a means to generate loyalty in m-commerce: Does shopper experience moderate the process? *Journal of Customer Behaviour, 14*(3), 235-256.
Schiffman, L. G., & Wisenblit, J. (2014). *Consumer Behavior: Global Edition*.
Shankar, V., Smith, A. K., & Rangaswamy, A. (2003). Customer satisfaction and loyalty in online and offline environments. *International journal of research in marketing, 20*(2), 153-175.
Sun, T. (2011). The roles of trust and experience in consumer confidence in conducting e-commerce: a cross-cultural comparison between France and Germany. *International Journal of Consumer Studies*, *35*(3), 330-337.
Voss, G. B., Parasuraman, A., & Grewal, D. (1998). The roles of price, performance, and expectations in determining satisfaction in service exchanges. *the Journal of Marketing*, 46-61.
Weston, R., & Gore, P. A. (2006). A brief guide to structural equation modeling. *The counseling psychologist, 34*(5), 719-751.
Wong, W. P.-M., Lo, M.-C., & Ramayah, T. (2014). The Effects of Technology Acceptance factors on Customer E-Loyalty and E-Satisfaction in Malaysia. *International Journal of Business and Society, 15*(3), 477.
Zhou, T., Li, H., & Liu, Y. (2010). The effect of flow experience on mobile SNS users' loyalty. *Industrial Management & Data Systems, 110*(6), 930-946.

Appendix: Measurement Items (adapted from the mentioned sources) with factor loading from SEM results – General versus Fashion

Loyalty (Hoehle & Venkatesh, 2015; Lin & Wang, 2006)
Attitudinal (0.999 versus 0.989)
I encourage friends and relatives to be the customers of the mobile shopping application.
I say positive things about the mobile shopping application to other people.
I will use more services offered by the mobile shopping application in the next few years.
I would recommend the mobile shopping application to someone who seeks my advice.
Revisit (0.804 versus 0.828)
I consider the mobile shopping application to be my first choice.

Satisfaction (Deng et al., 2010; Oliver, 1999) (0.998 versus 0.999)
My choice to this mobile shopping application is a wise one.
I think I did the right thing when I chose this mobile shopping application to buy the product.
Overall, my feeling to this mobile shopping application is satisfactory.

Emotion (Porat & Tractinsky, 2012) The respondents need to answer the question of "What do you feel when you are using the mobile shopping application?"
Pleasure (0.853 versus 0.750)
Pleased
Happy
Bored (inverse scale)
Arousal (0.529 versus 0.449)
Wide awake
Aroused
Dominance (0.645 versus 0.589)
In control
Dominant
Free

Perceived Usefulness (Bhattacherjee, 2001; Oghuma, Libaque-Saenz, Wong, & Chang, 2016)
Performance (0.823 versus 0.789)
Using the mobile shopping application helps me to accomplish things more quickly.
Productivity (0.865 versus 0.817)
Using the mobile shopping application increases my productivity in shopping.
Effectiveness (0.899 versus 0.869)
Using mobile shopping application enhances my effectiveness in managing my shopping.
Overall Usefulness (0.709 versus 0.788)
Overall, mobile shopping application is useful in managing personal shopping.

Mobile Shopping Application Design
Branding (0.694 versus 0.684)
The mobile shopping application uses brand colors or images in a refined and unobtrusive way.
The mobile shopping application doesn't force me to watch an advertisement.
The mobile shopping application quietly reminds you of the brand that runs the application
The mobile shopping application integrates branding effectively.
Data Preservation (0.777 versus 0.742)
The mobile shopping application automatically saves your data when you close the application.
The mobile shopping application doesn't require you to manually save your data when you quit the application.
The mobile shopping application saves the data automatically and you can re-start where you left previously.
The mobile shopping application allows you to quit the application and restart at the same stage when re-entering it.
Instant Start (0.858 versus 0.815)
The mobile shopping application launches quickly and allows you to instantly start using it.
The mobile shopping application doesn't require much time to open.
The mobile shopping application is instantly "ready to go" right after switching it on.
Orientation (0.487 versus 0.521)

The mobile shopping application doesn’t prompt you to change the orientation of the screen (move the device).
The mobile shopping application works well independent of how you hold your mobile device.
The mobile shopping application flips the content over if you change the orientation of the device (horizontal/vertical).
The mobile shopping application works well independent of whether you hold your device horizontally or vertically.

Trust (Kim et al., 2008) (0.630 versus 0.709)
This mobile shopping application is trustworthy.
This mobile shopping vendor is honest.
This mobile shopping vendor is care about customers.
This mobile shopping vendor gives the impression that it keeps promises and commitments.
I believe that this mobile shopping vendor has my best interests in mind.

ASEAN Journal of Management & Innovation
Vol. 4 No. 1, 63 – 77
©2015 by Stamford International University
DOI: 10.14456/ajmi.2017.5
ajmi.stamford.edu

Establishment of a Survey Research Conceptual Framework on Management

Associate Professor Dr. Sanya Kenaphoom
Faculty of Politics and Public Administration,
Rajabhat Mahasarakham University, Thailand 44000.
Email: zumsa_17@hotmail.com

Abstract

Research is a process of searching for knowledge by a scientific inquiry which is acceptable, reliable and considered to be the best at the present time. The body of knowledge gained from the research is be put to use and be beneficial for mankind continuously and endlessly from the past, present and in the years to come. The main issues of research are composed of a search for knowledge, a method of putting knowledge to use, an implementation of knowledge and an evaluation of the above process. To put it another way, a research process is in line with problem resolution or development which starts with the following process; (1) survey of the existing condition/problem (2) creation or development of problem resolution (3) implementation of process and (4) evaluation. However, the most important process of them all is the first follows that if a diagnosis of that illness is completely wrong, it will, by implication, eliminate the whole approach. Therefore, the first step of a research in a survey research which, in turn, is very important. Considering deeper, it is found that this fundamental issue should be kept in mind so that the final outcome of the survey research is modern, timely, and able to rightly and appropriately be put into use. Therefore the design of the conceptual framework is first and foremost important. There are several forms of conceptual framework. One of which is theoretical framework where by most of the knowledge are brought from one or more theories and put together to serve as a new conceptual framework for research. As of the conceptual framework, it is a gathering of knowledge from research findings, writings, articles or concepts of one or more academics and put together as a research framework, from which the research process can be carried out. This article introduces five dimensions of research conceptual frameworks as follows; Review of Literature, Grounded Theory, Rational Conceptual Thinking, Knowledge Management and Integrated Concept.

Keywords: Review of literature, Grounded Theory, Rational Conceptual Thinking, Knowledge Management, Integrated Concepts

Introduction

Research is the process of acquiring knowledge based on reliable scientific process. The knowledge of findings will be used to be a benefit for themselves, community, society, nation or global society. The key process of research is the search for knowledge (exploration), to create a knowledge based utilization (creating strategy or innovation), to implement it (to solve problem or develop) and evaluate strategies (evaluation). What is more important; it can be seen that the overall research process is similar to the solution process or development starting from (1) the exploration of significant issues of the Survey Research, (2) the creation or development of a solution method (Solving or development Method), (3) to bring the method to implement (Implementation), and (4) to evaluate the method (Evaluation) which is called R & D (Research and Development).

So, the first step important of research is the exploration or the survey research that means explore about phenomena or situation that appear focusing on collecting data only (do not create the situation) and then analysis to explain what it is, what factors relation , what impact etc.. However, of the steps mentioned in the beginning, the first process is of greatest importance; if first step is incorrect, the following one is inevitably incorrect. The process of exploration of the problem or condition, therefore, is more important. In a similar way, the process of medical diagnosis of illness is made in an incorrect way, finally bringing about a mistaken result; meaning it can’t cure the ailment,

In conclusion, the process of finding out the problem situation or condition is not really true, the gained knowledge would be incomplete; it couldn’t properly lead to solutions or effective developments. So, it can be said that "The Survey research is the most important step towards the other research following. The survey research most be used in the social science research was the research for studying on the natural fact without putting the treatment and manipulate any in the issue, it is important as the introduction research that is the researcher need to use this research for getting the introduction knowledge before the Experimental research further. "However, a very important requirement of the survey research process, when considered deeply, is realization of goals or outcomes of research, that is, the body of new knowledge which is good, modernized, and able to be appropriately applied in response to academic need and social development. Creating a new knowledge by research process can be considered from the following systematic chart;

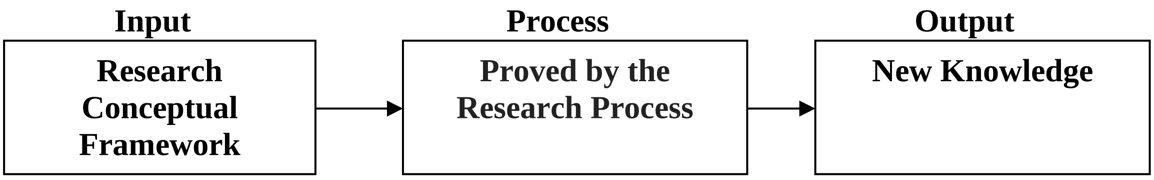


Chart 1: System of making knowledge based on research

From the chart it is noticed that the input refers to the research design in which the system of concepts is arranged or structured in a favorable pattern before being proven by the research process and analyzed by means of research methodology. It is through the scientific method that the body of new knowledge will comes as a result.)Kanjanawasi. 2007 : 37-38 (

The making of a research conceptual framework is to take the researchable issues, variables of the research as well as its process in connection to the relevant theory in the descriptive manner and a diagrammed chart or in a mixed fashion mixed of both. A good conceptual framework of research has to vividly provide us with the guideline of relation between the research components that are being studied. It is used as a framework to determine an area or boundary and a form of the research as well as to develop a methodological instrument of the research. Besides that, the conceptual framework also helps to shape as to how to collect and analyze the data of the research. The conceptual framework is of approximately three main types of forms: Theoretical framework, conceptual framework and research framework. The first one, theoretical framework, is to synthesize a lot of knowledge from any theory or many theories as a framework of the research. Somewhat differently, the second form is to bring knowledge from various sources such as the related research or writings, an article, academics' concepts to be used as guiding framework, which is well known as conceptual framework. The last form of the research framework denotes the display of stages in carrying out the research, preferably, in textual report or chart.

However, in reporting of research, dissertation or even report writing, if we are able to adopt the academic framework and to adapt it as a guideline of the work, it is the academic work, which is more reliably acceptable and systematically presents ideas. In addition, the conceptual framework reflects a significantly differentiating point between common education, a dissertation and a research; more importantly, it is also an indicator of academically standardized value showing significant difference between levels of a graduate education and postgraduate one. In the past, however, most of the academic works have not used the conceptual framework at all; if any, there are just irrelevant points. Especially, so far the conceptual framework for analysis has not been utilized systematically and completely. (Wiratchanipawan . 2010 : 1) What is more important for a researcher is to take into account the building up of the conceptual framework of the research and to understand and to explore the research questions that need to be clearly answered: for example, why do we do this research? What is its problem? What did we know about the related research? What are more evidences that are lacking of and must be added? Where is any limit and logical inconsistency in the research to be clear of? How is there any relation between the key concepts, main factors or variables? What theory is pertinent to the research? What does this research help imply or expect in the future? What is conceptual framework of the research? Are we satisfied about this research design? etc.

As a result, writing the conceptual framework of a research seems rather difficult for the beginning researcher because of his own possible confusion, not understanding the philosophy of a research. Even though having studied the concept, the theory and the related research, he (the novice researcher) can possibly feel confused because the conceptual framework of each research has been written in different ways. According to the above mentioned reasons, it can be summed up that conceptual framework, when crystallized into the definite plan of the research and substantiated by the research process, plays a major part in generating of the body of knowledge of the world, which is actually and widely acceptable in terms of academic value.

How to make a research conceptual framework

Let us consider the fives procedures in building up a conceptual framework for research. Formation of the Conceptual framework for the research depends on five primary sources; Literature Review, Grounded Theory, Rational Conceptual Thinking, Knowledge Management and integrated Concepts. Carefully consider respective details as follows;

1. **Literature Review**

The conceptual framework is conducted by emphasizing significance of knowledge already recorded or written by other researchers in a literature review. Such is the process of making a conceptual framework which starts with clarification and conclusion of the theme of concepts, theories and relevant researches that is placed as a research framework. The method is regarded as suitable one for the beginner researcher who lacks the enquiry experience and expertise in research methodology (Prasitrattasin .2003: 79)

1.1 Concept The term 'concept' refers to mental image or representation shared by a member of the community or society about a specific issue. The concepts are determined by cultural codes and linguistics as well as social contexts, in which people as member of the same community live together and can communicate with one another. Directly through the naturally shared concept, people with cognitive ability can understand what are social values and meanings of things and what it should normatively be. The concepts, however, manipulated by social conventions, may be changed in accordance with the changing stream of place and time. Concept, therefore, can be interpreted differently on the basis of subjective filters. Briefly speaking, concepts represents thought, opinion, belief, a point of view, outlook and mental image about concrete and abstract things. Importantly, they can be true or false. In the philosophical aspect, concept, called in Thai "Manothat" refers to a mental representation consisting of similar core denotative features but different in sense. In addition, concepts arise from the following elements: observation, contrastive comparison, analysis, categorization and conceptualization for one's own understanding. The conceptual dimension has been written in the form of academic documents, articles or even comments of professionals to explain some phenomena with rational arguments.)Bogardus .1926 : 212-225)

1.2Theory According to the Royal Institute Dictionary 1999 edition, the term "theory" refers to a viewpoint, an idea or seeing based on principle speculation for systemized validation of reason and a foundation to data and phenomena. Besides that, many scholars such as Kerlinger (Kerlinger .2000 : 450-455) clarify the definition of theory, saying that theory is a statement of concepts or a systematic hypothesis about a natural phenomena by indicating explanatory relation between variables in order to explain and predicate results which will appearing. In addition, the term "theory" means a scientific statement for elucidation of situations or phenomena, thereby to answer the question as to why such situations or phenomena happened. Theories can be categorized into two types; (1) Different hypothesis examined by observations and experiments, for example, gravitational theory. (2) System of coherent concepts. Schermerhorn Hunt and Osborn)Schermerhorn, Hunt and Osborn. 2000 : G-11) say that a theory is a set of systematically connected concepts and hypotheses, by means of which events and their complex relation can be explained and predicated. However, Prachaphruek)1999 : 7(States that a theory is believed as a set of principles and statements with reference to truth or interrelated sets of generalizations deriving from various concepts substantiated to some extent by empirical experiments. And Losuwannarat 2006) : 5 (Remarks that a theory is a set of concepts that's related to use for explaining the interested phenomenon of a study issue. The theory, therefore, means an assumption of concepts has been examined and tested many times by using logical means such as observation, research, and experimentation which, suddenly, become rules that explain facts, anticipate and predict events generally related to phenomenon correctly and logically causing an understanding of accepted reality and consequences which can become rules. The result of a concept's assumption, thus, becomes a theory.

1.3 Research The related documents means documents/academic papers that have been prepared or published in such printed media as books, journals, encyclopedias, newspapers, dissertations, research reports, archives, annual reports etc..Or there're recorded as visual media; audio tape, video, VCD, DVD, etc... Or there're recorded in electronic document; CD-ROM databases, computer networks, E-book, E-research etc...(Neuman .2003 : 67). The related research, however, means research that's been done concerning issues, content or variables also included that required study. The related research may be in other subject fields from the research being studied. For research, there're many terms such as research reports, theses, independent studies, thesis, dissertation etc. which were published both locally and/or abroad (Wiersma .2000 :51-63 ; Neuman .2003 : 70-74 ; Phuttanbet. 2003 : 5-23). There're several sources of literatures such as textbooks including Libraries; Encyclopedias, Dictionaries, Alphabetic index, Annual books, Thesis, Independent studies, Dissertations, Research reports, Journals of various agencies, Daily or weekly newspaper, Official documents, Microfilm, Websites, etc..

Knowledge development, however, is recognized to originate concepts, and then concepts are verified through research processes. If proven and verified to be true, the concepts will become a theory, that is, a set of generalizations that can systematically explain a given phenomena. The theory is made up of concepts and statements referring to their coherent connection)Walker and Avant. 1995). Development of the theory or knowledge to be more recognizable has to depend upon the scientific method, and a reliable theory must be verified by research process. Eventually, it is concluded that the research and the theory development both are to be integrated in a double helix.) Williams and Wilkons. 2007) consider the following chart.

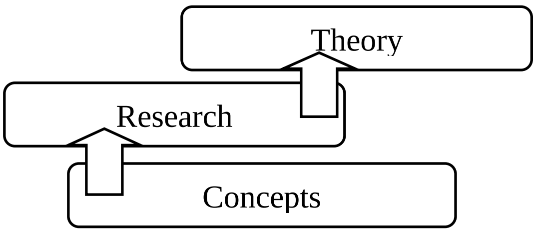


Chart 2: Display of knowledge Development

How to make a research conceptual framework by reviewing the literature, the researcher must review the following document; the concepts, the research and the theory which can be found in the texts, the book, the journal etc. and then do understanding in the issues we need to be using by analysis and/or synthesis,. So, the important, we must refer what the issue we use as a research conceptual form concepts or theory or both and by whom, we must answer the question what concepts or theories are the research concept base on. For example, we establish the research topic is the working motivation we need to search for the theorist who has a theory about, like this we may found the Herzberg's Two-Factor Theory, or Theory of Hierarchy of Needs of Abraham Maslow et cetera.

In conclusion, the making of a conceptual framework design begins with focusing on the significance of well verified knowledge which is previously documented, which is called the literature review. Therefore, creating a research framework with focus on the recorded knowledge by analyzing, extracting and synthesizing of literature related variables (Concept, Theories, and Research). Researchers, however, can't refer to variables by spoken language, but require correct technical terms, after that search there're knowledgeable persons who define variables, then take these definitions for analysis, classification, discrimination, consider similarities and differences and point out strengths and weaknesses of each definition. Finally, synthesis using logical consistency integrated into new definitions in order so there is minimal weakness.

2. Grounded Theory

A ground theory is defined an inquiry approach of qualitative research to discover variables or elements of independent and dependent variables by the way of a field method. This approach also has been used to find out the variables in a pilot study or survey study before doing an authentic research. Its method is not different from the research but having a more narrowly limited scope of study. The purpose of this approach is to test various stages of the research and to know whether there is any problem to solve in advance. In addition, the pilot study can be used for the exploratory research by informally collecting data and searching for some findings. The format of the pilot study, which frequently has been used in the present days, is focus group interview under assumption that informants enjoy to participate sharing the point of views about some topic or issue. The Data collected from such ground theory based approach is qualitative one and leading to the quantitative study.

Grounded theory has been attributed to study of social phenomena on the ground of social reality. The theory is disclosed, developed and verified by systematically collecting and analyzing data in phenomenological contexts. The grounded theory has the basic assumption that understanding human beings' behavior or existence relies on their procession of an institution of or making value and meaning of their own surroundings. On the basis of this hypothesis, methodology of the social research emphasizes social phenomena, therefore creating concepts and interconnecting different concepts. Thus, we can draw theoretical conclusion from social phenomena. It could be said to take a grounded theory method finding variables and research conceptual framework is to create a new knowledge that wasn't knowledge recorded in various media, but it' s knowledge from real phenomenon. For example, however, were a Pilot Studies is to survey first before the actually study from several views do they, look like virtual reality but have a narrower scope, a searching of variables form phenomenon, a testing procedures whether correct or not – there' s problems must be solved before or not. Pilot study, generally, using a qualitative analysis, these is different from research using secondary data. Thus, the pilot study method commonly used was; (Serirat and Others. 1998 : 21-35)

2.1 Focus group interviews; an unstructured interview, does not determine question and answer but is flexible, it'll meet in a place designated, generally consisting of an interviewer or group controller of about 6-10 persons and there is one who interviews, and other member as answerers with same questions. The topic could be really about feelings, anxiety or tension, or comment on opinion on any deeply felt issue. An operation will be controlled by the group management (Moderator) according to direction of determining issues involved.

2.2 Focus group discussion; a specific discussion of issues by Moderator who points at the issue in discussion to strongly convince the group to comment on the issue or concept and approach through deep conversation (Thailand Research Fund] TRF . [. 2008. Website(.

Participants will be persons related to the problem or who could be expected to give information concerning studied subject as well)Malai and Pankarw. 2005). Moreover, there's also a group with economic, social, career, features from various similar backgrounds)Fuengfoo and Others. 2008: Website(

2.3 Depth interviews; a depth interview is made without formal structures and specific contents of the issue. The researcher can ask many questions in depth and in persuasive and comfortable climate among the researcher and informants or interviewee to get correct data and actual reasons pertinent to the research problem. In other words, in the first stage of the research, the depth interview does not need the structure of profound details. In similar way, the depth interview assembles. The role of interviewer must be highly skilled such as to take many questions to get further opinions, encourage participants to answer freely without influencing the direction of commenting etc.

The development of grounded theory based conceptual framework of the research is interesting in the fact that it is known as a process of exploration of the undiscoverable and new variables from social phenomena. So, it is considered as a progressive process. Overall, when such conceptual framework has been verified by the research process and method, thereby it is true and correct. It, therefore, is able to be definitely confirmed that the ground based conceptual framework is true and valid. Fortunately, through such process, we can have the best findings and a modernized body of knowledge.

3. Rational Conceptual Thinking

Besides studied research and related theory, the research conceptual framework will also be from ideas and experiences of the researcher as well as those who may be an experienced and proficient enough)Prasitratthasin. 2007) which presented concept of variable or relation between variables and phenomenon that's from the researchers' learning, experience and working) Beoson. 2008), principle of the research conceptual framework design is based on rational conceptual thinking in which there're many concepts supported as follows;

3.1 Logical Thinking; A concept is to think about an existence condition of being, or features that arise from interaction of mind, consistent patterns matched perfectly including; conceptual thinking, logical thinking, imagination, spiritual intuitive and creativity etc... (Sutharat. 2004). It's to think which mean infinite changes according to the mental junction called suggestive passive reception including; reflection, serious thought meditation and cogitation which lead to an active approach. These are show mental action such as the conceptualization and the problem solving as well as the mental operation (Siegel. 1988) .

Logical Thinking is based on *Rationalism-the theory accepts that human* can be able get to truth by using reason without need of experience, believe in a priori knowledge that is absolute truth without going through experience, and it is the necessary truth such as two plus two equals four. This theory assumes that all events are caused which contrasts with a posteriori knowledge depending on experience as a judge.

In addition, Logical Thinking is analytical thinking with reasoning to solve a problem by considering circumstances and information whether it is fact or not (Gagne. 1977). This concept associated with solution by assessment what the best way to follow that would lead to acceptance when correctly attaining a reason to adequately understand (Freeman. 1988).

However, the elements of Logical Thinking involve 8 reasons (Office of the National Education Commission. 1997) including; destination, question issue, information, empirical data, reasonable concept, hypothesis, adoption and consequences, and conclusion and reference.

3.2 System Thinking; System Theory believes that the Universe is unit of a system which is developed into various sciences expressly cybernetics. After that, however, this theory developed into Complexity Theory and some as Chaos Theory (Bertalanffy, L. V. 1968). System Thinking is to manage thinking systems consisting of Input, Process, Mechanical controlling, Output and Feedback. Then, offering a complete system conceptual format (Keammanee. 2002). There's a resemblance linking overview to visualizing all, known as a synthesis and seen interactions' various systems both in deep and broad relationships, as in complex relationships caused from a thinking process called "Holistic thinking",(Ponphan Phumphoo. 2008) these include (1) Direct system; to think and continuing action directly and have a one target particularly without a classified patterns base on human's thought, but focus patterns on goals or objectives divided into 3 types which are to think, know and understand the system unit, to analyze and evaluate the system unit, and to design and establish the system unit. And (2) Indirect system; the system thinking based on a thinking basis such as analysis, metaphors, synthesis, creation, evaluation etc. there're academicians, however who took this concept adapted/applied it so it can be used as well like Buriphakdee (1998) and the Local Community Development Institute (2007) and so on.

3.3 Yonisomanasikāra Thinking; this is a thinking method based on Buddhist doctrine is to consider a valuable focusing as do not underestimate or precaution. It's appeared from the Tripitaka, Volume 19, Sangyudtanikaya, Mahavak, items 464, page 129. On other hand, it's religious topics for prosperity with wisdoms more dependent on humanity appeared in Tripitaka, Volume 12, Angkudtaranikaya, Jatukkanibata, items 268-9, page 332) Royal Academy. 2005(. This thinking means to use thought correctly, intelligence thinking, know how to think, be able see everything by considering and finding originated throughout results, distinguish conditions and relationship of factors)Phrapromkunapon. 2006, 2008(, there're 10 means; the Inter-dependent, the Analysis, the Three Streams, the Problem Solving, the True & Artificial Value, the Moral Development, the Three Dimensions, the Cause Effect Relation Theory, the Now Theory, and the Dialectic Theory.

3.4Paticcasamuppāda Thinking ; as one of Buddhist doctrines or the relativity theory or conditioned genesis, a rules of the interdependent occurrence of everything called the dependent origination (K. N. Jayatilleke. 1989), it's way is to understand human life for release suffering or to describe the existence/rebirth relief cross)Phantasen. 2001 ; Siriwarun (Pen name). 2005). Paticcasamuppāda explains social phenomenon by rules of continuity of each other on human's routine and natural phenomenon. There're 13 factors; Un-knowing (avijja), compounded things (sangkhara), consciousness (Vinyana), name and form (Namarupa), sense-field (Salayatana), sense-impression (Phatsa), sensation or feeling (Vetana), desire (Tanha), attachment (Ubpatanna), becoming (Pava), birth (Chati), decay (Chara), death (Morana),

For conclusion, to show various concepts such the L*ogical Thinking, the System Thinking, the* **Yonisomanasikāra thinking, and** Paticcasamuppāda thinking, the author would like to briefly inform that everything in the World or Universe doesn't happen illogically, but happens because of a cause factor. All concepts, thus, explain that everything is linked together. So, this basic thinking can be better able to design a research conceptual framework. By beginning on *creative imagination, then try* to think of rationality as a factor of interaction among variables in real phenomenon. It's better, if researchers have knowledge, experience, research methodology and understanding about the topic.

By this time, one needs to consider a study framework of Management which will be a research issue. The analysis and synthesis of knowledge on Public Administration, however, conclude those issues related for two)Wiratchawipawan. 2010 : 2-3), there is only the feature of human and the organization; (1) there're issues concerning organization such as the Management Resources) **3M-11M ect..**) ,the Function of Management) Planning, Organizing, Leading and Directing, Controlling ect..), the Results of Management (the organizational Quality, the organizational competencies, the organizational capabilities, the organizational effectiveness, the organizational performance ect..) (2)The issues concerning human are; knowledge, understanding, perceptions, feeling, attitude, opinions, behaviors (ability, skills ect...) which are summarized in the following chart.

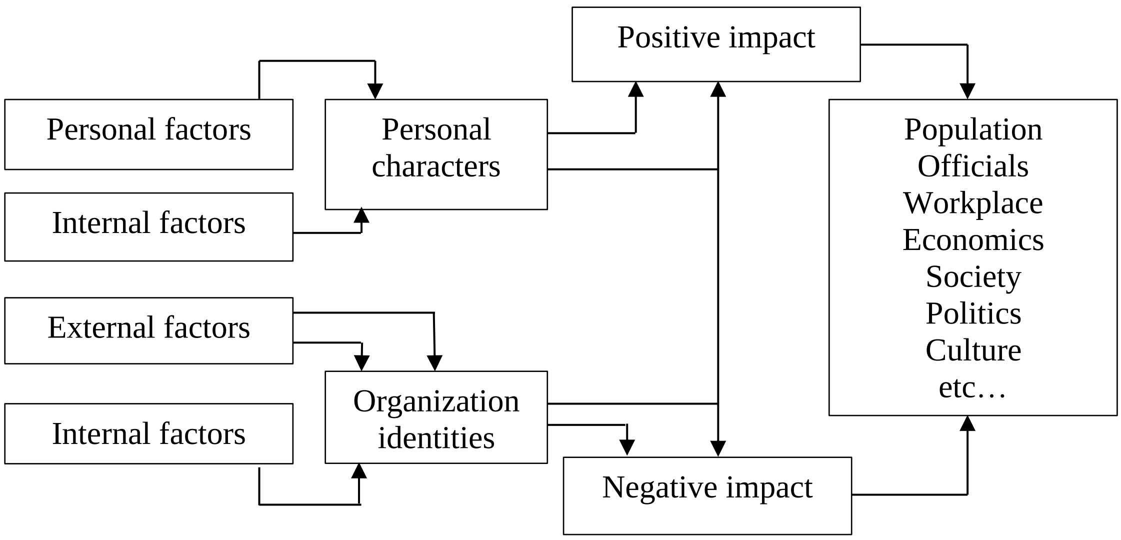


Chart 3: Model displaying causative and effective relation of a conceptual framework

After identifying variables and relationship variables briefly by Rational Conceptual Thinking first, finished continually (next step) is to search for and identify elements and indicators both independent and dependent variables by literature review later to confirm even more how rational thinking will establish academic credibility. This method corresponds to principle of forward thinking and backward thinking, forward thinking is to think sequentially considering causes to results or from beginning to end, on the other hand, backward thinking means tracing or thinking reverse from results to causes)Jumnong Thongprasert. 1985). Backward thinking uses in many patterns such as the Basic Education Office (2009) with presented the Strategy of Working Backwards and applied, it to learning activities for training their students' thinking skills, starting from final data sequence step by step to receive an initial data)Kannika Duangjiraprapha. 2002(. Both forward thinking (like we count the number from one to ten, we think about any issue from start to end etc.) and backward thinking (like a counting number from high to low or ten to one or thinking about issue from the end back to start), however, were similar, but only different as a sequence from beginning to final or final to beginning.

In conclusion, creating a research conceptual framework by this method is to give opportunity the creative imagination being in the researchers themselves, it's progressive or lateral thinking, and when it's peaceful, will review the literature confirming creditability, thus, it's hold on starting with backward method and finish with forward method.

4. Knowledge Management Concept

This method is based on the belief that a research conceptual framework determined by the expertise's experience resulting in a very good and modern framework, this is called "Knowledge Management". There're academicians using definite Knowledge such as, knowledge gained from study, learning, research, experience including practical ability and skills, thus it's justifiable belief as true (Firestone & McELROY. 2003). Knowledge is the use the valuable information from experience, judgment, thinking, values and human problems to analyze these and to apply them for performance or solutions (Tiwana, 2002), knowledge is what and how to accomplish with efficiency and effectiveness (Saran Chookiet. 1998) knowledge is information that leads to performance)Phanit. 2005). Besides, classification of knowledge has had widespread popularity thorough to Michel Polanyi and Ikujiro Nonaka)Wichienpanya. 2004; Bunyakit and others. 2006; Cheatiew. 2005) which divided knowledge into 2 types; ***(1) Explicit Knowledge,*** a knowledge that has been collected and can be conveyed through various means such as the written records, documents, manuals, media etc… and ***(2) Tacit Knowledge,*** a knowledge gained from experience, talent, intuition of individual by understanding many things such as work experience, skills, or what we know or have seen and so on.

Therefore, this concept's main idea is to take **Tacit Knowledge** to create a research conceptual framework. However, persons may be deemed a scholars or special individuals and referenced to a "knowledgeable people" for example; the experts, highly qualified persons, scholars, knowers, intellectuals, philosophers etc... When the one is considered, one should have be qualifications, knowledge, competence, performance as standard or superior to others in the same field)Phanthuphuek. 2013(. Creating a research conceptual framework by knowledge management should be done as follows;

4.1 Knowledge Identification; Identifying sources of knowledge or knowledgeable persons related to the research's topic, it may it be consider qualifications mentioned such as the experts having experience with the concerning topic, Nevertheless it should focus on experience and research in matters relating to research's topic that's undertaken.

4.2 Knowledge Creation; a synthesis of knowledge by exchange learning among researchers and/or knowledgeable persons, there're many patterns, for example; **(1) Pattern of research report according to curriculum,** such as Thematic, Case study, Independent Study, Thesis, Dissertation etc. it' can be said such a pattern is knowledge management in research because of following reasons: 1) there's a research advisor, research process, the Educational institutions usually appoint Lecturer one or more as a Research Advisor to respond for advising and guidance all of research processes, and 2) the Research Examining Committee, after students have prepared the research proposal completely, they are generally required to enter into the proposal examining process. This process will be tested by the experts or specialists who had been appointed by the institution for asking an understanding, critical, comments and suggestion making research of quality and completeness even more. **(2) Pattern of researchers**, a research sometimes belongs to researchers, so they usually will have discussions about all the research processes. They are held so as to extract the knowledge from researchers' experience sharing together for more complete research. **(3) Pattern of Research Committee,** some research may be offered funds which must be approved by the Research Committee. However, they usually consider asking for improvement on a research conceptual framework, increasing of variables or details, need for increasing research results, deeper methodology etc. (**4) Other pattern,** there's also many methods considered as Knowledge Management which could be informal such as researchers having and exchanging knowledge personally etc.

4.3 Knowledge Organization; After the exchange of knowledge both formal and Informal, researchers must systematized knowledge or improve the research framework more completely following information learned. This is a continual analysis of issues.

4.4 Research Framework Conclusion; conclusion of a research conceptual framework includes all of the Component Conceptual Framework, the Relationships between in the variables Conceptual Framework, and the Process Conceptual Framework. This so that the research conceptual framework passes the screening process is at the high level.

4.5 Confirmed Literature; in order to have credibility even further, researchers should find concepts, theories and research related for confirmation or supporting the research framework which is created by the Backwards thinking method, operating and following as the same Rational Thinking method.

Conclusion, a creation of a research conceptual framework by knowledge management is to take Tacit Knowledge through a screening process. However, it is understood that the best moderation of knowledge is the research process itself. This principle focuses on knowledgeable persons or experts. The method is to exchange learning both formal and informal. Then, synthesize it as a research conceptual framework. And finally, in order to be generally accepted, there should be literature review confirm the final sequence.

5. Integrated Concept

The author believes that this model reference the best design of research conceptual framework because it perfectly combines possible designs for every model. It begins with design by researcher's findings what the interesting issues are, what assumptions are in mind, the processes of design, and the search for additional variables based on Grounded theory. Then, to take a Knowledge Management by learning, exchanging or sharing of knowledge with knowledgeable persons or expertise, and finishing with a literature review to confirm reliability of research conceptual framework. However, this design may be suitable for an experienced researcher, or one who has enough expertise in research methodology such as may be seen through both quantitative and qualitative research as well. Starting from researcher, thus, is to use imagination boundaries to get processes novelty for the research conceptual framework. When the research conceptual framework has been proved by research process, the output will be a new knowledge magically, as revealed in the following chart;

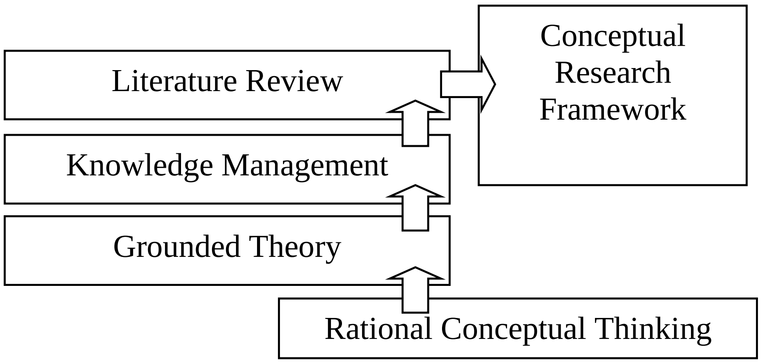


Chart 4: Creating a framework by integrated concepts

There're 4 steps in creating a framework by integrated concepts;1) Rational Conceptual thinking, 2) Grounded Theory, 3) Knowledge Management, and 4) Review literature Concept. The details are as follows:

Step1 : Rational Conceptual Thinking; begins by researchers having an initial idea themselves. This is to open opportunities for creative imagination without boundaries based on logical science by considering three important elements; (1) a Condition of being, (2) Factors affecting Existing condition being, and (3) Results that may occur when the conditions changed.

Step2 : Grounded Theory; finding additional variables after researchers found itself. This process usually uses a pilot study in research area which will meet real phenomenon, stakeholders, and increased information about the research problem. The main purpose of this stage is to find additional variables more completely.

Step 3: Knowledge Management; to take the research conceptual framework into knowledge sharing and discussions with persons of knowledge or expertise in science related research problems in order to extract the Tacit Knowledge to more completely complement or improve.

Step 4: Review literature Concept; the final step is to confirm by reviewing literature for complement and improve the research framework, it must be established credibility even more which based on theory.

Although creating a research conceptual framework were from many ideas differently, however, those concepts framework are also gone through accreditation with research process, so, the output would certainly become a new knowledge such a chart.

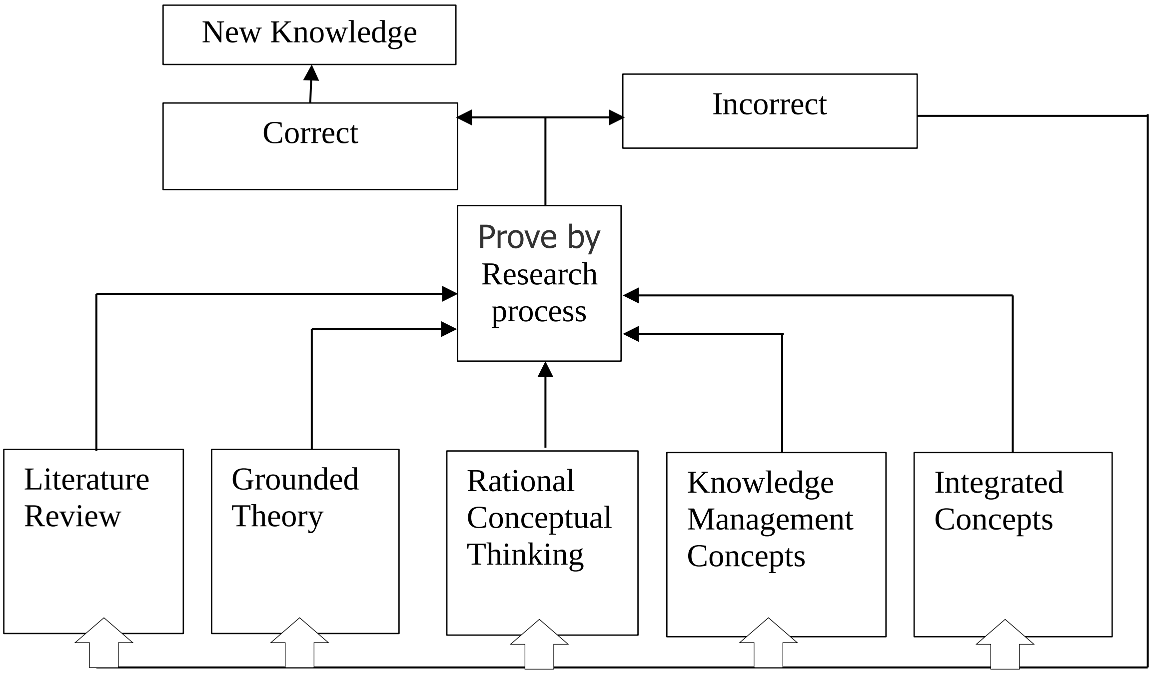


Chart 5: Process of Creation's a New Knowledge by Conceptual Framework Model

This chart show that we can design the research conceptual framework with five methods by starting it from any approach especially the rational conceptual thinking, the literature review, the grounded theory or the knowledge management. However, the issue that has a duty for proving is the research process. Certainly, any design will be proved as testing the hypothesis and show out whether it the correct or incorrect is. The correct one will become as the new knowledge and the incorrect must be returned in to the first process for proving again.

Conclusion

A good conceptual framework should be meet substantive issues with studied variables, there's consistent with an interesting in research, simple and not complicated, and should be useful in policy or social development. Thus, researchers must write showing relationship concepts clearly; it'd be written before the review literature (Chapter 1) or the end of that (Chapter 2) as well. Presentation of the research conceptual framework can be in various formats namely; the descriptive framework, the conceptual model or mathematical functions, the conceptual diagram and the integrated framework which is even more ways than one format to improve clarity.

References

Bertalanffy, L.V. (1968). General System Theory: Foundations, Development, Applications. New York: George Braziller.

Bogardus, Emory S..) 1926). The New Social Research. Los Angeles : Jesse Ray Miller.

Buason, Rattana. (2008). Philosophy of Research. Bangkok : Chulalongkorn University.

Bunyakit, Bundee and Others. (2006). Knowledge Management : Theory- Practice. 3rd ed. Bangkok : Se-education.

Buripakdee, Chaliew. (1998). the System Thinking. Phetchaburi : Graduated Education, Institution of Rajabhat Phetchaburi.

Chookiet, Saran. (1998). "Information Technology in Knowledge Management". Strategy in organizations for success under current situation. Chulalongkorn Business Review. 20 (75) March 1998 : 13-22.

Duangprapha, Kannika. 2)002 .(Thinking Strategies. Bangkok : the learning organization research and development for Innovators' education management.

Firestone, Joseph M. and McElroy, Mark W. (2003). Key Issues in the New Knowledge Management. Burlington : Executive Information System.

Freeman, J. B. (1988). Thinking Logically Basic Concepts for Reasoning. Englewood. Cliffs, New Jersey : Prentice Hall.

Gagne, R.M. (1977). The Conditions of Learning and Theory of Instruction. New York : Holt Rinchert and Winstin.

K.N. Jayatilleke, (2532). The Buddhist Theory of Causality ; Jinda Jankaew, translated. Buddhist dialectics. Bangkok : Buddhist research Project.

Kanjanawasee, Sirichai ; Pitayanon, Thaweewat ; Srisukho, Direk. (2008). Selection of appropriate statistics for research. 5th ed. Bangkok : Chulalongkorn University.

Kanjanawasee, Sirichai. (2007). Applied Statistics for research. Bangkok : Chulalongkorn University.

Kasemsing Fuengfoo. (2008). Focus Group Discussion. [Online] available; http://www.nb2.go.th/kmcdata/uploadq/120.ppt [August 26, 2008]

Kerlinger, F.N., and Lee, H.B. (2000). Foundations of Behavioral Research.4th edition. U.S.A. : Thomson Learning, Inc.

Khaemmanee, Thidsana. (2002). Thinking methodology. Bangkok : Academic Quality Development Institution (AQDI).

Lawrence, Neuman W. (2003). Social Research Methods. Qualitative and Quantitative Approaches. 5th Edition. Boston: Allyn and Bacon.

Lorsuwannarat, Thippawan. (2006). the Modern Organization Theory. 6th ed. Bangkok : Rattanakrai.

Malai, Wanit and Pankharw, Arasa. (2005). Communication Science Methodology. Bangkok : Chulalongkorn University.

Office of the National Education Commission. (1997). Quality assurance systems and standards of National Education. Bangkok : Cheunphim.

Phanit, Wijan. (2005). Knowledge Management for Practitioners. Bangkok : Tathata Publication Co. Ltd.

Phanphuek, Sampan. (2013). Misconnects in educational research .[Online] Available; http://netra.lpru.ac.th/~phaitoon/Copy%20of%20111RES52/Miscontent.htm [March 28, 2013]

Phanthasen, Aphichai. (2001). Buddhist Economics: Evolution, Theory and Applications to Economics. 2nd ed. Bangkok : Armarin.

Phoomphoo, Ponpan. (2008). Systems Thinking. [Online]. Available; kmcenter.rid.go.th/kcffd/.../Systems%20Thinking%201.doc [March 20, 2008]

Phuttan, Sompon. (2003). Guidelines for Study and Compile Academic Report. Bangkok : Chulalongkorn University.

Prapromkunapon (Prayud Payudto). (2006). Encyclopedia of Buddhism Codified of Prapromkunapon (Prayud Payudto) : Yonisomanasikàra (S.V.2–30; A.I.11–31; It. (.9 Bangkok : Kredthai.

Prapromkunapon (Prayud Payudto). (2008). Buddhist Thinking. Bangkok : Kredthai.

Prasitratthasin, Suchat. (2003). the social science research. 12th ed. Bangkok : Fuengfar printing Co. Ltd.

Prasitratthasin, Suchat. (2007). the social science research. Bangkok : Samlada limited partnership.

Pratchaphuet, Tin. (1999). Organization Theory. Bangkok : Thaiwatttanaphanit.

Royal Academy. (2005). Dictionary of Thai language. Bangkok : Thaiwattana.

Saetiew, Yudthana. (2005). Measurement, Analysis and Knowledge Management, Intelligent organization. 2nd ed. Bangkok : Inno graphic.

Schermerhorn, John R. Jr., James G. Hunt and Richard N. Osborn. (2000). Organization Behavior. 7th Ed USA : John Wiley & Sons, Inc.,

Serirat, Siriwan and Others. (1998). Business Research. Bangkok : Duakamonsamai.

Siegel, Harvey. (1988). Educating Reason: Rationality, Critical Thinking, and Education. London: Routledge.

Siriwarun (Pen name). (2005). Anatta and modern life. Bangkok : Tathata Publication.

Sutharat, Wanit. (2004). Ideas and creativity. Bangkok : Suweeriyasarn.

Thailand Research Fund]TRF .[.(2008). Focus Group Discussion. [Online] available from; http://www.vijai.org/Tool_vijai/12/02.asp [August 26, 2008]

The Basic Education Office. (2009). Tactical help thinking mathematics. Bangkok : the Education Innovation Office, the Basic Education Office, Ministry of Education.

The local community development Institutions. (2007). System Thinking. [Online] Available; http://www.kamsondeedee.com/school/index.php/chater-002/51-2008-12-13-4-22/09-system-theory?format=pdf [December 20, 2007]

The National Education Commission Office. (1997). National Education Quality Assurance and Standard System. Bangkok : Chuanphim.

Thonfprasert, Jumnong,. (1985). Thailand Languages Variously. Bangkok : Phaerwittaya.

Tiwana, Amrit. (2000). the knowledge management toolkit : practical techniques for building a knowledge management system. Upper Saddle River, NJ : Prentice Hall.

Walker, L.O. & Avant, K.C. (1995). Strategies for Theory Construction in Nursing. Norwalk, Connecticut: Appleton & Lange.

Wichienpanya, Ponthida. (2004). Knowledge Management : Basic and Applying. Bangkok. Expert net.

Wiersma, W. (2000). Research methods in education : An introduction. Needham Heights, MA : A. Pearson.

Williams & Wilkons. Meleis, A.I. (2007). Theoretical nursing: Development and Progress. 4th ed. Philadelphia : Lippincott Williams & Wilkons.

Wiratchanipawan, Wirat. (2010). Academic framework Creating and Combination technique. [Online] Available; http://wiruch.com/articles%20for%20article/article%20technic%20of%20framework%20writing.pdf [January 20, 2012]

ASEAN Journal of Management & Innovation
Vol. 4 No. 1, 78 – 96
©2015 by Stamford International University
DOI: 10.14456/ajmi.2017.6
ajmi.stamford.edu

Perceptions of Consumers in Thailand Towards Purchasing Products Made in China: An Empirical Study of an International University in Thailand

Alexander Franco
Stamford International University
Graduate School of Business
alexander.franco@stamford.edu
Scott S. Roach
Stamford International University
Graduate School of Business
scott.roach@stamford.edu

Abstract

The proliferation of Chinese products around the world is a phenomenon that merits academic inquiry as to consumer receptivity in respective nations. The purpose of this study was to assess such receptivity in the Kingdom of Thailand where substantive research on this subject has been lacking. Specifically, the perception factors of country-of-origin, consumer nationalism, price sensitivity, product quality, and product type purchased as per demographic variables were examined. The inquiry also looked at differentials between Chinese Thais and non-Chinese Thais regarding the purchase of goods made or assembled in China. Null hypotheses were tested for consistency in this study's presentation due to the variability of statistical significance found in the literature review regarding the factors under examination. The study found that there were statistically significant differences between Thai purchasers and non-purchasers of Chinese products regarding the factors of consumer nationalism, price sensitivity, and perception of quality. It also found mixed results regarding Chinese product types purchased by demographic groups as well as mixed differentials between Chinese Thais and non-Chinese Thais. Suggestions for future research are presented to enhance utilitarian benefits for importers, wholesalers, retailers, and marketers.

Keywords: China, Chinese Products, Consumer Nationalism, Country-of-Origin, Ethnocentrism, Price Sensitivity, Product Quality, Product Type, Thailand

Introduction

During the past thirty years, China experienced the fastest growing major economy in the world and now stands as the second-largest economy in the world as measured by purchasing power parity (Central Intelligence Agency, 2015). Though China is currently facing a gradual slowdown and the need to address overcapacity (Cashin, Mohaddes, & Raissi, 2016; World Bank, 2016), it remains a global hub for manufacturing and is the largest trading nation in the world as well as the largest exporter of goods (Brandt & Rawski, 2008; Golley & Song, 2011; Knight & Ding, 2012; Liu, 2016; Santasombat, 2015; Sornarajah & Wang, 2010).

China is consistently found among the top five trade partners of members of the Association of Southeast Asian Nations (ASEAN), of which Thailand is a member (Saidjanova & Koch-Weser, 2015). Chinese imports to Thailand totaled close to $38 billion in 2013 making up approximately 15% of all imports to the country (World Bank data cited in Saidjanova & Koch-Weser, 2015). The implementation of the China-ASEAN Free Trade Agreement (CAFTA) in 2010 bolstered Sino-Thai economic relations, allowing for growth in Chinese imports of computer and electrical equipment, chemicals, manufactured goods, and other products (Gao & Zhang, 2016; Hongfang, 2013; Jarvis & Welch, 2011; Lijun, 2007). Almost $9 billion fell under the category of consumer goods, including apparel and household appliances (Saidjanova & Koch-Weser, 2015). Indeed, the economic nexus between the two nations has become significant, with model estimates that a one percent decline in China's gross domestic product would lower Thailand's overall economic output by 0.2 percent (Klyuev, Yoneyama, & Kashiwase, 2016).

A growing body of scholarly inquiry has focused on customer perception of Chinese products. Prior studies have primarily focused on country-of-origin ("made in") perceptions and consumer ethnocentrism (Ioanas & Alea, 2012; Karami, Siahpoush, & Olfati, 2013; Lew & Sulaiman, 2013; Lyden, Backe, & Ahman, 2005; Sarwar, Azam, Haque, Sleman, & Nikhashemi, 2013; Schniederjans, Cao, & Olson, 2004; Schniederjans, Cao, Schniederjans, & Gu, 2011; Srivastava, 2015; "The Image," 2015; Ulgado, Wen, & Lee, 2011),with none looking at all the factors of price sensitivity, product quality, and type of product. This study seeks to expand on the existing body of this very specific analysis of consumer behavior by examining Thai consumers, a group that has yet to be studied in a nation which has experienced a significant and growing presence of Chinese products. The originality of this study is not only in focusing on Thai consumers but also any distinctions between non-Chinese Thais and those of Chinese ancestry (identified as first or second generation). The study is also the first to conduct a comprehensive analysis of the perceptions of Chinese products by Thai consumers, examining the factors of country-of-origin, consumer nationalism, price sensitivity, product quality, and product type purchased by the demographic variables of age, gender, ethnicity, employment status, and monthly income. None of the above cited studies focused specifically on Chinese products and no research has been conducted that examined the impact of the stated demographic variables on purchases of Chinese goods by product type.

Literature Review and Hypotheses Development

Country-of-Origin

Country-of-origin (or "made in" image) refers to where a product was manufactured and the connotation associated with that. Nagashima (1970, p. 68) first elaborated on a country-of-origin as "…[an] image [based on] the reputation, the stereotype that businessmen and consumers attach to products as of a specific country." Nagashima argued that the "made in" image rested on variables such as "representative products, national characteristics, economic and political background, history, and traditions" (p. 68). Most country-of-origin studies have focused on the impact of "made in" imagery regarding products from around the world. (Ahmed & d'Astous, 1996; Ahmed, Johnson, Xia, & Chen, 2004; Bilkey & Nes, 1982; Chan, Yonggu, & Byeong-Joon, 2001; Chinen, Sun, & Ito, 2014; De Wet, A. G., Pothas A-M, & De

Wet, J. M., 2001; Fetscherin & Toncar, 2010; Hong & Toner, 1989; Insch & McBride, 1998; Lielefeld, 1993; Li & Wyer, 1994; Lin & Kao, 2004; Listiana, 2015; Lyden, Backe, & Ahman, 2005; Maheswaran, 1994; Yang, Wang, & Zhong, 2015). The bulk of the studies that examined consumer perceptions of Chinese products have focused exclusively or primarily on the impact of country-of-origin. The majority found that country-of-origin was significant in influencing consumer decision-making with "Made in China" associated with inferior design, manufacturing, cheap pricing, and low quality (Chinen et al., 2014; Karami, Siahpoush, & Olfati, 2013; Kim, Choi, Kim, & Liu, 2015; Lyden et al, 2005; "The Image," 2015; Ulgado, Wen, & Lee, 2011), with other studies finding it was not (Ioanas & Aldea, 2012; Narang, 2016; Sarwar et al., 2013; Srivastava, 2015).

H_1. ***There will be no significant difference in mean country-of-origin domestic preference factor scores for purchasers versus non-purchasers of Chinese products.***

Consumer Nationalism

The construct of consumer ethnocentrism has been used as a predictor for the preference of domestic products (Banyopadhyay, 2014; Shimp & Sharma, 1987; Siamagka, & Balabanis, 2015; Zeugner-Roth, Zabkar, & Diamantopoulos, 2015). Sumner (1906), in exploring ingroup and outgroup behavior, first provided a sociological understanding of ethnocentrism as the view of things in which one's own group is the center of everything, whereas all other groups are scaled and rated with reference to it. This construct evolved to have psychosocial implications (Levine & Campbell, 1972) where ethnocentrism came to represent the proclivity for people to view "[t]he symbols and values of one's own ethnic or national group [as] objects of pride and attachment, whereas symbols of other groups may become objects of contempt" (Shimp & Sharma, 1987, p. 280). From a consumer behavior and marketing perspective, consumer ethnocentrism is a predictor as to the degree in which individuals are influenced by the appropriateness and morality of purchasing foreign-made products including perceived losses to the domestic economy (Shimp & Sharma, 1987). For example, under the influence of consumer ethnocentrism, an American would choose a domestic wine of similar value over a French equivalent even if the consumer was conscious that, generally speaking, French wines have a better reputation as to quality and taste.

A review of a 17-item instrument, CETSCALE, created by Shimp and Sharma (1987) to measure ethnocentric influence on purchasing foreign products indicates that the items focused primarily on nationalist concerns of supporting domestic products and companies, protecting the domestic economy, and guarding against foreign economic threats. These represent aspects of and empirical support for patriotism (Han, 1988; Klein & Ettenson, 1999; Mihalyi, 1984; Shankarmahesh, 2006; Sharma, Shimp, & Shin, 1995). CETSCALE was designed to examine the purchase of foreign versus American-made products. No specific symbols or values of any specific ethnicity were represented. This is logical because the United States is a heterogeneous amalgam of strong, internal ethnocentric identifications with contrasting values. Therefore, using pertinent questions adapted from the American consumer-focused CETSCALE, this study will test any relationship between domestic preference and consumption of foreign products from a *nationalist* perspective where patriotism transcends all perspectives based on ethnicity or race, or social group affiliation.

H_2. ***There will be no significant difference in mean domestic preference factor (DPF) consumer nationalism scores for purchasers versus non-purchasers of Chinese products.***

Price Sensitivity

The price affordability of a product is a core factor in the determination of decision-making to consume since, in general, the higher the price of a commodity, the less likely it will be consumed if there is competition (given that all other factors remain constant). Research has indicated that consumers are generally price-sensitive regarding Chinese products, choosing to take advantage of lower prices over other factors (Sarwar et al, 2013; Srivastava, 2015).

H$_3$. ***There will be no significant difference in mean DPF price sensitivity scores for purchasers versus non-purchasers of Chinese products.***

Product Quality

Perception of quality of a product is a key factor influencing purchase intention. Chinese products have suffered from a reputation for inferior quality as to material, design, manufacturing, and assemblage. (Midler, 2011; Zhang, Bai, Lohmar, & Huang, 2010; Zhang & Byron, 2007). Schniederjans, Cao, and Olson (2004) found that U. S. consumers perceived products from China to be of low quality. A replication of that study (Schniederjans et al, 2011) found that consumer perception in the United States essentially remained the same and had not experienced a downward trend. Much of the research on the quality of Chinese products showed consistency in consumer perceptions of inferiority in comparison to domestic products or the imported products of other nations (Ioanas & Aldea, 2012; Sarwar et al, 2013; Srivastava, 2015; Ulgado, Wen, & Lee, 2011).

H$_4$. ***There will be no significant difference in mean DPF quality perception of Chinese product scores for purchasers versus non-purchasers of Chinese products.***

Type of Product Purchased as per Demographic Variables

Product identification or classification is essential in customers' decision-making as to potential consumption. Analysis by type of product should not be confused with selection based on brand identification (Ulgado et al, 2011). The research literature reveals a dearth of studies that focus on perception of Chinese products by type, with only one study, Schniederjans et al. (2011) providing a comprehensive listing of product items (61 in total).

Very limited research has been conducted regarding the impact of demographic variables on the factors of country-of-origin, consumer nationalism, price sensitivity, product quality, and type of product. Hong and Toner (1989) found no significant difference between males and females regarding foreign products, although none of the products originated from China. Studies on consumer nationalism (or consumer ethnocentrism) mostly found that older people, women and those with lower educational degrees were more nationalistic in their consumer decision-making (Balabanis, Diamantopoulos, Melewar, & Mueller, 2001; Erdogan & Uzkurt, 2010; Josiassen, Assaf, & Karpen, 2011; Mockaitis, Salciuviene, & Ghauri, 2013; Shimp & Sharma, 1987). However, other studies found men to be more nationalistic (Bannister & Saunders, 1978; Ramsaran-Fowdar, 2010; Shankarmahesh, 2006) while McLain and Sternquist (1991), Caruana (1996) and Maina (2016) found no significant relationship regarding gender. Bannister and Saunders (1978) and Schooler (1971) were in the minority in their findings that younger people were more nationalistic than older ones regarding consumer decision-making.

None of the above cited studies focused specifically on Chinese products and no research has been conducted that examined the impact of the demographic variables of age, gender, ethnicity, employment status, and monthly income on the factors indicated in the previous hypotheses that addressed perception of Chinese products. Therefore the following hypothesis is proposed:

H_5. *There will be no relationship between type of Chinese product purchased and consumer demographics.*

Because of the cultural specifics involved in the dynamics of this study, a specific inquiry will be made as to any differentiations between non-Chinese Thais and Thais of Chinese parents (i.e., 1st and 2nd generation Chinese Thais).

H_6. There will no significant difference in DPF mean scores between non-Chinese Thais and Thais of Chinese parents.

Research Design

Sample Population

The persons in the population being examined are ethnic Thai students and Thais of Chinese ancestry (first and second generations) at an international university in Thailand. This population consisted of 260 students (55%) of the total population of 470 (100%). As per Krejcie and Morgan's (1970) table for sample size tabulation, a sample from the population numbering 155 was obtained consisting of 64 males (41.3% of total) and 91 females (58.7% of total). This approximated the university's enrollment figures of 45% for males and 55% for females. Of these, 47 of the respondents (or 30.3% of the total) where Thais of Chinese ancestry (1st and 2nd generation) and 108 (or 69.7%) were non-Chinese Thais. There was no university institutional data as to this ethnic breakdown. Thais of Chinese ancestry make up about 14% of the country's population (West, 2009). However, strong anecdotal feedback from the preponderance of the faculty at this institution have substantiated that Chinese Thai make up 25% to 33% of the total Thai student population in their respective classrooms. In Thailand, Chinese Thai comprise a disproportionately higher percentage of participation in institutions of higher education due to their higher socio-economic level and familial educational attainment (Franco, 2015).

Research Instrument and Data Collection

A self-administered questionnaire, consisting of a 4-point, forced Likert-scale, was given to the respondents in classroom settings during a three-month period. The questionnaire also contained open-ended questions with each Likert-scale close-ended question in order to allow for more elaboration on the inquiry. Three close-ended questions were asked for each of the five factors examined: country-of-origin, consumer nationalism, price sensitivity, product quality, type of product, and impact of demographic variables. A listing of product types was also included for which respondents were to indicate if they made purchases of Chinese products in the given product categories. All scales had a Cronbach alpha internal reliability score over .92, indicating consistency and high internal reliability (Hair, Black, Babin, & Anderson, 2010; Nunnally & Berstein, 1994; Sekaran, 2000).

The questionnaire was translated into Thai and the Thai version was translated back (using a second translator) to assure accuracy (Behling & Law, 2000; Domyei & Taguchi, 2009). The Likert scale was forced with four points ("strongly agree to strongly disagree") to avoid a neutral option (e.g., "not sure") since Thai culture inhibits expressions of personal opinion with a strong hierarchical structure with high power-distance and *kreng jai* – which is the cultural practice of avoiding the display of emotion as well as asserting one's opinion (Holmes, Tangtontavy, & Tomizawa, 2003; Suntaree, 1990). Cross-national studies regarding Pacific Rim respondents (Chen, Lee, & Stevenson, 1995; Peterson, Rhi-Perez, & Albaum, 2014) and specifically Thais (Calderon, Angulo, O'Mahony, & Wichchukit, 2015), verified difference in responses measurements based on culture.

Data Analysis, Research Findings and Discussion

The first five hypotheses asserted that there would be no differences in mean Domestic Preference Factor (DPF) scores for product Country-of-Origin (COO), consumer nationalism, price sensitivity, or consumer perception of Chinese product quality for purchasers versus non-purchasers of Chinese products. Subjects were assigned to one of two groups based upon a self-report of whether they had purchased Chinese products in the 30 days prior to completion of the survey. Descriptives for the two groups are provided below in Table 1.

Table 1: Mean DPF Scores for Chinese Product Purchasers vs. Non-Purchasers*

Purchase Group	Statistic	Country of Origin	Consumer Nationalism	Price Sensitivity	Quality Perception
Purchase	Mean	2.31	1.99	3.15	2.48
	SD	.558	.692	.639	.587
Non-Purchase	Mean	2.36	1.73	2.64	2.79
	SD	.472	.486	.742	.573
Total	Mean	2.32	1.93	3.04	2.55
	SD	.540	.661	.692	.596

*Where 1 = Lowest DPF score and 4 = Highest DPF Score

In order to test the initial four hypotheses a MANOVA was first conducted to determine if mean scores for the four DPF factors were significantly different for purchasers versus non-purchasers of Chinese products as a test of the hypothesis. A Box's test of equality of covariance matrices produced a Box's M score of 14.903 associated with a p-value of .165. Therefore the covariance matrices between the two groups were assumed to be equal for purpose of the MANOVA. A statistically significant MANOVA effect was obtained, Pillais' Trace = .119, F (4, 150) = 5.047, p = .001. The multivariate effect size was estimated at .119, indicating that 11.9% of the variance in purchase category was determined by the four domestic preference factors. Since the MANOVA was significant the analysis proceeded with tests of the individual hypotheses.

Prior to conducting a series of follow-up ANOVAs, it was necessary to test the homogeneity of variance assumption for the four domestic preference factors. This was done using a series of Levene's F tests (See Table 2). The homogeneity of variance assumption was considered to be satisfied even though one of the four Levene's *F* tests was statistically significant (p = .04). Although the Levene's *F* test suggested that the variance associated with the Country of Origin factor was not homogenous examination of the standard deviations provided in Table 1 revealed that none of the largest standard deviations were more than four times the size of the corresponding smallest, suggesting that the ANOVA would be robust (Howell, 2009).

Table 2: Levene's Test of Homogeneity of Variances

Variable	*F*	*Df1*	*Df2*	*p*
Country-of-Origin	4.310	1	153	.040
Consumer Nationalism	2.871	1	153	.092
Price Sensitivity	1.522	1	153	.219
Quality Perception	.889	1	153	.347

Hypothesis 1 stated that there would be no significant difference in mean country-of-origin DPF scores for purchasers versus non-purchasers of Chinese products. In order to test this, a one-way ANOVA was performed. As shown in Table 3 below, results indicate that there was no statistically significant difference between the mean scores for these two groups, F (1, 153) = .241, p =.624. Hypothesis 1 is therefore supported.

Table 3: Comparison of COO DPF Scores for Chinese Product Purchasers vs. Non-Purchasers*

Source	*df*	*SS*	*MS*	*F*	*p*
Between Groups	1	.071	.071	.241	.624
Within Groups	153	44.800	.293		
Total	154	44.871			

*Where 1 = Lowest COO DPF score and 4 = Highest COO DPF Score

The second hypothesis proposed that there would be no significant difference in mean DPF consumer nationalism scores for purchasers versus non-purchasers of Chinese products. The results of this one-way ANOVA used to test this hypothesis are presented in Table 4. As indicated below, there are statistically significant differences between the mean scores for consumer nationalism between the purchasers and the non-purchasers, F (1, 153) = 3.986, p =.048 with purchasers having higher mean consumer nationalism ($\bar{X} = 1.98$) than non-purchasers ($\bar{X} = 1.72$). Hypothesis 2 is not supported.

Table 4: Comparison of Consumer Nationalism DPF Scores for Purchasers vs. Non-Purchasers*

Source	*df*	*SS*	*MS*	*F*	*p*
Between Groups	1	1.707	1.707	3.986	.048
Within Groups	153	65.513	.428		
Total	154	67.219			

*Where 1 = Lowest Consumer Nationalism DPF score and 4 = Highest Consumer Nationalism DPF Score

Hypothesis three states that there would be no significant difference in mean DPF price sensitivity scores for purchasers versus non-purchasers of Chinese products. Results for the one-way ANOVA conducted to test the hypothesis for these differences are presented in Table 5 below. Price sensitivity mean DPF scores are significantly higher, F (1, 153) = 15.503, $p <$ .001, for purchasers of Chinese products ($\bar{X} = 3.15$) as compared with non-purchasers ($\bar{X} = 2.64$). Based upon these findings, Hypothesis 3 is not supported.

Table 5: Comparison of Price Sensitivity DPF Scores for Chinese Product Purchasers vs. Non-Purchasers*

Source	*df*	*SS*	*MS*	*F*	*p*
Between Groups	1	6.787	6.787	15.503	< .001
Within Groups	153	66.981	.428		
Total	154	67.219			

*Where 1 = Lowest Price Sensitivity DPF score and 4 = Highest Price Sensitivity DPF Score

As stated in Hypothesis 4, no significant difference in Chinese product quality perception scores is proposed to exist between purchasers and non-purchasers of Chinese products. Once again a one-way ANOVA was performed to test this hypothesis. As shown in Table 6, significant differences were found to exist between the perceptions of Chinese product quality in purchasers versus non-purchasers of Chinese products F (1, 153) = 7.238, p =.008. Purchasers were found to have a lower mean perception of quality score ($\bar{X} = 2.48$) when compared to non-purchasers ($\bar{X} = 2.79$).

Table 6: Comparison of Perception of Chinese Product Quality DPF Scores for Chinese Product Purchasers vs. Non-Purchasers*

Source	*df*	*SS*	*MS*	*F*	*p*
Between Groups	1	2.470	2.470	7.238	.008
Within Groups	153	52.214	.341		
Total	154	67.219			

*Where 1 = Perception of Low Quality DPF score and 4 = Perception of High Quality DPF Score

The next analysis explored the types of Chinese products purchased by respondents. Respondents were presented with a list of product types. They were then requested to indicate the types of products where they had purchased Chinese products in the past. Table 7 reports those percentages for the product types included in the survey.

Table 7: Percentage of Respondents Reporting Purchase by Product*

Product Type	Percentage Purchased	Percentage Not Purchased
Clothing	63.2	36.8
Shoes	37.4	62.6
Electronics	37.4	62.6
Medicine	28.4	71.6
Food/ Drinks	27.7	72.3
Toys	27.7	72.3
Computer/ Printer	13.5	86.5
Cell Phone	12.3	87.7
Jewelry	7.1	92.9
Furniture	6.5	93.5
Cleaning Products	3.9	96.1
Watches	3.2	96.8
Toiletries	1.3	98.7

*Presented by descending order in terms of percentage purchase

Hypothesis 5 suggested that there would be no differences in Chinese products purchased by different demographic groups. In order to examine this, a Chi Square analysis was performed on those product items reported to be purchased by respondents and the corresponding demographic groups to which the respondents belong in order to test this hypothesis. Results of this analysis are presented in Table 8 below. Numbers provided in the table are X^2 and *p*-values. Significant differences are indicated by an asterisk (*). Results for Hypothesis 5 were mixed. Outcomes varied by product type with differences found in one or more of the demographic categories for all product types except Furniture, Watches and Toiletries. Differences in three demographic categories occurred in the product types of Cell Phones, Food/Drinks, Toys, and Electronics.

Table 8: X^2 and *p*-Values for Product Type by Demographic Category for Purchased Products

	Demographic Category				
Product Type	*Gender*	*Age*[1]	*Thai/ Chinese Thai*	*Employed*	*Income*[2]
Clothing	$X^2 = 1.374$ $p = .241$	$X^2 = 5.389$ $p = .068$	$X^2 = 11.320$ $p = .001$**	$X^2 = .052$ $p = .820$	$X^2 = 6.083$ $p = .108$

Product Type	Gender	Age[1]	Thai/ Chinese Thai	Employed	Income[2]
	Demographic Category				
Shoes	X^2 = 2.783 p = .095	X^2 = 7.154 p = .028*	X^2 = .045 p = .832	X^2 = .004 p = .950	X^2 = 9.577 p = .023*
Computer/ Printer	X^2 = 4.258 p = .039*	X^2 = 3.024 p = .220	X^2 = .035 p = .851	X^2 = 2.805 p = .094	X^2 = 6.468 p = .091
Cell Phone	X^2 = 1.149 p = .284	X^2 = 11.105 p = .004*	X^2 = .881 p = .348	X^2 = 4.992 p = .025*	X^2 = 8.191 p = .042*
Food/ Drinks	X^2 = 1.872 p = .171	X^2 = 21.873 p < .001**	X^2 = .633 p = .426	X^2 = 11.961 p = .001*	X^2 = 20.883 p < .001**
Toys	X^2 = 12.634 p < .001**	X^2 = 4.494 p = .106	X^2 = 3.867 p = .049*	X^2 = 16.618 p < .001**	X^2 = 4.155 p = .245
Furniture	X^2 = 1.999 p = .157	X^2 = 1.995 p = .369	X^2 = .539 p = .463	X^2 = .456 p = .500	X^2 = 2.501 p = .475
Medicine	X^2 = 1.923 p = .166	X^2 = 2.706 p = .258	X^2 = 6.659 p = .010*	X^2 = 1.890 p = .169	X^2 = 4.170 p = .244
Electronics	X^2 = 9.312 p = .002*	X^2 = 1.890 p = .389	X^2 = 7.166 p = .007*	X^2 = 4.219 p = .040*	X^2 = .250 p = .969
Cleaning Products	X^2 = 1.561 p = .211	X^2 = 2.251 p = .324	X^2 = .551 p = .458	X^2 = 4.219 p = .013*	X^2 = 13.680 p = .003*
Watches	X^2 = 3.634 p = .057	X^2 = 1.340 p = .512	X^2 = 2.248 p = .134	X^2 = .194 p = .660	X^2 = 4.873 p = .181
Jewelry	X^2 = 5.064 p = .024*	X^2 = 5.795 p = .055	X^2 = 826 p = .363	X^2 = 4.698 p = .030*	X^2 = 6.406 p = .093
Toiletries	X^2 = .063 p = .801	X^2 = .378 p = .828	X^2 = .882 p = .348	X^2 = 2.000 p = .157	X^2 = 2.339 p = .505

[1] Three age groups were involved: 18-22, 69 persons; 23-25, 62 persons; and 26+, 24 persons
[2] Four income groups were involved: < 15,000 Baht, 57 persons; 15,000 to 30,000 Baht, 35 persons; 30,001 to 50,000 Baht, 37 persons; and 50,001 or more Baht, 26 persons
* Significant at p = .05, ** Significant at p < .001

The next hypothesis examined possible cultural differences in DPF scores for the four factors. Hypothesis 6 stated that there would be no significant differences in DPF mean scores between non-Chinese Thais and Thais of Chinese parents. Descriptive statistics for the two groups on the four DPF variables are presented in Table 9 below.

Table 9: Mean DPF Scores for Thais and Thais of Chinese Parents*

Purchase Group	Statistic	Country of Origin	Consumer Nationalism	Price Sensitivity	Quality Perception
Chinese	Mean	2.26	1.70	3.02	2.87
Thai	SD	.487	.648	.571	.726
Non-Ch	Mean	2.35	2.03	3.05	2.40
Thai	SD	.561	.644	.741	.466
Purchase Group	Statistic	Country of Origin	Consumer Nationalism	Price Sensitivity	Quality Perception
Total	Mean	2.32	1.93	3.04	2.55
	SD	.540	.661	.692	.596

*Where 1 = Lowest DPF score and 4 = Highest DP Score

Prior to conducting the ANOVA to test this hypothesis, it was necessary to test the homogeneity of variance assumption for the four domestic preference factors with this grouping variable. As before, this was done using a series of Levene's *F* tests depicted in Table 10. The homogeneity of variance assumption was considered to be satisfied even though one of the four Levene's *F* tests was statistically significant (p <.001). Although the Levene's *F* test suggested that the variance associated with the Perception of Quality in Chinese Products factor was not homogenous, examination of the standard deviations provided in Table 9 revealed that none of the largest standard deviations were more than four times the size of the smallest, suggesting that the ANOVA would be robust (Howell, 2009).

Table 10: Levene's Test of Homogeneity of Variances

Variable	*F*	*Df1*	*Df2*	*p*
Country-of-Origin	.847	1	153	.359
Consumer Nationalism	.028	1	153	.867
Price Sensitivity	3.096	1	153	.080
Quality Perception	22.651	1	153	< .001

The results of the analysis are presented in Table 11 below. As the numbers indicate, significant differences were found for two of the four Domestic Preference Factors for Thais with Chinese parents versus Thais of non-Chinese parents. These included Consumer Nationalism F (1, 153) = 8.335, p =.004 and Perception of Quality in Chinese Products F (1, 153) = 23.276, p < .001. Chinese Thais had significantly lower Consumer Nationalism scores ($\bar{X} = 1.70$) as compared to Thais ($\bar{X} = 2.03$) but Chinese Thais had higher Quality Perception scores ($\bar{X} = 2.87$) as compared to Thais of Thai parents ($\bar{X} = 2.40$). The remaining two DPF categories, Country-of-Origin, F (1, 153) = .741, p =.391 and Price Sensitivity F (1, 153) =

.043, p =.837 were found to have no significant differences in the means across the two groups. Therefore Hypothesis 6 received mixed support.

Table 11: Comparison of Perception of Chinese Product Quality DPF Scores for Chinese Product Purchasers vs. Non-Purchasers*

Variable	Source	*df*	*SS*	*MS*	*F*	*p*
Country of Origin	Between Groups	1	.216	.216	.741	.391
	Within Groups	153	44.655	.292		
	Total	154	44.871			

Variable	Source	*df*	*SS*	*MS*	*F*	*p*
Consumer Nationalism	Between Groups	1	3.473	3.473	8.335	.004
	Within Groups	153	63.746	.417		
	Total	154	67.219			
Price Sensitivity	Between Groups	1	.021	.021	.043	.837
	Within Groups	153	73.747	.482		
	Total	154	73.768			
Perception of Product Quality	Between Groups	1	7.221	7.221	23.276	< .001
	Within Groups	153	47.463	.310		
	Total	154	54.684			

A summary of the findings of this study are provided below in Table 12. In this study, significant differences were found to exist in mean Domestic Preference Factor scores for purchaser versus non-purchaser groups for three of the four factors. Only Country-of-Origin DPF scores were not significantly different between the two groups. In examining reported purchases of Chinese products, purchases varied across all demographic groups and for all but three product types explored. Finally, when the mean DPF scores of Thais of Thai parents were compared with Thais of Chinese parents two factors exhibited statistically significant mean differences (Consumer Nationalism and Perception of Chinese Product Quality) while two did not (Country-of-Origin and Price Sensitivity).

Table: 12: Summary of Study Findings

Hypothesis		*SS*
H_1	No Differences Country-of-Origin DPF by Purchasers vs. Non-Purchasers	Supported
H_2	No Differences Consumer Nationalism DPF by Purchasers vs. Non-Purchasers	Rejected
H_3	No Differences Price Sensitivity DPF by Purchasers vs. Non-Purchasers	Rejected

Hypothesis		SS
H_4	No Differences Quality of Chinese Product DPF by Purchasers vs. Non-Purchasers	Rejected
H_5	No Differences in Chinese Product Types Purchased by Demographic Groups	Mixed
H_6	No Difference in Mean DPF by Thais of Chinese Parents vs. Thais of Thai Parents	Mixed

The self-administered questionnaire used in this study allowed for open-ended responses for further articulation of the factors examined. Of the 155 respondents, only 23 provided additional feedback with open-ended commentary. Most of the remarks merely reinforced their choice on the 4-point Likert scale choices without providing any substance. Regarding the five factors examined, there was almost no commentary as to country-of-origin. Regarding price, comments were primarily uniform along the lines of:

"I buy based on the cheapest price."
"Chinese products usually have the lowest price."

As to product quality, respondents who were purchasers provided non-substantive commentary that merely equated the quality of Chinese products to others. However, those averse to purchasing Chinese products provided most of the commentary, indicating perceptions or prior purchasing experiences regarding low quality and fakery.

"Chinese products are of bad quality and break down."
"Poor manufacturing and packaging."
"Most are cheap, counterfeit products."
"Chinese products usually have low quality."
"Bad quality material in the products."
"Chinese food products are harmful because they contain chemicals."
"I had the choice to buy a game console from China and Japan – same price. I chose the Japanese one because of quality."
"Sometimes no warranty on Chinese products."
"Chinese products are fake and counterfeit."

As to type of product, many expressed the experience of not having many choices in purchasing within Thailand and of being forced to accept Chinese products. This was particularly true of those who were seeking herbal or organic medication.

"Chinese products are everywhere and easy to find."
"Everywhere in Thailand you can buy these products."
"No other choices available for what I wanted."
"I'm always sick and can only find Chinese traditional medicine that is effective."
"I like ingredients only in traditional Chinese medicines."
"China is the best producer of tea and herbs. I only buy from that country."

The factor of consumer nationalism provided substantive commentary from questions that inquired, in a variety ways, if Thais who purchased products from Thailand over China believed they were more patriotic or "loved Thailand" more than those who did not. While consumer nationalism was a significant factor in this study, the responses consisted almost exclusively of commentary by those with lower consumer nationalism scores who rejected the assertion.

"We are in a globalized world. Buying from other countries is not unpatriotic."
"Patriotism is one thing. But in the end, quality and price are more important."
"I don't think buying Thai products is showing love of country."
"I don't think Thais really care about that. Are we nationalists?"
"All Thai people love Thailand. Chinese products are chosen because they are cheaper."
"People don't think about this when they buy products."
"Thai people may buy Chinese products because they like them more, not because they do not love their country."
"Globalization does not make this question relevant."

Conclusion and Recommendations for Future Research

The results of this study indicate that price and perception of quality were significant in the determination to purchase Chinese products which supports the findings of prior studies (Sarwar et al, 2013; Srivastava, 2015; Midler, 2011; Zhang, Bai, Lohmar, & Huang, 2010; Zhang & Byron, 2007). The factor of consumer nationalism was also significant, even though a higher mean score was calculated for the actual purchasers. The major contribution of this study was not to provide additional support for relationships previously identified in the literature. Instead it was to expand knowledge to additional relationships. This study found that purchase of product type varied for the variables of age, gender, income, and employment. Ethnocentrism was determined between Chinese Thais and non-Chinese Thais with those of Chinese ancestry disregarding the factor of consumer nationalism but not perception of quality, which was higher for Chinese Thai. Country-of-origin and price sensitivity generated similar scores between Chinese Thais and non-Chinese Thais.

This study's literature review, revealing differences in factor results based on the nation examined, clearly shows there is no homogeneity as to perception or anticipated receptivity for Chinese products. Therefore, the business community of any given nation should not commit the mistake of disregarding cultural or national context by relying on studies conducted in another nation. They should conduct their own. Studies of this nature are vital to importers, exporters, wholesalers, retailers, and marketers who deal with goods that are manufactured or assembled in China since the proliferation of such products will continue into the future.

The limitations in this study allow for suggestions for future research. The respondents in this study were graduate students in an MBA program at an international university in Bangkok. Therefore, they represent a segment of Thailand that is more highly educated, affluent, cosmopolitan, and at least bilingual (i.e., Thai and English). Also, the representation of respondents who are Chinese Thai (30.3%) is significantly higher than the country's overall percentage of about 14%. Future studies should incorporate a broader representation of socio-economic levels since the low prices of Chinese products may be particularly enticing to those with lower purchasing power. A study that also looks beyond Bangkok and other metropolitan areas would be useful since half of Thailand's population can be found in non-urban locations.

This study sought to re-define consumer ethnocentrism as *consumer nationalism* since it argued that many countries have distinct ethnic preferences, domestically, due to a variety of reasons including mass migration of groups in this current era of globalization. This study's findings regarding differences between Chinese Thais and non-Chinese Thais suggest this to be the case in Thailand. Further studies should continue this refinement. As to future studies about Thai culture, researchers should consider distinguishing between Chinese Thais and non-Chinese Thais to determine significant differences and the dynamics at play if such differences do exist.

References

Ahmed, S., & d'Astous, A. (1996). Country of origin and brand effects: A multi-dimensional and multi-attribute study. *Journal of International Consumer Marketing*, *9*(2), 93-115.

Ahmed, Z. U., Johnson, J. P., Xia, Y., & Chen, K. F. (2004). Does country of origin matter for low-involvement products? *International Marketing Review 21*(1), 102-120.

Balabanis, G., Diamantopoulos, A., Melewar, T. C., & Mueller, R. (2001). The impact of nationalism, patriotism and internationalism on consumer ethnocentric tendencies. *Journal of International Business Studies, 32*(1), 157-75.

Bannister, J. P., & Saunders, J. A. (1978). UK consumers' attitudes toward imports: The measurement of national stereotype image. *European Journal of Marketing 12*(8), 562-570.

Banyopadhyay, S. (2014). Country-of-origin perceptions, consumer ethnocentrism, and product evaluations in the Indian market. *International Journal of Business and Social Science, 5*(9), 21-30.

Bilkey. W.J., & Nes, E. (1982). Country of origin effects on production evaluation. *Journal of International Business Studies, 8*(1), 89-99.

Behling, O., & Law, K. S. (2000). *Translating Questionnaires and Other Research Instruments: Problems and solutions.* Thousand Oaks: CA: SAGE Publications, Inc.

Brandt, L., & Rawski, T. G. (Eds.). *China's Great Economic Transformation.* Cambridge, UK: Cambridge University Press.

Calderon, E., Angulo, O., O'Mahony, M., & Wichchukit, S. (2015). "Liking" and "take away" preferences for Mexican consumers: Cross-cultural comparison with Thais for psychological style. *Journal of Sensory Studies, 30*, 77-84.

Caruana, A. (1996). The effects of dogmatism and social class variables on consumer ethnocentrism. *Marketing Intelligence & Planning 14*(4), 39-44.

Cashin, P., Mohaddes, K., & Raissi, M. (2016). *China's Slowdown and Global Financial Market*
Volatility: Is World Growth Losing Out? IMF Working paper 16/63. Washington, D.C.: International Monetary Fund.

Central Intelligence Agency (2015). *The CIA World Factbook 2016.* NY: Skyhorse Publishing, Inc.

Chan, W. L., Yonggu, S., & Byeong-Joon, M. (2001). Products country images: The roles of country of origins and country of target in consumer prototype product evaluations. *Journal of International Consumer Marketing 13*(3), 47-62.

Chen, C., Lee, S., & Stevenson, H. W. (1995). Response style and cross-cultural comparisons of rating scales among East Asian and North American students. *Psychological Science 6*(3), 170-175.

Chinen, K., Sun, Y., & Ito, Y. (2014). The effects of country of origin on consumer willingness to purchase General Motor automobiles in the United States. *International Journal of Marketing Studies 6*(6), 1-13.

De Wet, A. G., Pothas, A-M, & De Wet, J. M. (2001). Country-of-origin: Does it matter? *Total Quality Management, 12*(2), 191-200.

Domyei, Z., & Taguchi, T. (2009). *Questionnaires in Second Language Research: Construction, Administration, and Processing* (2nd ed.). London: Routledge.

Erodogan, B. Z., & Uzkurt, C. (2010). Effects of ethnocentric tendency on consumers' perception of product attitudes for foreign and domestic products. *Cross-Cultural Management: An International Journal 17*(4), 393-406.

Fetscherin, M., & Toncar, M. (2010). The effects of country of brand and the country of manufacturing of automobiles. *International Marketing Review 27*(2), 164-178.

Franco, A. (2015). A history of the Thai-Chinese (book review). *ASEAN Journal of Management and Innovation. 2*(2), 101-105.

Gao, Y., & Zhang, J. (2016). Emerging China and its interaction with ASEAN economies. In Kim,Y-C. (Ed.), *Chinese Global Production Networks in ASEAN* (pp. 1-18). Cham, Switzerland: Springer International Publishing.

Golley, J., & Song, L. (Eds.). (2011). *Rising China: Global Challenges and Opportunities.* Canberra, Australia: The Australian National University E Press.

Hair, J. F., Black, W. C., Babin, B.J., & Anderson, R. E. (2010). *Multivariate Data Analysis: A Global Perspective* (7th ed.). Saddle River, NJ: Prentice-Hall International.

Han, C. M. (1988). The role of consumer patriotism in the choice of domestic versus foreign products. *Journal of Advertising Research* June/July, 25-32.

Holmes, H., Tangtongtawy, S., & Tomizawa, R. (2003). *Working with the Thais: A Guide to Managing in Thailand* (2nd ed.). Bangkok: White Lotus Press.

Hong, S., & Toner, J. F. (1989). Are there gender differences in the use of country-of-origin information in the evaluation of products? *Advances in Consumer Research 16,* 468-476.

Hongfang, S. (2013). The economic relations between China and Thailand under the context of CAFTA: An assessment. *Chinese Studies 2*(1), 52-60.

Howell, D. C. (2010). *Statistical Methods for Psychology* (2nd ed.). Belmont, CA: Cengage Learning.

Insch, G. S., & McBride, J. B. (1998). Decomposing the country-of-origin construct: An empirical test of country of design, country of parts and country of assembly. *Journal of International Consumer Marketing 10*(4), 69-91.

Ioanas, M E., & Aldea, R. E. (2012). An exploratory research over the Chinese products on the Romanian market. *The Annals of the University of Oradea, Economic Sciences XXI, 1142*-1147.

Jarvis, D., & Welch, A. (Eds.). (2011). *ASEAN Industries and the Challenge from China.* New York: Palgrave Macmillan.

Josiassen, A., Assaf, G., & Karpen, I. O. (2011). Consumer ethnocentrism and willingness to buy: Analyzing the role of three demographic consumer characteristics. *International Marketing Review 28*(6), 627-646.

Karami, M., Siahpoush, M., & Olfati, O. (2013). How consumers perceive the products made in China: A case study of Iran's apparel market. *International Journal of China Marketing 3*(2), 118-135.

Kim, S. J., Choi, Y. K, Kim, K. H., & Liu, H. (2015). Country of origin and brand image influences on perceptions of online game quality. *Journal of Consumer Behaviour 14,* 389-98.

Klein, J. G., & Ettenson, R. (1999). Consumer animosity and consumer ethnocentrism: An analysis of unique antecedents. *Journal of International Consumer Marketing 11*(4), 5.

Klyuev, V., Yoneyama, Y., & Kashiwase, K. (2016). *Thailand: Selected Issues.* IMF Country Report No. 16/140. Washington, D.C.: International Monetary Fund.

Knight, J., & Ding, S. (2012). *China's Remarkable Economic Growth.* Oxford: Oxford University Press.

Krejcie, R. V., & Morgan D. W. (1970). Determining sample size for research activities. *Educational and psychological Measurement 30,* 607-610.

Levin, R. A., & Campbell, D. T. (1972). *Ethnocentrism: Theories of Conflict, Ethnic Attitudes, and Group Behavior*. New York: John Wiley & Sons, Inc.

Lielefeld, J. P. (1993. Experiments on country-of-origin effects: Review and meta-analysis of effect size. In N. Papadopoulos & L. A. Heslop (Eds.), *Product Country Images: Impact and Role in International Marketing* (pp. 117-56). New York: International Business Press.

Lew, S., & Sulaiman, Z. (2014). Consumer purchase intention toward products made in Malaysia vs. Made in China: A conceptual paper. *Procedia – Social and Behavioral Sciences 130,* 37-45.

Li, W. K., & Wyer, R.S. (1994). The role of the country of origin in production evaluations: Informational and standard-of-comparison effects. *Journal of Consumer Psychology 3, 187*-212.

Lijun, S. (2007). China's economic relations with ASEAN: Developments and strategic implications. In Swee-Hock, S. (Ed.), *ASEAN-China Economic Relations* (pp. 295-317). Singapore: Institute of Southeast Asian Studies.

Lin, C-H., & Kao, D. T. (2004). The impacts of country-of-origin on brand equity. *The Journal of American Academy of Business* (September), 37-40.

Listiana, E. (2015). Country of origin image and its impact on brand association, perceived quality and brand loyalty. *Journal of Marketing and Consumer Research 30,* 19-29.

Liu, Q. (2016). *Corporate China 2.0*. New York: Palgrave Macmillan.

Lyden, C., Backe, P., & Ahman, T. (2005). *"Made in China" – Does It Matter to the Swedish Consumers?* Kristianstad, Sweden: Kristianstad University.

Maheswaran, D. (1994). Country of origin as a stereotype: Effects of consumer expertise and attribute strength on production evaluations. *Journal of Consumer Research 21*(4), 354-65.

Maina, S. M. (2016). Consumer ethnocentrism, demographic characteristics and willingness to buy commercial banking services in Kenya. *European Scientific Journal 12*(25), 306-22.

McLain, S., & Sternquist, B. (1991). Ethnocentric consumers: Do they buy American? *Journal of International Consumer Marketing, 4*(1/2), 39-57.

Midler, P. (2011). *Poorly Made in China: An Insider's Account of the China Production Game.* Hoboken, NJ: John Wiley & Sons.

Mihalyi, L. J. (1984). Ethnocentrism vs nationalism: Origin and fundamental aspects of a major problem for the future. *Homboldt Journal of Social Relations 12*(1), 95-1113.

Mockaitis, A. I., Salciuviene, L., & Ghauri, P. N. (2013). On what do consumer product preferences depend? Determining domestic versus foreign product preferences in an emerging economy market. *Journal of International Consumer Marketing 25*(3), 166-180.

Nagashima, A. (1970). A comparison of Japanese and U.S. attitudes toward foreign products. *Journal of Marketing 34*, 68-74.

Narang, R. (2016). Understanding purchase intention towards Chinese products: Role of ethnocentrism, animosity, status and self-esteem. *Journal of Retailing & Consumer Services.*

Nunnally, J., & Berstein, I. (1994). *Psychometric Theory*. New York: McGraw Hill.

Peterson, R. A., Rhi-Perez, P., & Albaum. G. (2014). A cross-national comparison of extreme response style measures. *International Journal of Market Research 56*(1), 89-110.

Ramsaran-Fowdar, R. R. (2010). Are males and elderly people more consumer ethnocentric? *World Journal of Management 2*(1), 117-129.

Salidjanova, N., & Koch-Weser, I. (2015). *China's Economic Ties with ASEAN: A Country-by-Country Analysis*. Washington, D.C: US-China Economic and Security Review Commission.

Santasombat, Y. (Ed.). (2015). *Impact of China's Rise on the Mekong Region.* New York: Palgrave Macmillan.

Sarwar, A., Azam, S. M. F., Haque, A., Sleman, G., & Nikhashemi, S. R. (2013). Customer's perception towards buying Chinese products: An empirical investigation in Malaysia. *World Applied Sciences Journal 22*(2), 152-160.

Schniederjans, M. J., Cao, Q., & Olson, J. (2004). Consumer perceptions of product quality: Made in China. *Quality Management Journal 11*(3), 8-19.

Schniederjans, M. J., Cao, Q., Schniederjans, D., & Gu, V. C. (2011). Consumer perceptions of quality revisited: Made in China. *Quality Management Journal 18*(3), 52-68.

School, R. D. (1971). Bias phenomena attendant to the marketing of foreign goods in the U. S. *Journal of International Business Studies* 2, 71-80.

Sekaran, U. (2000). *Research Methods for Business: A Skill Building Approach* (4th ed.). NY: John Wiley & Sons, Inc.

Shankarmahesh, M. N. (2006). Consumer ethnocentrism: An integrative review of its antecedents and consequences. *International Marketing Review 23*(2), 146-172.

Sharma, S., Shimp, T. A. & Shin, J. (1995). Consumer ethnocentrism: A test of antecedents and moderators. *Journal of the Academy of Marketing Science 23*(1), 26-37.

Shimp, T. A., & Sharma, S. (1987). Consumer ethnocentrism: Construction and validation of the CETSCALE. *Journal of Marketing Research.* XXIV, 280-9.

Siamagka, N-T., & Balabanis, G. (2015). Revisiting consumer ethnocentrism: Review, Reconceptualization, and empirical testing. *Journal of International Marketing 23*(3), 66-86.

Sornarajah, M., & Wang, J. (Eds.) (2010). *China, India and the International Economic Order*. Cambridge, UK: Cambridge University Press.

Suntaree, K. (1990). Psychology of the Thai People: Values and Behavioral Patterns. Bangkok: Research Institute of Development Administration.

Srivastava, R. K. (2015). Consumer purchase behavior of an emerging market like India towards Chinese products. Journal of International Business Research 14(1), 45-57.

Sumner, G. A. (1906). *Folkways.* New York: Ginn Custom Publishing.

The Image "Made in China" in manufacturing. (2015, September 27th). Retrieved from http://www.123helpme.com/view.asp? id=75753.

Ulgado, F. M., Wen, N., & Lee. M. (2011). Country image and brand equity effects of Chinese firms and their products on developed-market consumer perceptions. Asian Journal of Business 1(2), 1-24.

West, B. A. (2009). *Encyclopedia of the Peoples of Asia and Oceania.* New York: Facts on File, Inc.

World Bank (2016). *Global Economic Prospects: Divergences and Risks*. Washington, D.C.: International Bank for Reconstruction and Development.

Yang, C., Wang, H., & Zhong, K. (2015). Consumers' processing mindset as a moderator of the effect of country-of-origin product stereotype. Social Behavior and Personality 43(8), 1371-1384.

Zeugner-Roth, K. P., Zabkar, V., & Diamantopoulos, A. (2015). Consumer ethnocentrism, national identity, and consumer cosmopolitanism as drivers of consumer behavior: A social identity theory perspective. Journal of International Marketing 23(2), 25-54.

Zhang, C., Bai, J., Lohmar, B. T., & Huang, J. (2010). How do consumers determine the safety of milk in Beijing, China? China Economic Review 21, 45-54.

Zhang, J., & Buron, E. (2007). FDA blocks imports of Chinese toothpaste. *Wall Street Journal 249*(121), A8.

ASEAN Journal of Management & Innovation
Vol. 4 No. 1, 97 – 109
©2015 by Stamford International University
DOI: 10.14456/ajmi.2017.7
ajmi.stamford.edu

Modern Managerial Accounting Capability of Textile Export Businesses in Thailand: An Empirical Investigation of Antecedents

Napat Jantarajaturapath
Mahasarakham Business School, Mahasarakham University, Thailand
napat.j@acc.msu.ac.th
Phaprukbaramee Ussahawanitchakit
Mahasarakham Business School, Mahasarakham University, Thailand
phapruke.u@acc.msu.ac.th
Suparak Janjarasjit
Mahasarakham Business School, Mahasarakham University, Thailand
suparak.j@acc.msu.ac.th

Abstract

Textile export industry is an economic importance generating great national revenue in Thailand. The industry is confronting intense exporting competition with foreign country. Interestingly, modern managerial accounting has become inevitably important for businesses to successfully compete in a dynamic environment of global markets. Moreover, several context variables influence on the use of modern managerial accounting techniques of companies. The purpose of this research is to examine the influences of antecedents on modern managerial accounting capability of textile export businesses in Thailand. Data was collected from 150 textile export businesses in Thailand by using mail survey. The statistic techniques for data analyzing ware correlation and multiple regression. The results indicated that dynamic top management support, operational innovation development and best management accounting system have a positive significance on modern managerial accounting capability. Moreover, conclusion and recommendation for future research are discussed in the last section of this research.

Keywords: Best management accounting system, Modern management accounting capability, Textile export business

Introduction

There are highly competitive in the textile industry in Asia, for instance, China, India, and Vietnam are major competitors for Thai textile industry (SMEs Knowledge Center, Office of Small and Medium Enterprise Promotion, 2016). Firm applies managerial accounting for computing a manufacturer's product costs, planning and controlling a business to support the decision making. To survive, firm needs to focus on managerial accounting and adjust itself to fit into the industrial environment. Managerial accounting is an activity to transform data into information assisting managers to accomplish organizational goals and to reduce costs effectively. Managerial accounting provides relevant information, timely which reduces processing time of managers, leading to more effective decision-making in operations (Baines and Langfield-Smith, 2003; Tappura et al., 2015). As aforementioned, firms need information designed to make it possible to enable individual to stand out from the competition and increase sales. Clearly, management accounting is an important tool to provide information that top management level would be able to decisions make (Meiryani, 2014).

Since 1980s, modern managerial accounting techniques have been developed and designed as a competitive advantage because traditional managerial accounting techniques provide insufficient information in terms of detail and accuracy (Smith, Abdullah, and Razak 2008; Sheikh and Rana, 2014). Modern managerial accounting capability is considered as an ability of an organization to utilize new methods of management accounting and organizational resources effectively to achieve organizational goals. Moreover, modern and traditional managerial accounting techniques could be distinguished by emphasizing function and value, reducing miscalculations for better classifying activities, and increasing operational efficiency (Onat, Anitsal and Anitsal, 2014). As it has become a key to success factors in business development, especially in a dynamic environment of global markets, businesses do need modern managerial accounting (Sulaiman, Ahmad and Alwi, 2004). In addition, several context variables influence on using modern managerial accounting techniques of companies (Abdel-Kader and Luther, 2008). The context of an internal and an external environment as antecedents are taking effect on modern managerial accounting capability. An internal environment is a dynamic top management support, operational innovation development, organizational learning orientation, and best management accounting system. For an external environment, it is continuing in technological growth.

This research is aim to examine the relationships between dynamic top management support, operational innovation development, organizational learning orientation, best management accounting system and continuous technological growth towards modern managerial accounting capability in textile export businesses in Thailand. The key research question of this research is “How do dynamic top management support, operational innovation development, organizational learning orientation, best management accounting system and continuous technological growth affect modern managerial accounting capability? ”.

The remains of this study are organized as follows: Firstly, review of literatures and hypotheses development of antecedents and modern managerial accounting capability, organizational goal achievement and firm success. Secondly, the methodology explains the research method. Thirdly, the results of this study are discussed. Fourthly, the contributions, and future directions for research are also explained. Finally, the conclusion is presented.

Literature review

The contingency theory is applied to explain the relationships between its antecedents and modern managerial accounting capability. The contingency theory proposed that organizational management should consider environments to design a management structure that is best fits its situations (Elgharbawy and Abdel-Kader, 2013). Both of internal and external factors are used in the management process in business. Each firm should have its own management accounting techniques. Thus, the contingency theory may be explained by several variables in the model with respect to the environment, strategy, situation, technology and the systems of the firm (Delaney and Guilding, 2011). This research also examines the relationships among the impacts of dynamic top management support, operational innovation development, organizational learning orientation, best management accounting system continuous technological growth and modern managerial accounting capability, which consists of internal and external factors. It can be concluded that the contingency theory is an appropriate theory for explaining in the conceptual framework in Figure 1.

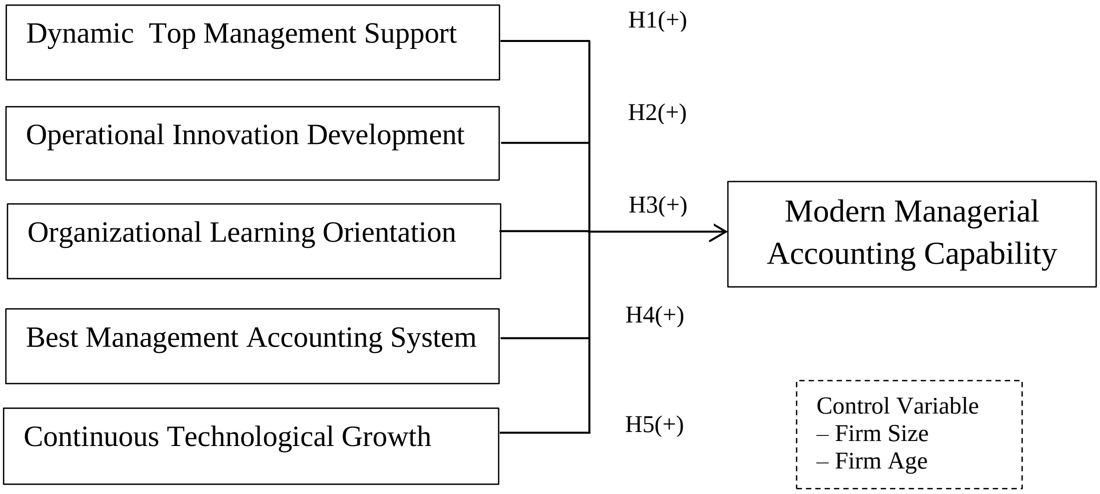


Figure 1: Conceptual Framework

Dynamic Top Management Support (**DTM**) is defined as the amount of executive to facilitate in developing and implementing new techniques and procedures in an organization (Krumwiede, Suessmair, and MacDonald, 2007). Thus, to make the right decisions necessary quality information, top management support is a key recurrent factor critical for effective management accounting (Chong, 1996). In the review of the literature, the research found that the support of the top management level has a significant influence on managerial accounting implementation (Anand, 2004). In addition, Brown, Booth, and Giacobbe (2004) found that top management support caused adoption of activity-based management as a part of modern managerial accounting. Moreover, Cavaluzzo and Ittner (2004) found that training and top management support has an influence on modern management accounting. Thus, the first hypothesis is shown as follows:

H1: Dynamic top management support is positively related to modern managerial accounting capability.

Operational Innovation Development (OID) is defined as an ability of firms to create, develop and change to new ways of operation and process steps together to increase competitive advantages (Amit and Zott, 2012; Azadegan, 2011). Different organizations seek for new ways, ideas, and creative solutions to improve their current product, process, system and technology to development innovation. Additionally, Hammer (2004) specified that operational innovation is the creation and deployment of significant changes or new methods in a firm's manufacturing operations, and processes for producing the firm's products. Consistent with research of Wu and Lee (2007) suggested that firms with high operational innovation can systematically challenge the common practices espoused in their operations to develop new processes. Moreover, Frishammar et al. (2012) indicated that the outcomes of process innovation are changes in processes to gain efficiency by reducing cost and increasing production. Thus, the second hypothesis is as follows:

H2: Operational innovation development is positively related to modern managerial accounting capability.

Organizational Learning Orientation (OLO) is defined as ability of the firm to study and understand an organizational environment by experiencing and exchanging knowledge between people within the organization (Ahmad, 2004; Jensen, 2005). In general, firms are forced learning to quickly adapt and facing a new circumstance to survive in a long term (Alas, 2007). Organization learning is the important key requiring factors of firm to sustain in the modern world of economic and competitive environment. Thus, firms may need to be prepared their organizational members through constantly learning, for enables quicker and more effective responses to a complex and dynamic environment (Gilaninia, Rankouh and Gildeh, 2013). In review of literatures, organizational learning influences on increase the rate of applying new management accounting approaches and techniques. Also, it helps optimize the operational process (Rasouli, Valipour and Moradi, 2014). On the other hands, the unstable environment of organizational learning of the firm may not encourage the continuous learning and training (O'Donnell and David, 2000). Thus, the third hypothesis is as follows:

H3: Organizational learning orientation is positively related to modern managerial accounting capability.

Best Management Accounting System (BMS) is defined as a setting of accounting approach relates to managerial accounting in order to support activity in operational excellence (Cassia, Paleari and Redondi, 2005). The managers' use of the information provided by the management accounting system can help organizations to adopt and to implement plans in response to their competitive environment. Thus, best management accounting plays an important role in planning, controlling, communicating, monitoring, and linking together the various sections and divisions in an organization (Soin, 2005). Similarly, Watts, Yapa and Dellaportas (2014) indicated that managerial accounting system-setting is related to planning, implementation, has relevance with the modern managerial accounting techniques to fulfill expectations in the future. According to Feng and Li (2009) suggested that the result of best accounting system activity provides guidance, recommendations and value-added support in order to help the firm succeed. Thus, the fourth hypothesis is as follows:

H4: Best management accounting system is positively related to modern managerial accounting capability.

Continuous Technological Growth (CTG) is defines as the perceptions of the progress involves continuously change, development, and communication technology affect the management of organizations (Allred and Swan, 2004). Technology is an important key and requirement factors of firms and continuously developed affect managerial accounting. Szchta (2002) suggested that technology had a significant influence in the adoption of modern managerial accounting techniques in a Polish firm. On the other hand, Moorthy et al. (2012) found that the problem of continuous technological growth caused a lack of awareness and understanding suitable technology available based on an organization adapting to management accounting, including a lack of availability of internal expertise and implementation of information technology (IT) in management accounting. Thus, the fifth hypothesis is as follows:

H5: Continuous technological growth is positively related to modern managerial accounting capability.

Modern Managerial Accounting Capability (MMAC) refers to the ability of an organization to utilize new methods of management accounting and organizational resources for achieving an organization's goals (Naranjo-Gill, Maas and Hartmann, 2009). The modern managerial accounting capability that consist of activity-based costing orientation, target costing focus, activity-based management capability, re-engineering awareness, and benchmarking technique emphasis (Alsoboa and Aldehayyat, 2013). Prior research of Abdel-Kedar and Luther (2008) found that environmental uncertainty, customer power, decentralization, size, and advanced manufacturing technology are significantly effect on management accounting techniques. Oyerogba (2015) reveals that internal factors such as firm size, human capacity development, firm structure and external factors include infrastructure and competition are significantly influence on management accounting techniques.

Firm size (FIS) refers to total assets of a firm (Joshi et al., 2011). Hagel and Singer (1999) indicate that a large firm will have a greater advantage than a small firm. Firm size is a determinant of organizational success and it explains the value of firm performance (Serrano-Cinca E, Fuertes-Callen and Mar-Molinero, 2005).

Firm age (FIA) refers to firm experience measured by the number of years a firm has been in operation (Jonas and Diamanto, 2006). Older firms have benefit from accumulated experience, which firm performance and success are affected by their age in operation (Leiblein, Reuer and Dalsace, 2002). On the other hand, Majumdar (1997) suggests that older firms are prone to be inertia, and management is bureaucratic.

Methodology

The sample of this research is textile export businesses in Thailand. Based on the database of the Customs Department, Ministry of Commerce, Thailand. There are 778 textile export businesses in Thailand (www.moc.go.th, accessed January, 2016). The reasoning textile export businesses is critical to Thai economy because it is one of majors the country revenue source. Therefore, apply managerial accounting information to reduce costs and to improve firm performance is needed. The sample size is calculated by using Taro Yamane's formula, (1973). Therefore, sample size is 264 firms under the 95% confidentiality level. There were 150 respondents, approximately 20.21% response rate. Based on previous business research, the average mail survey response rate is in the range of 20 percent, which in this research the response rate is more than satisfactory level (Aaker, Kumer and Day, 2001).

Test of Non-Response Bias compare the results of early and late respondents by using t-test (Armstrong and Overton, 1977). The variables used for non-response bias testing were business type, working capital, total asset, number or full time employee at present, period of time operations, and income average per year. The results indicated that there were not significant different between early and late respondents. It can be concluded that a non-response bias is not a problem in this study.

The conceptual framework, all variables were measured on five point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Additionally, all constructs were developed to measure by the definition of each constructs and examine the relationship from theoretical framework and prior literature reviews. The variables measurement of this study is described as follows.

Dependent Variable

Modern managerial accounting capability is measured through manager perception towards to utilize new methods of activity-based costing orientation, target costing focus, activity-based management capability, re-engineering awareness, and benchmarking technique emphasis. The five-item scale is newly developed from relevant literature.

Independent Variables

Dynamic top management support is assessed by manager perspective that regards to organizational development in all areas continuous, emphasizes the budget to the full development of human resources, and continued investment in information technology. The five-item scale is newly developed.

Operational innovation development is measured through manager perception regarding to research and development implementation, and operational improvement. The five-item scale is newly developed.

Organizational learning orientation is measured through manager perception towards learning within the organization, applying new technology, supporting the integration capability, and exchanging knowledge between people in the organization continuously. The five-item scale is newly developed from relevant literature.

Best management accounting system is measured through manager perception of firm's ability to improve management accounting system, to present relevant information, and to support employees' development. The four-item scale adapted from Chaikambang, Ussahawanitchakit and Boonlua (2012).

Continuous technological growth is measured by the managerial perception toward change of technology usage in the organization continuously, and application of suitable technology in various situations. A four-item scale is newly developed based on relevant literature.

Control Variables

The control variables in this research include firm size and firm age. For the analysis, firm size is represented by a dummy variable in which 0 means the firm has total assets lower than or equal to 100 million Baht, and 1 means a firm has total assets more than 100 million Baht (Prasong, Ussahawanitchakit and Muenthaisong, 2013). Firm age is represented by a dummy variable in which 0 means the firm has been in business less than or equal to 15 year, and 1 means the firm been in business more than 15 years (Prempree, Ussahawanitchakit and Boonlua, 2013).

Table 1: Result of Measure Validation

Constructs	Factor Loadings	Cronbach's Alpha
Dynamic Top Management Support (DTM)	0.525-0.890	0.850
Operational Innovation Development (OID)	0.767-0.879	0.893
Organizational Learning Orientation (OLO)	0.706-0.873	0.880
Best Management Accounting System (BMA)	0.800-0.886	0.864
Continuous Technology Growth (CTG)	0.821-0.899	0.877
Modern Managerial Accounting Capability (MMAC)	0.512-0.712	0.935

For the validity and reliability of questionnaires were employed thirty observations to pre-test procedures as illustrated in Table 1. The results reveal that the value of factor loadings of each construct are 0.512 to 0.899, and are greater than 0.4, which indicates acceptable construct validity (Nunnally and Bernstein, 1994). Moreover, the Cronbach's alpha coefficient of all variables are between 0.830 and 0.935, and are greater than 0.70 (Hair et al., 2010). It can be concluded that the internal consistency of the entire scale exists in this research. The ordinary least squares regression (OLS) is used to test all hypotheses following the conceptual framework. It is appropriate technique for examining the hypothesized relationships. The general formula for the research model is

Equation $MMAC = \alpha + \beta_1 DTM + \beta_2 OID + \beta_3 OLO + \beta_4 BMA + \beta_5 CTG + \beta_6 FIS + \beta_7 FIA + \varepsilon$

Results and Discussion

Table 2 presents descriptive statistics and correlation matrix for all variables. Correlation coefficients of variables are ranging from 0.553 - 0.773, which is not exceeding 0.80 (Hair et al., 2010). Therefore, variance inflation factors (VIF) was used to test the multicollinearity. In this study, the VIFs range from 1.119 to 3.557, below the cut-off value of 10 (Hair et al., 2010), meaning that the independent variables are no multicollinearity problem in this research.

Table 2: Descriptive Statistics and Correlation Matrix

Variables	DTM	OID	OLO	BMS	CTG	MMAC	FIS	FIA	VIF
Mean	3.762	3.754	3.761	3.855	3.731	3.938	n/a	n/a	n/a
S.D	.608	.640	.630	.647	.613	.460	n/a	n/a	n/a
DTM	1								3.044
OID	.714***	1							2.640
OLO	.773***	.757***	1						3.557
BMS	.670***	.593***	.698***	1					2.192
CTG	.620***	.553***	.640***	.597***	1				1.898
MMAC	.686***	.655***	.652***	.656***	.580***	1			n/a
FIS	.055	.006	.145	.131	.102	.061	1		1.165
FIA	.033	-.009	.058	.077	.023	-.113	.319**	1	1.119

*** $p < 0.01$, ** $p < 0.05$

Table 3 shows the results of hypothesis testing for effects of antecedents on modern managerial accounting capability.

Firstly, the results demonstrate that dynamic top management support has a significant positive effect on modern managerial accounting capability (H1:β_1 = 0.234, $p < 0.05$). The key factor for effective management accounting is top management support and adequacy of training for to use modern managerial accounting. The results indicate that dynamic top management support leads to modern managerial accounting capability. Consistent with prior research found that top management support has a significant influence on managerial accounting implementation (Anand, 2004). Likewise, Cavaluzzo and Ittner (2004) found that training and top management support has influence on modern management accounting. Moreover, Brown, Booth and Giacobbe (2004) found that top management support caused adoption of activity-based management, which as one part of modern managerial accounting. Therefore, Hypothesis 1 is supported.

Secondly, the results demonstrate that operational innovation development has a significant positive effect on modern managerial accounting capability (H2:β_2 = 0.221, $p < 0.05$). Operational innovation development helps businesses to increase revenues and continually sustainable market competitive advantages from use modern managerial accounting. Consistent with research of Wu and Lee (2007) suggest that firms with high operational innovation are able to systematically challenge the common practices espoused in their operations to develop new processes. Likewise, Frishammar et al. (2012) indicate that the outcomes of process innovation are changes in processes in order to gain efficiency by reducing cost and increasing production. Therefore, Hypothesis 2 is supported.

Thirdly, the results demonstrate that organizational learning orientation is not significantly related to modern managerial accounting capability (H3: β_3 = 0.043, $p > 0.10$). Although, organizational learning is the important key and requirement factors of firm that wants to remain in the economic modern world and competitive environment. This result indicated that organizational learning orientation is not significantly to modern managerial accounting capability. It is possible that employees lack knowledge or specific experience about new techniques of managerial accounting, and does not like to change to a new process. Likewise, O'Donnell and David (2000) indicate that the managerial accounting, which is not stable occurs from the firm that does not promote continuous employee learning and training. Therefore, Hypotheses 3 is not supported.

Fourthly, the results demonstrate that best accounting management system has a significant positive effect on modern managerial accounting capability (H4: β_4 = 0.278, $p < 0.01$). The managers' use of the information provided by the management accounting system can help organizations adopt and implement plans in response to their competitive environment. Consistent with research of Soin (2005) indicated that best management accounting plays an important role in planning, controlling, communicating, monitoring, and linking together the various sections and divisions in an organization. Similarly, Watts, Yapa and Dellaportas (2014) indicate that managerial accounting system-setting is related to planning, implementation, has relevance with the new managerial accounting techniques to fulfill expectations in the future. Therefore, Hypothesis 4 is supported.

Finally, the results demonstrate that continuous technological growth is not significantly related to modern managerial accounting capability (H5: $\beta 5$ = 0.118, $p > 0.10$). Technology is the important key and requirement factors of firms and continuously developed effects on managerial accounting. It is necessary that firms need to engage skilled employees who can use new technology. Thus, firm using new technology results in high cost and high skilled worker requirements. According to Moorthy et al. (2012) found that problem of continuous technological growth causes a lack of awareness and understanding of available and suitable technology based on an organization that desires to adapt management accounting including a lack of availability of internal expertise and information technology implementation in management accounting. Therefore, Hypotheses 5 is not supported.

Table 3: Results of Effects of Antecedents on Modern Managerial Accounting Capability

Independent Variables	**Dependent Variables**
	MMAC
Dynamic Top Management Support (DTM : H1)	**.234**** **(.092)**
Operational Innovation Development (OID : H2)	**.221**** **(.086)**
Organizational Learning Orientation (OLO : H3)	.043 (.100)
Best Management Accounting System (BMS : H4)	**.278***** **(.078)**
Continuous Technological Growth (CTG : H5)	**.**118 (.073)
Firm Size (FIS)	.083 .114
Firm Age (FIA)	-.346** .123
Adjusted R^2	.582
Maximum VIF	3.557

*** p<0.01, ** p<0.05, * p<0.10

For the control variables, the results indicate that firm age has a significant negative influence on modern managerial accounting capability ($\beta 7$ = -.346, $p < 0.05$). It implies that the relationship between firm age and modern managerial accounting capability is affected by the business operation of a firm with less than 15 years. This is because young operation firm have less processes, which firm can easy cost management and young firm have complex of production process less than older firm. According to Majumdar (1997) suggested that older firms are prone to be an inertia, and management bureaucratic. Thus, firm are unlikely to have flexibility to make rapid adjustment to use modern managerial accounting.

Conclusion and recommendation

This research aims to examine the influences of antecedents on modern managerial accounting capability of textile export businesses in Thailand. Data was collected from 150 textile export businesses in Thailand by using mail survey. The statistic used for data analyzing was correlation and multiple regression. The results indicated that dynamic top management support, operational innovation development and best management accounting system has significant positive effected on modern managerial accounting capability. Furthermore, organizational learning orientation and continuous technological growth have no significant effect on modern managerial accounting capability.

There two recommendations about managerial contribution. Firstly, the results suggest that firm should provide operational innovation development and best management accounting system to enhance great modern management accounting capability for textile export businesses in Thailand. Secondly, firm should be aware of applying a modern management accounting techniques to be able to interact and respond to environment.

The future research may employ other sampling populations involved manufacturing such as consumer manufacturing or food manufacturing or textile businesses of other countries to compare and confirm the results of this study.

References

Aaker, D. A., Kumar, V., and Day, G. S. (2001). *Marketing research*. New York: John Wiley and Sons.

Abdel-Kader, M. and Luther, R. (2008). The impact of firm characteristics on management accounting practices: A UK-based empirical analysis. *The British Accounting Review*, 40(1), 2-27.

Alas, R. (2007). Organizational Change from Learning Perspective. *Problems and Perspectives in Management*, 5(2), 43-50.

Allred, B. B. and Swan, K. S. (2004). Global versus multi-domestic: Culture's consequence on innovation. *Management International Review*, 44(1), 81-105.

Ahmad, S. S. (2004). Organizational learning and innovation in southern Malaysia furniture industries, *Jurnal Sains dan Teknologi*, 2(6), 41-49.

Alsoboa, S. S. and Aldehayyat, J. S. (2013). The impact of competitive business strategies on managerial accounting techniques: A study of Jordanian public industrial companies. *International Journal of Management*, 30(2), 545-555.

Amit, R. and Zott, C. (2012). Creating value through business model innovation. *MIT Sloan Management Review*, 53(3), 41-49.

Anand, M. (2004). A review of research on the theory and practice of cost management. *South Asian Journal of Management*, 11(1), 59-95.

Armstrong, J. S., and Overton, T, S. (1977). Estimating nonresponse bias in mail surveys. *Journal of Marketing Research*, 14(3), 396-402.

Azadegan, A. (2011). Benefiting from supplier operational innovativeness: The influence of supplier evaluations and absorptive capacity. *Journal Supply Chain Management*, 47(2), 49-64.

Baines, A. and Langfield-Smith, K. (2003). Antecedents to management accounting change: A structural equation approach. *Accounting, Organizations and Society*, 28(7-8), 675-698.

Brown, D. A., Booth, P., and Giacobbe, F. (2004). Technological and organizational influences on the adoption of activity-based costing in Australia. *Accounting and Finance*, 44(3), 329-356.

Cassia, L., Paleari, S. and Redondi, R. (2005). Management accounting systems and organizational structure. *Small Business Economics*, 25(4), 373-391.

Cavalluzzo, K. S. and Ittner, C. D. (2004). Implementing performance measurement innovations: evidence from government. *Accounting, Organizations and Society*, 29(1), 243-67.

Chaikambang, C., Ussahawanitchakit, P. and Boonlua, S. (2012). Strategic cost management and goal achievement: Empirical from food business in Thailand. *International Journal of Business Strategy*, 12(4), 1-30.

Chong, V. K. (1996). Management accounting systems, task uncertainty and managerial performance: A research note. *Accounting, Organizations and Society*, 21(5), 415-421.

Delaney, D. and Guilding, C. (2011). Examination of budgetary roles in the context of sponsorship management: A contingency perspective. *Journal of Applied Management Accounting Research*, 9(2), 21-42.

The Customs Department of the Ministry of Commerce (DMC). n.d. (Online). Available from http:// www.moc.go.th/accessed 31January, 2016).

Elgharbawy, A. and Abdel-Kader, M. (2013). Enterprise governance and value-based management: At contingency framework. *Journal of Management and Governance*, 17(1), 99-129.

Feng, M. and Li, C. (2009). Internal control and management guidance. *Journal of Accounting and Economic*, 48(2-3), 190-209.

Frishammar, J., Kurkkio, M., Abrahamsson, L. and Lichtenthaler, U. (2012). Antecedents and consequences of firms' process innovation capability: A literature review and a conceptual framework, *IEEE Transactions on Engineering Management*, 59(4), 519-529.

Gilaninia, Rankouh and Gildeh. (2013). Overview on the importance of organizational learning and learning organization. *Iran: Journal of research and Development*. 1(2), 44-49.

Hagel. J. and Singer, M. (1999). Unbundling the corporation. *Harvard Business Review*, 77(2), 133-141.

Hair, Jr. J. F., Black, W. C., Babin, B. J. and Anderson, R. E. (2010). *Multivariate data analysis: A global perspective. 7th ed.* New Jersey: Pearson Prentice Hall.

Hammer, M. (2004). Deep change. Harvard Business Review, 82(4), 84-93.

Jensen, P. E. (2005). A contextual theory of learning and the learning organization. *Knowledge and Process Management*, 12(1), 53-64.

Joshi, P. L., Bremser, W., Deshmukh, G. A. and Kumar, R. (2011). Diffusion of management accounting practices in gulf cooperation council countries. *Accounting Perspectives*, 10(1), 23-53.

Krumwiede, K. R., Suessmair, A. and MacDonald, J. (2007). An exploratory study of the factors affecting the implementation success of German cost accounting methods, http://papers.ssrn.com/sol3/papers.cfm?abstract id=1003833.

Meiryani, M. (2014). Influence of top management support on the quality of accounting information system and its impact on the quality of accounting information. *Research Journal of Finance and Accounting*, 5(11), 124-132.

Moorthy, K. M., Voon, O. O., Samsuri B. S., Gopalan, M. and Yew K. T. (2012). Application of information technology in management accounting decision-making. *International Journal of Academic Research in Business and Social Sciences*, 2(3), 1-16.

Naranjo-Gill, D., Mass, V., and Hartmann, F. (2009). How CFOs determine management accounting innovation: An examinations of direct and indirect effects. *European Accounting Review*, 18(4), 667-695.

Nunnally, J. C., and Berenstein, I. H. (1994). *Psychometric theory*. New York: McGraw-Hill.

O'Donnell, E. and David, J. S. (2000). How Information Systems Influence User Decisions: A Research Framework and Literature Review. *International Journal of Accounting Information Systems*, 1(3), 178-203.

Onat, N. O., Anitsal, I. and Anitsal, M. M. (2014). Activity based costing in services industry: A conceptual framework for entrepreneurs. *Entrepreneurial Executive*, 19(1), 149-167.

Oyerogba, O. E. (2015). Management accounting practices in the developing economies: The case of Nigeria listed companies. *Journal of Accounting and Management*, 5(2), 76-85.

Prasong, P., Ussahawanitchakit. P. and Muenthaisong, K. (2013). Antecedents and consequences of accounting governance : An empirical study of paper manufacturing businesses in Thailand. *Journal of International Business and Economics*, 13(3), 111-134.

Prempree, K., Ussahawanitchakit, P. and Boonlua, S. (2013). Management accounting governance and firm value of textile manufacturing businesses in Thailand. *International Journal of Business Strategy*, 13(4), 41-72.

Rasouli, F., Valipour, H. and Moradi, J. (2014). The effect of organizational learning on applying management accounting information and firm producing operation. *Interdisciplinary Journal of Contemporary Research in Business*, 5(9), 391-402.

Serrano-Cinca, C., Fuertes-Callen, Y. and Mar-Molinero, C. (2005). Measuring DEA Efficiency in Internet Companies. *Decision Support Systems*, 38(4), 557-573.

Sheikh, Z. and Rana, S. (2014). Why process oriented management accounting techniques are more useful to handle new era problems. *International Journal Academic Research in Accounting, Finance and Management Sciences*, 4(2), 264-270.

Smith, M., Abdullah, Z. and Razak, R. A. (2008). The diffusion of technological and management accounting innovation: Malaysian evidence. *Asian Review of Accounting*, 16(3), 197-218.

SMEs Knowledge Center, Office of Small and Medium Enterprise Promotion (OSMEP). n.d. (Online). Available from: http://www.sme.go.th/th/index.php/ knowledge-center/...1/618-smes-knowledge-center2 [accessed 30 September, 2016].

Soin, K. (2005). *Risk, regulation and the role of management accounting and control in UK financial services, paper presented at Critical Perspectives in Accounting Conference*, Baruch College at the City University of New York, New York.

Sulaiman, M., Ahmad, N. N. and Alwi, N. (2004). Management accounting practices in selected Asian countries. *Management accounting practices, Emerald*, 19(4), 493-508.

Szchta, A. (2002). The Scope of Management Accounting Methods in Polish Enterprises. *Management Accounting Research*, 13(4), 18.

Majumdar, S. K. (1997). The impact of size and age on firm-level performance: Some evidence from India. Review of Industrial Organization, 12(2), 231-241.

Tappura, S., Sievanen, M., Heikkila, J., Jussila, A. and Nenonen, N. (2015). A management accounting perspective on safety. *Safety Science*, 71(January), 151-159.

Watts, D., Yapa, P. W. S. and Dellaportas, S. (2014). The case of a newly implemented modern management accounting system in a multinational manufacturing company. *Accounting, Business and Finance Journal*, 8(2), 121-137.

Wu, H. L. and Lee, C. Y. (2007). The effects of board competence on operational innovation: tests of universal, contingency and configurationally models. *International Journal of Technology Management*, 39(3-4), 330-345.

Yamane, T. (1973). Statistics*: An Introductory Analysis* (3rd ed). New York: Harper and Row.

ASEAN Journal of Management & Innovation
Vol. 4 No. 1, 110 – 122
©2015 by Stamford International University
DOI: 10.14456/ajmi.2017.8
ajmi.stamford.edu

An Empirical Investigation of Corporate Governance and Cost of Capital: The Case of Thai Listed Companies on the Stock Exchange of Thailand

Ailadda Ongklang
Faculty of Business Administration, Rajamanggala University of Technology Thanyaburi, Pathum Thani, Thailand
Ailadda_o@mail.rmutt.ac.th
Kusuma Dampitakse
Faculty of Business Administration, Rajamanggala University of Technology Thanyaburi, Pathum Thani, Thailand
kusuma@rmutt.ac.th
Panarat Panmanee
School of Business, University of the Thai Chamber of Commerce, Thailand
panarat.tu@gmail.com

Abstract

This study explored the relationship between corporate governance and the cost of capital which consisted to three main objectives including 1) to investigate the relationship between corporate governance and cost of debt, 2) to investigate the relationship between corporate governance and cost of equity and 3) to investigate the relationship between corporate governance and weighted average cost of capital. In this study, corporate governance was measured by rights of shareholders, equitable treatment of shareholders, role of stakeholders, disclosure and transparency and responsibilities of the board whereas cost of capital was determined by cost of debt, cost of equity and weighted average cost of capital.

The secondary data obtained from 303 listed companies on the Stock Exchange of Thailand in 2014 with the accounting period beginning on 1st January and ending on 31st December were employed in this study. The samples were companies from all industrial groups except the companies in financial and securities businesses, banking and insurance businesses, and companies under rehabilitation. The data were analyzed by means of Multiple Linear Regression at a significance level of 0.05.

The results revealed that rights of shareholders and disclosure and transparency had a significant negative effect on cost of debt. Rights of shareholders, disclosure and transparency, and responsibilities of the board also had a negative effect on cost of equity. Moreover, rights of shareholders, equitable treatment of shareholders, disclosure and transparency, and responsibilities of the board had a negative effect on weighted average cost of capital. According to the study of the effect of corporate governance with five aspects on cost of capital with three methods, it could be concluded that corporate governance strongly has an effect on weighted average cost of capital, cost of equity, and cost of debt, respectively. In addition, the results showed that the firm with higher corporate governance had a lower cost of capital. Besides, the firm’s cost of capital influences the availability of further funding and its possibilities for investment projects. Therefore, the implementation of corporate governance principles should clearly be a concern.

Keywords: Corporate Governance, Cost of Equity, Cost of Debt, Weighted Average Cost of Capital

Introduction

One of the major changes in Thailand's business regulation landscape since the 1997 financial crisis is the introduction of stronger requirements for corporate governance, especially for publicly listed firms (The World Bank, 2013). These laws and regulations were needed, because Thai firms had acted unwisely in the past, abandoning their fiduciary duty and undertaking poorly chosen projects under the guidance of closely held owner/managers (Limpaphayom & Connelly, 2004). This lack of good corporate governance resulted in overinvestment and undirected diversification, resulting in poor shareholder value and in some cases firm failure. In other cases, firms found themselves unable to access further funding due to this level of unwise investment (Limpaphayom & Connelly, 2004). Following the financial crisis, the corporate governance framework was substantially revised and public listing requirements were changed to improve adherence to corporate governance principles (Limpaphayom & Connelly, 2004; Periera & Sathitsuksomboon, 2012; The World Bank, 2013).

From the evaluation of corporate governance which is to stimulate for the alertness to the serious and ongoing development of the corporate governance mechanism, it would help add economic value to the business. Moreover, it is be the information for investors to bring the evaluation results to make decision for their further investment (Srichanphet, .(2009Cost of capital functions to connect between the decision of investment and decision to find out the company's fund together that it will reflect the ratio of capital which the company arranges to use in its investment.

It also considers bringing cost of capital to assist the firm in their insufficient resources calculation for the long-term investment (Gitman and Vandenberg, .(2000Recently, the businesses have to rely on the financing fund, either from liability or from capital. For either the economy or the firm, financing costs are important as they can affect the decision of investment and, eventually, economic growth since capital is the key financing structure component of the firm (Zorn, .(2007

The objective of this research is to study the effect of corporate governance on firm management in real terms: the firm's cost of capital. By examining firms listed on the Stock Exchange of Thailand (SET) for the year 2014, following the most recent reforms to corporate governance practices and rules, it will be possible to identify the potential effects of following good corporate governance principles on the firm's operation conditions.

Literature Review

Agency theory and corporate governance

The agency theory of the firm argues that the firm's managers (or principals) make firm decisions that are intended to be for the benefit of the firm's owner (the agent) (Jensen & Meckling, 1976). In situations where the interests of owners and managers conflict, managers have the power to act in their own interest, which is facilitated by information asymmetries between managers and non-controlling owners. The owner accrues two types of agency costs associated with ensuring managers act in their interests, which include alignment costs and monitoring costs (Jensen & Meckling, 1976; Johnson, et al., 2016). Alignment costs include bonuses and compensation strategies intended to align the manager's interest to that of the owner, while monitoring costs include corporate governance strategies that monitor the manager's actions and performance (Johnson, et al., 2016).

Under the agency theory of corporate governance, corporate governance activities are intended to ensure that the firm is managed for the benefit of shareholders (owners) and stakeholders (others with a significant interest in the firm's operations, such as employees, suppliers and communities) (Byun, et al., 2008). Specifically, corporate governance frameworks introduce discipline to the firm's management, while also providing takeover defences (Chang, et al., 2014). Corporate governance structures also serve to enforce perceptions of corporate legitimacy and the underlying principles of contract law (Roe, 2004). Many firms operate under a specific corporate governance framework that establishes the rights and responsibilities of the board (who provides oversight), managers, shareholders, and stakeholders (Johnson, et al., 2016). These frameworks may be established by the company, but typically there are minimum national requirements, especially for publicly listed firms (Doidge, et al., 2007).

Corporate governance for listed firms in Thailand must meet the minimum requirements established by the Securities and Exchange Commission (2012), or otherwise leave the firm open to regulatory action including delisting from the exchange. However, corporate governance in Thailand has been significantly improved in recent years, especially with the introduction of enhanced requirements for stakeholder protection and shareholder rights (The World Bank, 2013). The five principles of corporate governance currently in place include "Rights of shareholders; equitable treatment of shareholders; role of shareholders; disclosure and transparency; and responsibilities of the board (Securities and Exchange Commission, 2012, p. 55)." These principles are best practices and are in addition to the corporate governance regulations and laws (discussed above) (Securities and Exchange Commission, 2012). Thus, the national corporate governance framework of Thailand includes specific requirements enacted in the Securities and Exchange Act, supplemented by non-mandatory (but highly recommended) best practices. This is a strong start to reforming corporate governance in Thailand (Periera & Sathitsuksomboon, 2012). However, many of the SEC's recommendations are poorly communicated, and may not be implemented by all firms (The World Bank, 2013). Thus, firm-level corporate governance cannot be expected to be uniform in Thailand.

Corporate governance is a concern because it can influence firm practices, such as voluntary disclosure, that influence its reputation and underlying performance (Akhtaruddin, et al., 2009). One of the most studied effects of corporate governance is the relationship between voluntary corporate governance practice and cost of capital. Table 1 summarizes the studies that were reviewed that addressed this relationship. There are also different explanations offered for these relationships. For example, one study found that indirect effects of disclosure (one element of corporate governance) could be attributable to changes in the quality of the firm's real activities and decisions, while direct effects were seen because of increased covariance with the market (Lambert, et al., 2007).

Inside ownership of the firm has also been found to act as a mediating variable in the relationship of some corporate governance indicators (mandatory disclosure) and the firm's cost of capital (Core, et al., 2015).

The hypotheses of the study assume that the effect of improved corporate governance will be reduced cost of financing (including cost of debt, cost of equity, and WACC). These hypotheses are stated as follows:

Hypothesis 1: Corporate governance have a negative relationship to cost of debt.

Hypothesis 2: Corporate governance have a negative relationship to cost of equity.

Hypothesis 3: Corporate governance have a negative relationship to weighted average cost of capital.

Methodology

1. Research Design

Quantitative research was used in this study for analyzing the relationship between the independent variable (some factors in rights of shareholders, equitable treatment of shareholders, role of stakeholders, disclosure and transparency, and board responsibility) and the dependent variables (cost of debt, cost of equity and weighted average cost of capital recommended by Bozec (2010)). Two sources of data were utilized in the study. The target companies for this study were those listed on the Stock Exchange of Thailand)SET .(This research used the secondary data from annual reports of companies and financial data were obtained from the Stock Exchange of Thailand)SET(for financial information through the SETSMART data service for the year 2014 all the data requirements of purpose analysis that describes the links among corporate governance and cost of capital financial data. The number of observations, or subjects, used in this study was appropriate for multivariate analysis. The level of statistical significance is 0.05%

2. Data Collection

The target population for this study were firms listed on the Stock Exchange of Thailand (SET) (n = 303). Financial firms and property funds/REITs were excluded from the sample because these firms have different patterns of assets and accruals and patterns of financial reporting than other firms based on analysis of SET data. Firms that did not have full financial data available for the three years and companies under rehabilitation were also excluded. Financial and disclosure information for all firms was obtained from the firm's Form 56-1 financial reporting and disclosure statements, which are listed in the SETSMART automated database.

3. Data Analysis

Descriptive statistics were calculated for all variables. Variables were tested for linearity and constant variance and dependence of the error term (residual plots), normality (histograms, skewness, and kurtosis), and multicollinearity (tolerance and VIF) to ensure that the assumptions of multiple regression were met. All assumption tests were adequate based on standard rules of thumb (visual examination of residual plots and histograms, skewness -3 to 3, kurtosis -1 to 1, tolerance < 1, VIF < 10).

Results and Discussion

1. Correlation

Table 1 explains Pearson Correlation Coefficient between dependent variable and independent one; and control corporate governance which is explained in effect of governance variables affects on accounting data on cost of capital. The results of the noticeable variables relationship analysis related to the corporate governance and cost of capital consist of 10 variables related to business governance, 3 costs of capital variables, and 2 control variables. The Pearson correlation coefficient was used and found the values between -0.320 to 0.694. the correlation between the variables has the highest value of cost of equity and wacc of 0.694 at the statistical significant level of 0.05. We can bring the variables from this study to test on the hypothesis with the details of analysis result as shown in Table 1

Table 1: Correlation matrix of all variables

	C_DEBT	C_EQUITY	WACC	R_AGM	R_DIVI	E_PROXY	S_MSB	D_FIVE	D_CGR	B_AUCOM	B_DUAL	B_SIZE	B_COM	F_SIZE	LEV
C_DEBT	1														
C_EQUITY	- 0.002	1													
WACC	-0.051	0.694**	1												
R_AGM	-0.148**	-0.228**	-0.209**	1											
R_DIVI	0.088	-0.117*	-0.089	-0.077	1										
E_PROXY	-0.040	- 0.203**	-0.313**	0.064	0.121*	1									
S_MSB	-0.018**	-0.093	-0.020	0.033	0.011	0.061	1								
D_FIVE	0.136*	-0.084	-0.098	-0.022	0.041	-0.002	0.081	1							
D_CGR	-0.076	-0.202**	-0.197**	-0.005	0.011	0.331**	0.317**	0.079	1						
B_AUCOM	0.054	-0.038	-0.209**	0.123*	-0.109	0.176**	-0.196**	-0.005	-0.104	1					
B_DUAL	-0.085	-0.240**	-0.310**	0.140*	-0.029	0.212**	0.028	0.040	0.206**	0.097	1				
B_SIZE	-0.095	-0.258**	- 0.320**	0.112	0.045	0.238**	0.169**	0.040	0.216**	-0.050	0.313**	1			
B_COM	-0.104	0.007	0.016	-0.039	-0.088	0.030	0.299**	-0.025	0.259**	- 0.117*	0.121*	-0.151**	1		
F_SIZE	-0.069	-0.263**	-0.281**	0.122*	0.042	0.179**	0.103	0.038	0.163**	0.067	0.238**	0.257**	0.156**	1	
LEV	-0.177**	-0.199**	-0.223**	0.109	-0.059	0.150**	0.025	-0.036	0.122*	0.121*	0.169**	0.174**	0.084	0.172**	1

** and * denote statistical significance at the 0.01 and the 0.05 levels, respectively.

2. Descriptive Statistics

Table 2:

Variables	N	Min	Max	Mean	Median	Mode	SD.
C_DEBT (%)	303	1.02	12.37	5.33	5.25	6.75	1.53
C_EQUITY (%)	303	2.31	27.93	12.11	11.78	12.91	5.98
WACC (%)	303	1.18	22.97	10.01	9.3	9.77	5.02
R_AGM (score)	303	2.00	6.00	4.65	5.00	5.00	0.96
R_DIVI (%)	303	0.00	20.22	2.58	2.21	0	2.51
E_PROXY (dummy)	303	0.00	1.00	0.74	1.00	1.00	0.44
S_MSB (mb)	303	3.84	37.82	24.51	28.38	9.32	3.29
D_FIVE (%)	303	15.80	99.77	55.16	54.38	32.57	18.15
D_CGR (score)	303	0.00	5.00	2.47	3.00	0.00	1.89
B_AUCOM (%)	303	13.64	50	21.83	21.43	23.08	4.43
B_DUAL (dummy)	303	0.00	1.00	0.74	1.00	1.00	0.44
B_SIZE (number)	303	6.00	28.00	14.78	14.00	13.00	2.99
B_COM(mb)	303	0.2	5,595.12	29.92	5.36	2.78	301.16
F_SIZE (mb)	303	100.29	1,779,179.16	26,706.68	4,945.45	30,975.22	113,365.11
LEV (ratio)	303	0.00	1.42	0.46	0.46	0.48	0.24

Table 2 shows descriptive statistics based on observation, including basic statistics, namely minimum value, maximum value, mean, median, mode and standard deviation of all variables according to Cost of Debt had ranged from 1.02 percent to 12.37 percent with an average of 5.33 percent (SD = 1.53), the median and mode are 5.25 and 6.75, respectively. Thai listed firms' Cost of Equity had ranged from 2.31 percent to 27.93 percent with an average of 12.11 percent (SD = 5.98), the median and mode are 11.78 and 12.91, respectively. Thai listed firms' weighted average cost of capital had ranged from 1.18 percent to 22.97 percent with an average of 10.01 percent (SD = 5.02), the median and mode are 9.30 and 9.77, respectively. For the five aspects of corporate governance consisting of 1) rights of shareholders; 2) equitable treatment; 3) role of stakeholders; 4) disclosure and transparency; and 5) responsibilities of the board. Regarding of the rights of shareholders in terms of Shareholder participation rating in the annual general meeting concerns, Thai listed firms had ranged from 2.00 to 6.00 with an average of 4.65 (SD = 0.96) , the median and mode are 5.00 and 5.00, respectively. While the Thai listed firms' Percentage of dividend payment had ranged from 0.00 to 20.22 with an average of 2.58 (SD = 2.51), the median and mode are 2.21 and 0, respectively. About the equitable treatment regarding of the dummy variable: 1 if the Annual General Meeting notice was sent with the proxy voting form to shareholders by the firm, and 0 otherwise if the Thai listed firms had ranged from 0.00 to 1.00 with an average of 0.74 (SD = 0.44), the median and mode are 1.00 and 1.00, respectively. On the role of stakeholders in regard of the Thai listed firms' director remuneration (meeting allowance, salary and bonus); it ranged from 3,839,070.50 baht to 37,872,000 baht with an average of 24,510,304 baht (SD = 3,244,289), the median and mode are 28,384,347 and 9,315,000 respectively. In term of disclosure and transparency regarding the percentage of shares held by five largest shareholders of Thai listed firms had ranged from 15.80 to 99.77 with an average of 55.16 (SD = 18.15), the median and mode are 54.38 and 32.57, respectively. Thai listed firms' rating of CG reporting had ranged from 0.00 to 5.00 with an average of 2.47 (SD = 1.89) (SD = 1.89), the median and mode are 3.00 and 0.00, respectively.

Regarding the board's responsibilities in terms of auditing committees percentage in Thai listed firms, this ranged from 13.64 percent to 50 percent with an average of 21.83 percent (SD = 4.43), the median and mode are 21.43 and 23.08, respectively. CEO duality dummy variable: 1 = CEO had not come from the chairman of the board, 0 was otherwise. of Thai listed firms had ranged from 0.00 to 1.00 with an average of 0.74 (SD = 0.44), the median and mode are 1.00 and 1.00, respectively. The amount of board of directors in Thai listed firms had ranged from 2.00 to 28.00 with an average of 14.78 (SD = 2.99), the median and mode are 14.00 and 13.00, respectively. The amount of board compensation in Thai listed firms had ranged from 200,000 baht to 95,595,119,250 baht with an average of 29,915,432.82 baht (SD = 301161679.60), the median and mode are 5,361,500 baht and 2,780,000 baht, respectively. Natural logarithm of the firm's total assets of Thai listed firms had ranged from 8 to 12.44 with an average of 9.74 (SD = 0.71), the median and mode are 9.61 and 8.80, respectively. The total debt over the total assets of financial leverage of Thai listed firms had ranged from 0.00 to 1.42 with an average of 0.46 percent (SD = 0.24), the median and mode are 0.46 and 0.48, respectively.

3. Discussion

3.1 Corporate Governance Factors in Cost of Debt (Model 1)

Outcomes of Model 1 (Table 3) show significant factors in cost of debt include R_AGM ($p < 0.001$) D_FIVE ($p = 0.046$). The goodness of fit of the model is very low ($R^2 = 0.086$), indicating that only 8.60% of the variance in cost of debt is attributable to variance in corporate governance. While the model was significant based on the accompanying ANOVA test ($F = 2.280$, $p = 0.009$), in practice the model predicts a very limited amount of information about the factors in cost of debt. Therefore, this model does not show that most corporate governance factors influence cost of debt, although R_AGM and D_FIVE have a small (though significant) effect. H1 is mostly rejected.

Table 3: Multiple Regression Results for Corporate Governance and Cost of Debt

Independent Variables	Exp. Sign	Standardized Coefficients	t-test	p-value
Model6				
Intercept	None		2.328	0.021*
R_AGM	(-)	-0.129	-2.206	0.028*
R_DIVI	(-)	0.091	1.565	0.119
E_PROXY	(-)	0.012	0.192	0.848
S_MSB	(-)	-0.008	-0.128	0.898
D_FIVE	(-)	0.138	2.423	0.016*
D_CGR	(-)	-0.074	-1.139	0.256
B_AUCOM	(-)	0.066	1.097	0.274
B_DAUL	(-)	-0.039	-0.627	0.531
B_SIZE	(-)	-0.043	-0.702	0.483
B_COM	(-)	-0.015	-0.235	0.814
F_SIZE	(-)	0.000	0.003	0.998
LEV	(-)	-0.115	-1.961	0.051
F		2.280		
p-value		0.009*		
R^2		0.086		
Adj. R^2		0.048		
Durbin- Watson		1.840		

3.2 Corporate Governance Factors in Cost of Equity (Model 2)

The test of Hypothesis 2 (Model 2) examined the role of corporate governance factors in cost of equity (Table 4). The model was significant ($F = 7.350$, $p < 0.001$). Significant factors identified in this model were R_AGM ($p = 0.001$), D_CGR ($p = 0.001$), B_DUAL($p = 0.006$), and B_SIZE ($p = 0.028$), F_SIZE ($p = 0.003$), and LEV ($p < 0.001$). The goodness of fit of this model was moderate ($R^2 = 0.365$), indicating that 36.50% of variance in cost of equity was attributed to variance in the corporate governance factors. This shows that corporate governance factors do predict more of cost of equity than they do cost of debt, but it still only has a small effect. H2 is partially accepted.

Table 4: Multiple Regression Results for Corporate Governance and Cost of Equity

Independent Variables	Exp. Sign	Standardized Coefficients	t-test	p-value
Model 12				
Intercept	None		5.443	0.000*
R_AGM	(-)	-0.170	-3.443	0.001*
R_DIVI	(-)	-0.068	-1.380	0.169
E_PROXY	(-)	0.043	0.785	0.433
S_MSB	(-)	-0.013	-0.258	0.797
D_FIVE	(-)	-0.020	-0.413	0.680
D_CGR	(-)	-0.181	-3.352	0.001*
B_AUCOM	(-)	-0.004	-0.087	0.931
B_DUAL	(-)	-0.147	-2.777	0.006*
B_SIZE	(-)	-0.138	-2.629	0.009*
B_COM	(-)	0.006	0.112	0.911
F_SIZE	(-)	-0.156	-3.016	0.003*
LEV	(-)	-2.275	-5.510	0.000*
F		7.350		
p-value		0.000*		
R^2		0.365		
Adj. R^2		0.336		
Durbin- Watson		2.241		

3.3 Corporate Governance Factors in WACC (Model 3)

Hypothesis 3 (Model 3) was once again tested using multiple linear regression (Table 5). The model was significant ($F = 26.679$, $p < 0.001$). The goodness of fit test indicated a moderate fit ($R^2 = 0.252$), indicating that 25.2% of WACC was predicted by the corporate governance variables and control variables. Significant variables included E_PROXY ($p = 0.033$), D_FIVE ($p = 0.028$), D_CGR ($p = 0.017$), B_AUCOM ($p < 0.001$), B_DUAL ($p = 0.001$), B_SIZE ($p < 0.001$), F_SIZE ($p < 0.001$), and LEV ($p = 0.007$). This indicates that at least one of the variables from each of the five categories of corporate governance responsibilities of the firm were significant. Both control variables were also accepted. H3 was accepted, with the understanding that the model effects were only moderate.

Table 5: Multiple Regression Results for Corporate Governance and Weighted Average Cost of Capital.

Independent Variables	Exp. Sign	Standardized Coefficients	t-test	p-value
Model 18				
Intercept	None		7.410	0.000*
R_AGM	(-)	-0.074	-1.576	0.116
R_DIVI	(-)	-0.057	-1.210	0.227
E_PROXY	(-)	-0.112	-2.138	0.033*
S_MSB	(-)	0.019	0.391	0.696
D_FIVE	(-)	-0.101	-2.204	0.028*
D_CGR	(-)	-0.124	-2.397	0.017*
B_AUCOM	(-)	-0.179	-3.778	0.000*
B_DUAL	(-)	-0.165	-3.278	0.001*
B_SIZE	(-)	-0.262	-5.261	0.000*
B_COM	(-)	-0.017	-0.342	0.733
F_SIZE	(-)	-0.105	-2.154	0.032*
LEV	(-)	-0.158	-3.327	0.001*
F		12.491		
p-value		0.000*		
R^2		0.419		
Adj. R^2		0.393		
Durbin- Watson		2.169		

This study showed that while corporate governance did have a significant effect on cost of debt, the effect was minimal (R^2 = 0.086), suggesting that corporate governance would have a limited practical effect on the firm's capital structure. However, only a few corporate governance factors influenced cost of debt, including R_AGM (negative) and D_FIVE (positive) also influenced cost of debt, but this is consistent with expectations regarding corporate finance, since a firm with a higher leverage would be considered riskier and therefore pay a higher debt premium (Johnson, et al., 2016). The previous study showed that higher takeover defences (fewer shareholder rights) reduced cost of debt. This is not comparable to the findings of the current study, which found that shareholder rights and disclosure and transparency had a role, the lack of direct evidence on the relationship of corporate governance does not allow for an explanation for these relationships, although it could be related to national or firm-level finance dynamics or the legal and regulatory structure of Thailand compared to the US (Chang, et al., 2014; Chen, et al., 2009). This is an area that requires further research and theorization, to understand how corporate governance influences cost of debt. This is increasingly important given the growing legal requirements for corporate governance in Thailand and in other developing countries (Periera & Sathitsuksomboon, 2012; The World Bank, 2013).

As with most of the other previous studies reviewed (Byun, et al., 2008; Chen, et al., 2009; Core, et al., 2015; Dhaliwal, et al., 2014; Lambert, et al., 2007), the study did identify a moderate effect of corporate governance factors on cost of equity ($R^2 = 0.365$), indicating that the importance of corporate governance for cost of equity is higher than it is for cost of debt.

However, only four of the corporate governance factors were significant, including R_AGM (negative) D_CGR, B_DUAL (negative) and B_SIZE (negative). Regarding most of the other previous studies reviewed (Byun et al., 2008; Chen et al., 2009; Core et al., 2015; Dhaliwal et al., 2014; Lambert et al., 2007), the study identified moderate effects of corporate governance aspects on cost of equity which indicated that the importance of corporate governance and cost of equity was higher than cost of debt. Nevertheless, only five aspects of corporate governance, including R_AGM, D_CGR, B_DUAL, and B_SIZE were negatively significant.

Finally, this study has also shown that there were factors in corporate governance that influenced the firm's WACC, including E_PROXY D_FIVE, D_CGR, B_AUCOM, and B_DUAL, B_SIZE. Control variables including the firm size and leverage were also significant. These findings suggest that it is the holistic picture of corporate governance, rather than any particular area of corporate governance, that influences the firm's cost of capital and its potential capital structure. The dynamic nature of corporate governance and its relationship to capital structure, in which factors like leverage determine the effects of different corporate governance indicators (Chang, et al., 2014), could be one reason for this lack of consistency. It is also notable that the combined model for WACC predicted more variance than the two independent cost models. This could suggest some interaction effects between the cost of equity and cost of debt with corporate governance, which this research was not designed to examine.

Conclusions and Recommendations

This research has demonstrated that corporate governance practices in Thai firms do influence the firm's cost of capital. While the strongest effect is on the weighted average cost of capital. This finding supports the SEC's promotion of principles of corporate governance that support shareholder rights, equitable treatment of shareholders, stakeholder roles, disclosure and transparency and board responsibilities, not just as a matter of corporate oversight and management but also as a way to improve the firm's cost of capital. Since the firm's cost of capital influences the availability of further funding and its possibilities for investment projects, the implementation of corporate governance principles should clearly be a concern. This is especially true for publicly listed firms such as those on the SET, who are dependent on public equity financing.

There are several limitations to this research, of which the most important is the necessarily somewhat subjective nature of the corporate governance indicators. While the SETSMART database does offer information about the firm's corporate governance principles, there is no single index of corporate governance in Thailand that encompasses compliance with the SEC's Principles of Good Corporate Governance (2012). Construction and validation of such a research and routine market monitoring would provide a useful area of further research, since it would allow for long-term monitoring and investor information for firms listed on the SEC and larger time series studies. Development of such an instrument could follow existing models such as the G-Index, which monitors shareholder rights (Chang, et al., 2014), although the index should be modified in order to account for the governance structure of Thai firms.

References

Akhtaruddin, M., Hossain, M. A., Hossain, M. & Yao, L., 2009. Corporate governance and voluntary disclosure in corporate annual reports of Malaysian listed firms. *JAMAR*, 7(1).

Byun, H. -Y., Kwak, S. -K. & Hwang, L. -S., 2008. The implied cost of equity capital and corporate governance practices. *Asia Pacific Journal of Financial Studies*, 37(1), pp. 139-184.

Chang, Y., Chou, R. K. & Huang, T., 2014. Corporate governance and the dynamics of capital structure: New evidence. *Journal of Banking and Finance,* Volume 48, pp. 374-385.

Chen, K. C. W., Chen, Z. & Wei, K. C. J., 2009. Legal protection of investors, corporate governance, and the cost of equity capital. *Journal of Corporate Finance,* 15(3), pp. 273-289.

Core, J. E., Hail, L. & Verdi, R. S., 2015. Mandatory disclosure, inside ownership, and cost of capital. *European Accounting Review*, 24(1), pp. 1-29.

Dhaliwal, D., Li, O. Z., Tsang, A. & Yang, Y. G., 2014. Corporate social responsibility disclosure and the cost of equity capital: The roles of stakeholder orientation and financial transparency. *Journal of Accounting and Public Policy,* 33(4), pp. 328-355.

Doidge, C., Karolyi, G. A. & Stulz, R. M., 2007. Why do countries matter so much for corporate governance?. *Journal of Financial Economics,* Volume 86, pp. 1-39.

Elliott, B. & Elliott, J., 2011. *Financial accounting and reporting.* 14th ed. Harlow(England): FT Prentice Hall.

Gitman LJ, Vandenberg PA. 2000. Cost of capital techniques used by major US firms: 1997 vs. 1980. *Financ Pract Educ Fall/Winter*:53–68

Haat, M. H. C., Rahman, R. A. & Mahenthiran, S., 2008. Corporate governance, transparency and performance. *Managerial Auditing Journal*, 23(8), pp. 744-778.

Jensen, M. & Meckling, W., 1976. A theory of firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics,* Volume 3, pp. 305-360.

Johnson, G. et al., 2016. Exploring strategy:Texts and cases. London: *Pearson.*

Kirkpatrick, G., 2009. The corporate governance lessons from the financial crisis. *Financial Market Trends,* Volume 1.

Klapper, L. F. & Love, I., 2004. Corporate governance, investor protection, and performance in emerging markets. *Journal of Corporate Finance*, 10(5), pp. 703-728.

Lambert, R., Leuz, C. & Verrecchia, R. E., 2007. Accounting information, disclosure, and the cost of capital. *Journal of Accounting Research,* 45(2), pp. 385-420.

Limpaphayom, P. & Connelly, J. T., 2004. Corporate governance in Thailand. [Online] Available at: http://unpan1.un.org/intradoc/groups/public/documents/apcity/unpan050249.pdf

Lintner, J., 1965. The valuation of risk assets and the selection of risky investments in stock portfolios and capital budgets. *Review of Economics and Statistics,* Volume 47, pp. 13-37.

Mitton, T., 2002. A cross-firm analysis of the impact of corporate governance on the East Asian financial crisis. *Journal of Financial Economics,* Volume 64, pp. 215-241.

Periera, S. & Sathitsuksomboon, C., 2012. Chapter 27: Thailand. In: W. J. Calkoen, ed. *The Corporate Governance Review.* London: Law Business Research, pp. 350-360.

Roe, M. J., 2004. *Mark J. Roe,* The Institutions of Corporate Governance *(John M. Olin Center for Law, Economics and Business, Harvard Law School, Discussion Paper Series No. 488, 2004).*. [Online]
Available at: http://nrs.harvard.edu/urn-3:HUL.InstRepos:12207443

Securities and Exchange Commission, 2012. The Principles of Good Corporate Governance for Listed Companies 2012. [Online] Available at: https://www.set.or.th/sustainable_dev/th/cg/files/2013/CGPrinciple2012Thai-Eng.pdf

Sharpe, W., 1964. Capital asset prices: A theory of market equilibrium under conditions of risk. *Journal of Finance,* Volume 19, pp. 425-442.

Srichanphet, S. 2009. Towards sustainability: Step into a world of corporate governance. Power the Thought, 18-23. Retrieved from http://hq-srvtst-s08. Pttplc.com/internet_test/Files/Document/energy_mag/53_1/04_Towards-Sustainability.pdf

Stulz, R., 1999. Globalization, corporate finance and cost of capital. *Journal of Applied Corporate Finance,* Volume 12, pp. 8-25.

World Bank, 2013. Report on the Observance of Standards and Codes (ROSC) Corporate Governance Country Assessment*: Thailand.* [Online]
Available at: http://siteresources.worldbank.org/ Financialsector/ Resources/ ROSC_Thailand_web.pdf

Zorn, L. 2007. Estimating the cost of equity for Canadian and US firms. *Bank of Canada Review*, *2007*(Autumn), 28-36.

ASEAN Journal of Management & Innovation
Vol. 4 No. 1, 123 – 138
©2015 by Stamford International University
DOI: 10.14456/ajmi.2017.9
ajmi.stamford.edu

Microfinance Trust Factor: A Village Fund Case in Thailand

James Lancaster
Email: james.lancaster@stamford.edu

Abstract

This paper presents the findings related to trust factor impact of Village and Urban Community Fund (VCF) program on the members of Ton-ked rural community in Prachuabkirikan province of Thailand. The study was not based on a predetermined set of criteria, but was based on what the members have experienced as a result of the program participation. Members of the village fund were invited to a gathering to participate in this study and nine agreed statements describing the impact of the program were derived. Although the result shows that the impacts perceived by the participants were investment return, household spending, knowledge as can be expected from most microfinance program, it is evidenced that trust, unity, biasness, payback in-confidence, fear of not getting a second round loan, and sacrifice were perceived by the participants. Since different communities have different nature and characteristics, uniqueness of the environment and impacts in each community should be acknowledged in the assessment. Exploratory Factor Analysis was used to determine the factors of perceived impacts and the trust factor and the non-trust factor were derived. This paper raises the point that microfinance impact assessment criteria related to the trust factor should be explored. Trust factor is significant in the assessment of a microfinance program such as VCF as it contributes to the understanding of cooperation and self-governance ability of the people that is pertinent to the sustainability of microfinance institutions.

Keywords: Microfinance, Microfinance Institutions, Microfinance Impact, Village Funds, Self-governance, Thailand

Introduction

Microfinance impacts have been studied and discussed widely in relation to development and microfinance institutions have proven to empower grassroots or the less privileged people in rural villages and urban communities. The main impact has been mainly about economic empowerment as it has seemed to be the most urgent agenda for governments and sponsors. The economic success of microfinance, however, may be shallow, unsustainable, and even fake in many cases if the institutional factors and impact are not well assessed.

In many cases, microfinance institutions have strict requirements concerning repayments, pushing the borrowers to borrow from informal lenders who charged much higher interest rates in order to pay for the loans from formal institutions on time, and expecting to get another loan right away. In the case of Village and Urban Community Funds (VCF), many funds are strict with repayments as well, pushing the members who do not have enough to borrow from the informal lenders. The cycle thus goes on and on with the dependency on the informal lenders. The members who have borrowed from the VCF have the tendency not to pay back the money if they haven't generated enough income and not certain whether they will receive another loan immediately (to pay back to the informal lenders).

The assessment criterion of loan repayment ratio is thus shallow, fake and irrelevant to conclude that the loans have been used to generate income. There have been feedbacks about the misuse of the loans as well as the inability of the members to use the loan money to invest in the ways to generate higher incomes to pay back the loans on time. Both formal financial institutions and VCFs in Thailand don't seem to be bothered much if the loans are being paid back on time. It seems that the major reward for paying back on time is the immediate approval of the next loan. Without the next loan waiting, many borrowers may not have enough incentive to pay back the loan on time.

Understanding the institutional impact of microfinance on the members is crucial if microfinance institutions are to be assessed in relation to the sustainability of the programs. This paper attempts to discuss about the institutional impact of microfinance institutions, particularly on the self-governance capability of the people who participated in the program. The approach is not to use predetermined criteria of assessment generally used nor to prove a theory but to explore the institutional impacts (related to rules and cooperation) perceived by the members of the Ton-ked VCF. Some descriptive statistics are used to describe the sample and a factor related to trust is derived by using factor analysis.

Literature Review

Microfinance programs, without evaluation that is targeted at understanding the system and open to new diagnosis, the focus maybe more on the short-term income generation and payment rates while capability development is overlooked. Amartya Sen (1999) puts it clearly that the concept of "poverty as capability inadequacy" is related to "poverty as lowness of income". According to Sen, "enhanced the capability in leading a life" can help make a person be more productive and earn higher income, not just the other way round. The review of the literature and the argument this paper is focused on the development of the capability of the poor people in the cooperation to use the limited funds of VCF program and self-organized microfinance institutions in general.

Microfinance as Co-production

The cooperation and the involvement of services users in communities with the government in the provision of public services has been a recent reform in public services (Sicilia, Guarini, Sancino, Andreani, & Ruffini, 2016). Microfinance programs originated by governments can hardly be sustainable without the involvement and participation of the community members in the operation of the programs. The involvement of the population in the provision of public services is called co-production (Pestoff et al., 2012 cited in Sicilia et al., 2016). Coproduction concept, as used in Brandsen, Pestoff, & Verschuere (2012) and Parks, Baker,& Kiser et al. (1981) involves both the citizens and the government but there have been conceptual issues on whether coproduction refers to the "service delivery phase only or also includes service planning, delivery, monitoring, and/or evaluation" (Steen, Nabatchi, & Brand, 2016). In the case of VCF program, the members can be involved in much more than just the service delivery phase, such as selecting the committee members and rules making which enable them to be exposed to self-governing process.

Microfinance program such as VCF is a form of coproduction as the people in each community are involved in the operation of the fund in their community. This approach to public services provision requires that the officials are equipped with managerial skills in "making room for people to develop" as well as other skills (Pollitt, Bouckaert, & Löffler, 2006 cited in Sicilia et al., 2016). There has been a growing interest in co-production of public services and the understanding on the motivation of the people in co-production still needs to be explored (Van Eijk & Steen, 2016). Van Eijk and Steen argued that citizens consider both their personal competencies and the "potential results of their engagement", that is, the responsiveness of the government and whether the government provides the room for them to interact. According to Van Eijk and Steen, "trust" in the government and the "ease of the task" are related to people's engagement in co-production.

The level of trust, as a key condition for collaboration (Yamagishi & Cook, 1993), in government and in fellow citizens may be an important "precondition" for participation in programs (Fedderus & Honingh, 2016). In their study on activation services (2016), Fedderus and Honingh found that trust is related to participation in co-production but raised an important point whether engaging vulnerable citizens in co-production is an "effective strategy". When looking at the VCF program, it is evidenced that paying back loans is a major problem for the vulnerable borrowers, not because they don't have trust but because they do have high trust in the government help and interference while having questionable social capital. The main concern for every party is how vulnerable the poor people are concerning the capability to participate beneficially from the VCF program.

Microfinance Expectations

Microfinance institutions, if intent to be used as a mechanic to increase income without considering the impact on capability development, the impact such as trust is not explored and long term results may be undermined, leading to higher cost of development in term of sustainability.

The major impact of microfinance institutions expected should be to economically and socially empower the people. This includes self-governance ability of the people participating in the program. A highly expected outcome of self-managed community financial institutions is the ability to manage their economic livelihood such as the ability to create income for the family. Although it was found that VCF program has no significant impact on the alleviation of the poverty, provided the empirical evidence of non-consumption expenditure studied by Chandoevwit and Ashakul (2008), it was found that the VCF prevented near and moderate-income groups to fall into poverty (Songthong & Suriya, 2014). These findings make sense as poor people have to spend the money from loans on survival and emergency needs, given the limited skills and knowledge for income-generation activities while those above poverty line have more ability to use the loans for income-generating activities.

Social impact such as self-governance ability must be achieved if sustainability is expected. Community financial institutions can bring people to work together for their own well-being. Based on his experience with development programs, Seri Pongpit (2002) pointed out that the problems involved in rural development were 1) the confidence of the people to solve their own problems, 2) the decreasing of social capital, 3) management knowhow in relation to the market economy, and 4) knowledge based on experience and enlightenment. He pointed that community financial institutions should involve participation and governance with a clear goal of assisting people in their community. Whether community financial institutions can help solve development problems depends on how we design the institutions to serve our expectations.

Investment and income have been found to increase as a result of VCF program, but it has been found that higher average debt per family has increased significantly as well as the problems concerning the repayments rate of the funds. The incentives for the monitoring of the loan approvals and loan uses have not been high enough as it has been known that the program aimed at helping the grass-roots people and that it was a major popularity generating tool of the ruling political parties in Thailand. For the poor villagers, the one million baht fund for each village was considered a windfall (Chandoevwit & Ashakul, 2008). The uses of loans have not been seriously guided as long as the borrowers can pay back the money. Because of this, much of the funds' money has been used in non-income-generating activities and the borrowers usually have to depend on informal lenders when the repayments are due. The VCF participants perceive that if they can return the money on time the uses of the money are not important and are dependent on the government economic populist policy to help them in terms of interest cut or debt suspension policy in the future (Pruetinok, 2012).

Although microfinance programs have been found to have some empowerment impacts, the main concern have been short-term income generation and repayment rates. VCFs have been basically recognized as lending sources and profit oriented rather than empowering institutions for communities (Sudprasert, 2010). If the focus of the policy continues to be repayment rates, the contribution of VCFs towards development would continue to be limited and subjected to unrealistic repayment records and exaggerated economic impact.

Intervention for Sustainability

Microfinance programs that address the poor people may not be sustainable if the institutions are not strategically designed and evaluated for self-governance capability. Microfinance interventions have to be strictly professional in order to achieve governance and sustainability goal. Even though reports on the results of microfinance have been encouraging, Bauchet, Morduch and Ravi (2015) point out that results may not always be positive, such as an "ultra-poor graduation" program in Andhra Pradesh that was operated by SKS NGO. It was found that the design and implementation in the intervention was a problem as the intervention had limited time as well as access to professional staff. This study shows that the economic improvement of the treated "poor' who were supposed to have "graduated" did not differ from the controlled group. The questions of "Whether the program should have been designed differently?" and "Did the way program inputs were designed get in the way of sustained behavioral change?" have to be answered (Janawar & Sengupta, 2012 cited in Bauchet, Morduch & Ravi, 2015).

The goals of government interventions through microfinance programs may be to reduce poverty, and to facilitate sustainable development. Both goals cannot be reached if the focus of a program is not directed at people's capabilities development. The focus of the argument on poverty has been on capabilities of the people as the basis for social policies despite the inconclusive definition of "capabilities" (Ha, 2013). Ha's point is very crucial for microfinance operations where participants and officials are more concerned with economic outcomes rather than the capabilities of the people to manage the resources sustainably. If participants' major expectations are to acquire more commodities that are not related to income generation and skill development, it can be predicted that the microfinance funds will not be sustainable for the next generation. An important capability that is greatly needed by the poor people is the capability to create social capital. Microfinance benefits include increase social capital (Roy, Ara, Das, & Quisumbing, 2015). In self-governing organizations, empirical evidence shows that social capital together with the structure of physical capital affect the outcomes (Ostrom, 1995). Without social capital development that is based on trust and cooperation will be a very painful challenge for VCFs' sustainability.

Microfinance Self-Governance Problems

Microfinance funds can be considered common pool resources (CPR) that people have to jointly make decisions on the best use of the limited resources. Institutions are necessary to solve problems and keep the funds sustainable. If considered to be a kind of aid provided by the government there is less concern on the sustainability as the politicians eager to be elected will promise for more resources. Microfinance institutions such as VCFs, however, need to be sustainable not because of limited money but also because it is a significant development tool for the empowerment of people to govern themselves.

Common Pool Resources (CPR) problems

The major problems faced by microfinance institutions are the typical types faced by other common pool resources institutions. Appropriation and provision problems are the two broad types of CPR, according to (Ostrom, Gardner and Walker, 1994). Appropriation is a big problem for VCF funds as values has to be assigned on whether the good use of fund or the fair distribution of the credit should be given priority. High return rate is the result of profitable investments while low return rate is the result of using the money borrowed for non-income-generating spending. The circulation flow of the resources may be a big problem if there is a higher rate of those unable to pay back the money on time. Politically, higher distribution rate would benefit more people in the short run, but for sustainability the responsibility and the skills need to be monitored and intervened. According to Ostrom, Gardner and Walker, "maintaining or improving the production capabilities of the resource" or "avoidance of the destruction of resources" are provision problems. Village funds continuously face the provision problem of running out of money as a result of low repayment rate which shows that there are institutional problems concerning the appropriation and provision of funds in a sustainable way.

Use of money

The use of the loans received by the members of VCFs were found to be used in non-investment spending as the capability of the borrowers to create income maybe limited, depending on how poor, or how much a family needs on survival spending. Many borrowers are found to have used much of the borrowed money for their children's education related expenses and emergency expenses of family members such as funerals and health, which were completely not related to income generation. It serves in many cases to prevent the members from using informal credit services which charge much higher interest rates.

Microfinance institutions have higher chance to succeed with the proper social security programs and reducing certain amount of risk on misusing loans by integrating with government social security programs (Chiang Mai University, 2009) or the local community-based welfare networks, CBWNs (Kiatpathomchai & Charenjiratragul, 2012). VCFs can use part of the profits to initiate community social security programs or other community development programs (Panyachit, 2012). Social security programs can significantly contribute to the sustainability of VCFs as there will be less need for loans needed for the non-income-generation spending as well as higher incentive for participation and cooperation. With risk control community social security system the program participants can direct the money on income-generating activities that results in capabilities development.

Professionalism

The VCFs can be more sustainable if the loans can be tailored for investment activities of members rather than be used for survival and emergency needs. The funds that aim to help generate income need to pay more attention to the market risk in the lending process (Thamasat University, 2004). The sustainability of funds such as VCFs with a goal of income generation is significantly depending on the lending operation that is professional. If the repayment rate is low the funds would not be sustainable thus microfinance institutions that can operate more professionally have higher chance of sustainability. Participating in a professionally managed microfinance institution can help people to be educated and enlighten on self-governance while participating in unprofessionally operated institutions can enhance the skills and attitude for patronage system.

Without a clear strategy to create professional institutions, VCFs are prone to fail both in terms of money and human capacity development. Professional practice, however, does not mean that we should ignore the nature of different communities. Operating professionally demands participants to be responsible and accountable on the loans borrowed which strengthens the trust and cooperation among themselves in jointly solving their problems rather than depending too much on the government decisions.

However, taking professionalism as a practice to be copied from an industrialized country may be a great danger. The implementation of development programs has to be suitable and flexible in different environment, and the programs should not rely on theories and information from other areas too much but should rely on the data from the area of implementation (Greenwood, 1973). The implementation of the VCFs should be flexible in different communities and the evaluation criteria of VCFs should not be a total replication from one community to another community if the local institutions are expected to provide the best development outcomes. The evaluations have to be sensitive to the differences in the impacts of the implementation in order to improve the VCF institutions in each area.

Jeffery Sachs (2005) powerfully uses five key lessons from clinical medicine to show how we can apply clinical economics in solving poverty: 1) “economies are complex systems”, 2) “economists, like medical clinicians, need to learn the art of differential diagnosis”, 3) “clinical economics, like clinical medicine, should view treatment in family terms”, 4) “good development practice requires monitoring and evaluation” and 5) “the development community lacks the requisite ethical and professional standards”. Government should note that microfinance institution is a complex system that integrates many systems of the community such as community norms, relationships and economic activities so differential diagnosis should be open for different microfinance institutions. General understanding of other systems may not apply for the diagnosis of certain VCF institutions, however, ethical and professional standards should be expected and not be undermined by political agendas.

On Capabilities

Success of microfinance program can be predicted by the knowledge of the participants (de la Huerta 2010). According to de la Huerta's finding, knowledge of people and institutions is related to microfinance success and failure. Knowledge is a determinant of microfinance institutions sustainability as it improves the capabilities of the participants. If the institutions are designed to generate knowledge capabilities of the participants and sustainability of the institutions can be expected. Knowledge of the participants thus should not be treated as a given independent variable. Capability of self-governance should be an important expected result of microfinance institutions that are expected to be sustainable and should be included in the evaluation criteria. VCF institutions can be capitalized on knowledge improvement and networking (Sudprasert, 2010), but to achieve that, evaluation criteria and effective monitoring have to be designed. The evaluations, however, are usually based on certain agreed criteria and causing limitation for the development of the knowledge concerning the process and the impact.

Trust and Cooperation

A society cannot be sustainable if people are too focused on self-interests and not paying enough attention to cooperation and self-governance in order to manage the limited resources the society has. Communities have limited resources and self-governance is the key to sustainable development as it attracts cooperation. Successful community financial organizations (Office of Village and Urban Community Funds, 2003 and Kasetsart University, 2013) are the ones that have been paying attention to cooperation. Grounded on the United Nations Declaration of Human Rights in 1948 the sustainable society paradigm, as argued by Lockard (2013), is found within the dimensions of "cooperation and equality". Perceived equality can lead to higher cooperation and higher cooperation can affect the equality. It is undeniable that trust and capabilities of the people have significant role in community cooperation and development.

Although cooperation is generally accepted as a major factor for successful development programs, equality can still be a big problem as people perceive it differently and it may be a hindrance for the development of trust and cooperation. How well people manage institutions should be the key to the success of development. The priority of any development program evaluation needs to be on the long run impacts that leads to further cooperation and social capital creation. It is fair to say that VCFs evaluation has always realized the importance of cooperation but equality and trust somehow have not been well understood.

Successful self-governance institutions rely on the rules and sanctions that can generate contracts and cooperation. All communities have different contexts concerning cooperation and social capital that is based on trust and reciprocity. Despite the "human capacities to overcome social dilemmas", according to the study by Ostrom, Gardner and Walker (1994), there are three settings for the improvement of self-organized institutions: 1) the setting where people have no "expectation of mutual trust" and "no means of building trust", 2) the setting where distrust cannot be reduced by communications and interactions, and 3) the setting where there is lack of self-governing authority in creating institutions when people are “willing to extend reciprocity to others”. Microfinance institutions provide rules and communities have norms that provide conditions for trust forming. Programs that are aiming at being sustainable thus have to provide conditions for trust forming.

Common-pool resource (CPR) concept has been widely used in the studies of resource systems such as water and fishery where exploitation is possible as exclusion of appropriators is “nontrivial” and the resources are subtractable (Ostrom, Gardner, & Walker, 2002). For a CPR, access to the resource are undeniable to many users, thus not a private goods, and the quantity is affected by the use of other users, so it is not a public goods (V. Ostrom & E. Ostrom, 1999). Once a resource cannot be excluded in a community depletion of the resource is a threat to sustainability. As observed Aristotle (quoted in V. Ostrom & E. Ostrom 1999), “that which is common to the greatest number has the least care bestowed upon it.”

The VCF members cannot be excluded from getting a loan despite the differences in the capability to use and pay back the loan. Since the funds have been perceived to be a political grant from the government, loan repayments have been a major problem in many funds. The approach to the sustainability of the village fund program would be more successful if the funds provided are treated as a CPR as the community would have to be responsible for the resource, not the government. Thus, the sustainability of the funds depends on whether the community members can self-manage the funds with trust among themselves or that the communities trust that the government will always provide and come to the rescue.

Trust and Sustainability

Microfinance institutions can be more financially sustainable if focused on trust (Epstein & Yuthas, 2011). Level of trust and collectivist culture is related to operating costs and default costs of microfinance institutions (Burzynska & Berggren, 2015). The impact of microfinance significantly involves trust: trust among members, trust in the management committee, and trust in the government. Without trust, sustainability in the use of a CPR cannot be possible and without proper rules and sanctions trust cannot exist. Microcredits as a CPR can be depleted since without cooperation in paying back the loans there will be less and less left for the other members. Members of the funds are willing to wait for the next turn because they have trust in the members who borrow before them. They also have to trust the fund management committee on their fairness of loan appropriation. Trust in the sustainability of the funds is a major factor for the success of microfinance institutions.

Experimental research works have shown that trust among players can be indicated to successful cooperation (Hardin, 2002). Understanding the links between trust and reciprocity and between trust and reputation is a core of behavioral explanation (Ostrom E. , 2003) . Trust, “the willingness to take some risk in relation to other individuals on the expectation that the others will reciprocate” (Walker & Ostrom, 2003), is thus a necessary key to the understanding of the behaviors of microfinance participants and the sustainability of the program.

People usually participate in rural development program for economic reason. There is hope and expectation that economic benefit can be gained. Microfinance programs attracted participants because of the economic benefits in terms of loans and income generation. In the case of village funds program, each fund has limited amount of money and not every participant can get the loan in the same round. They have to trust that the institution can be sustainable, that is, the early borrowers can pay back the loans on time so they can take their turn or else the credit will have to be rationed and each loan will be too small for significant income generation activities. If members don't pay back the loans the fund cannot be sustainable and the money may be like a one-time grant to the villagers. If it is expected that the funds are sustainable then attention has to be given on the implementation of rules.

Rules reduce the uncertainties of human behavior (Sengupta, 1997). Base on the participation of farmers in irragation systems, Sengupta argued that common-pool resource like water has high transaction cost and it is uneconomic when participatory programs are designed to serve bureaucratic management. Microfinance, however, may be different in that the bureaucratic management or government can be the one that send a very important signal concerning the sustainability of the program (such as "more help is coming" or "payments can be delayed without sanctions"). Village funds should involve the participation of the members in making operational rules and sanctions but not to the extent that compromise professionalism in the management of the funds. Without trust among the members in following the rules and the confidence in the integrity of the institution, cooperation among members and sustainability of the funds are compromised.

Methodology

The population of study is 108 members of Ton-ked Village Fund. All members were invited to a meeting and 38 members attended. The meeting was held in order to have the general understanding and agreement on the statements to be used in concerning the perceived impact of the village fund. Since development implementation should rely on the information and environment that is unique (Greenwood, 1973), this study aimed to explore the possible impacts based on the inputs and discussion of the members in the meeting so the participation of the members in the meeting was necessary in the data collection.

The participants were asked to describe the impacts the village fund program had on them. No predetermined impact was suggested by the researcher accept increase in knowledge perceived, which was one of the most important indicator considered for sustainability and was a major interest of the researcher. All the descriptions were listed as statements and all were able to be categorized into nine statements because of the similarity of the impact described. The participants were then asked to assign a score of 1 to 5 as to the impact perceived from the village fund program (1 for least agreed, 2 for little agreed, 3 for moderately agreed, 4 for very much agreed, and 5 for most agreed, accordingly). Questionnaires were prepared for the participants to provide personal information, uses of loans and suggestions for the VCFs as well as space for the statements and points assigned for each statement. The researcher was able to provide clarifications to all questions asked concerning the instructions and questions.

Descriptive statistics were used to describe the participants' socioeconomic data and the perceived impact of the VCF program. The relationships among the perceived stated impacts were checked by using Pearson correlations and bivariate correlations can be initially observed.

The impact on the male and female members of the VCF was anticipated and compared.

The study explored the Ton-ked Village Fund impacts perceived by the members by using the inputs from all the participants at the meeting. It was expected that there would be some similarity with the impacts in other VCFs. The methodology used was not designed to fix the observation with the impacts occurred elsewhere but allowed for the possible differences unique to Ton-ked VCF. It was expected, however, that self-governance development impacts may be found.

Principle components technique was applied in the exploratory factor analysis with varimax rotation (orthogonal) to group the VCF impact statements into factors. In order to distinguish the trust and non-trust related impact statements two factors were requested and trust related factor and non-trust related factor were expected. As an important factor contributing to the sustainability of microfinance institutions, "trust" can be a manifested factor. As a result, the importance of the trust factor may be seen clearer from factor loading and can be used for further study on how it is related to the sustainability of the VCFs as well as how the VCF institutions can be improved.

Findings

The first part of the findings describes the average scores of perceived impacts and correlations. The second part presents the factor analysis result.

Descriptive Data

The average amount of loan received by the Ton-ked village fund is 6,147 baht and the mode is 5,000 each, while the average income is 3,646 baht. The number of children on the average is 2.56. The participants have been memberships for about 3.43 years on the average and participate in the meeting about 4.63 times a year.

Table 1: Descriptive Statistics

Members' Information	N	Min.	Max.	Mean	S.D.
AMOUNT	36	3,000	20,000	6,416.67	3,425.74
INCOME	35	500	7,000	3,645.71	1,346.53
CHILDREN	36	0	8	2.56	1.74
MEMBERSHIP	34	1	6	3.43	1.16
MEETING	35	0	12	4.63	4.75
Perceived Impact					
RETURN	38	1	5	3.74	1.36
UNITY	38	1	4	2.61	1.00
SELFLESS	38	1	4	2.55	.82
BIAS	38	1	5	2.92	1.56
KNOWLEDGE	38	1	5	3.11	.92
INCONFIDENCE	37	1	5	3.11	.90
RELOANFEAR	36	1	5	2.86	1.24
TRUST	36	1	5	2.81	1.00
HOUSEHOLDS	36	1	5	3.42	.93

Of the nine impacts perceived by the VCF members, Investment Return ranks the highest score out of five (3.74), while Household spending (3.42), Knowledge (3.11), In-confidence in Paying Back (3.11), Bias (2.92), Fear of Not Receiving Another Loan (2.86), Trust (2.81), Unity (2.61) and Selflessness (2.55) follow consecutively.

It is interesting that Knowledge impact ranks third after the Investment Return and Households Spending. Theoretically, members of microfinance programs usually learn something about business and democracy from participation in the program. If knowledge impact is high self-governance and sustainability can be expected to be higher.

The two highest impact scores are Return on Investment and Households Spending. They are the most important impact on the members as they reflect immediate economic empowerment.

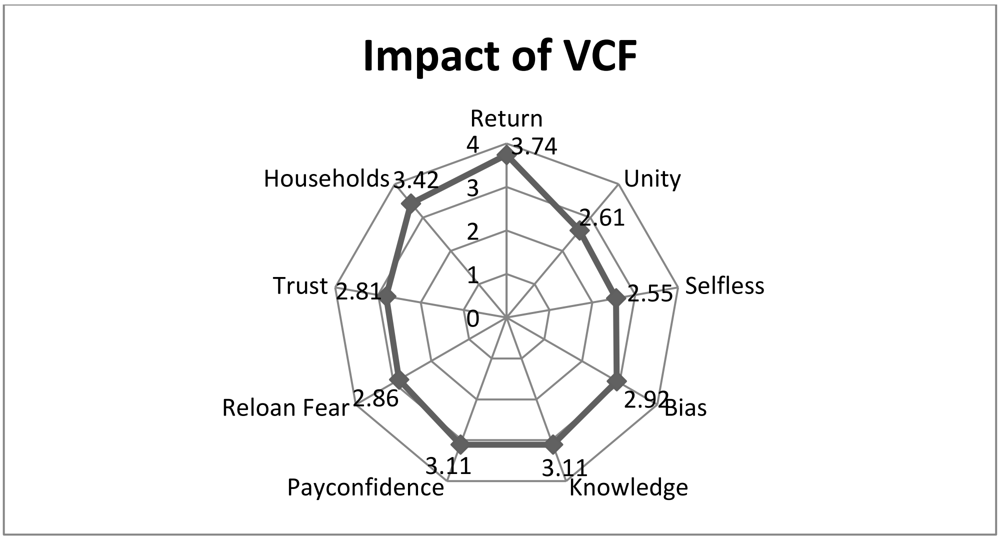


Figure 1: Impacts perceived (5 points scale)

When compare the perceived impact between male and female participants, the female participants perceived higher knowledge, unity, and return on investment with lower perceived bias and fear of not getting the refinance.

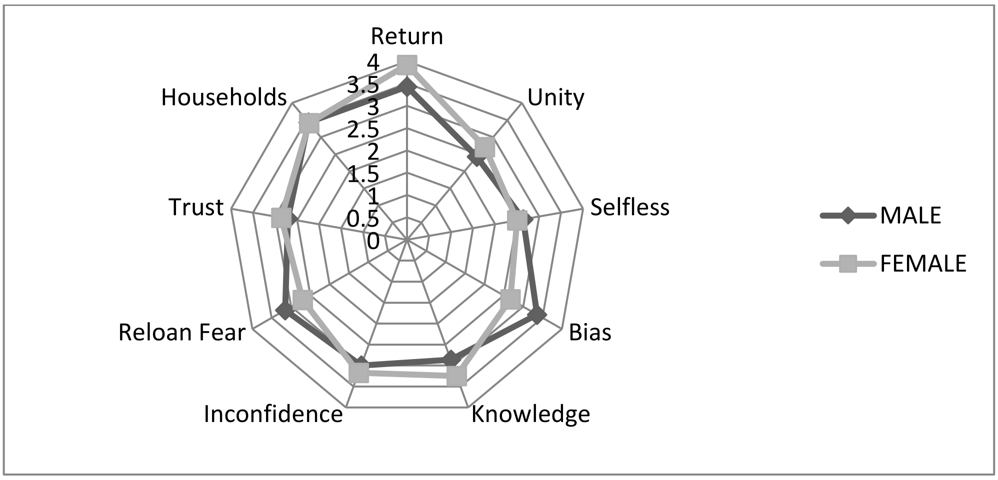


Figure 2: Comparison of perceived impacts among male and female members

The major concern of the Thai village fund program has been the sustainability of the program in term of repayments of the loans received. The correlation results show clearly that perceived returns on the borrowed money is related to knowledge perceived and negatively related to perceived biasness.

Perception of biasness affects development objectives in a negative way and should be attended to when designing institutions. Biasness is common among participants but it can be worsen if institutions are designed for political benefits as there is a tendency to harness patronization and cronyism while undermining professionalism.

Table 2: Pearson correlations of the VCF impact items

	RETURN	UNITY	SELF LESS	BIAS	KNOW LEDGE	INCONFID ENCE	RELOAN FEAR	TRUST	HOUSE HOLDS
1 .RETURN	1								
2. UNITY	.001 (.995)	1							
3. SELFLESS	-.512** (.001)	.107 (.522)	1						
4. BIAS	-.464** (.003)	-.193 (.246)	-.174 (.297)	1					
5.KNOWLEDGE	.300 (.067)	.075 (.653)	-.007 (.965)	-.368* (.023)	1				
6.INCONFIDENCE	-.353* (.032)	-.223 (.184)	-.043 (.802)	.198 (.240)	-.243 (.147)	1			
7.RELOANFEAR	-.412* (.013)	-.605** (.000)	.180 (.293)	.243 (.154)	-.365* (.028)	.484** (.003)	1		
8. TRUST	.261 (.124)	.195 (.254)	.023 (.893)	-.434** (.008)	-.194 (.257)	-.264 (.126)	-.327 (.059)	1	
9. HOUSEHOLDS	.000 (1.000)	-.022 (.897)	.039 (.821)	-.408* (.013)	.104 (.544)	-.376* (.024)	-.283 (.100)	.181 (.299)	1

(t values in parentheses, * p < .05, ** p.< 01)

Trust Factor

All 9 items perceived as the impacts of VCF operation in Ton-ked were used in factor analysis and two factors were conditioned resulting in trust related factor and non-trust related factor.

Table 3: Village fund impact factor loadings (principles component analysis)

Items	Factor loading	Eigen value
I. Trust factor		2.90
1. Bias	-.684	
2. Re-finance fear	-.678	
3. Inconfidence	-.631	
4. Trust	.569	
5. Household spending	.568	
6. Unity	.563	
Cum. % of var. = 28.20		

Items	Factor loading	Eigen value
II. Non-trust factor		1.49
7. Return on investment	-.871	
8. Sacrifice	.805	
9. Knowledge	-.402	
Cum. % of var. = 48.81		

The trust factor is composed of six related items while other 3 items are grouped in the non-trust factor. The cumulative variance explained from the 2 factors is 48.81 percent. The trust factor alone has cumulative variance of 28.20% (Eigen value = 2.90) and manifests itself as a significant factor of microfinance impact.

Conclusion

Development is a result of institutional arrangements (North, 1990). Without well-crafted institutions that can generate trust in working together, development objectives may turn out to be a short term quick-fixed political instrument that satisfies people in the short run while leaving sustainability problem for the next generation. Trusting relationships can enable people to increase their joint benefits from the institutions (Shivakumar, 2005). As shown in the findings, trust factor is a manifested impact that cannot be overlooked in the design and assessment of microfinance institutions such as VCFs that thrive to be sustainable.

Building social capital has to be given priority in the development of microfinance institutions. Lack of trust can hinder cooperation and there cannot be sufficient social capital building without trust and cooperation. This implies that the design of microfinance institutions has to be seriously concerned with the enforcement of the rules and unbiased operations so that trust can be created and enhanced among program participants.

The major problem in Thailand's village fund program has been the enforcement of the rules on the participants as a result of hidden political agenda for popular support from the poor. People have less confidence that the institutions they participate can solve problems so they rely heavily on the politicians. They strongly trust that the elected politicians will always bail them out of their depths rather than trust in the corporation and professionalism of the VCF operation.

It is clear from Ton-ked VCF that the trust factor is prominent as an institutional impact that reflects all level of effective rules enforcement. Enhancing the ability of the participants to pay back the loan has to be systematically improved (such as risk control, knowhow, knowledge and suitable amount of loan) in order to achieve the trust. The amount of loan assigned to participants has to be strictly based on the ability to generate income, and not based on the sense of entitlement as promised by politicians. Microfinance can only be sustainable with trust and cooperation that is built on professional and well-designed institutions with an objective of creating human capabilities in self-governance, thus trust factor of the VCF program has to be well understood and monitored if sustainability is expected.

References

Bauchet, J., Morduch, J., & Ravi, S. (2015). Failure vs. displacement: Why an innovative anti-poverty program showed not net impact in South India. *Journal of Development Economics*, *116*(2515*)*, 1-16.

Boonperm, J., Haughton, J., Khandker, S.R. and Rukumnuaykit, P. (2012). *Appraising the Thailand village fund*. Policy Research working paper ; no. WPS 5998. Washington, DC: World Bank. http://documents.worldbank.org/curated/en/2012/03/15933309 /appraising-thailand-village-fund

Boonperm, J., Haughton, J. and Khandker, S.R., (2009). *Does the village fund matter in Thailand ?*. Policy Research working paper ; no. WPS 5011. Washington, DC: World Bank. http://documents.worldbank.org/curated/en/2009/07/10846344/village-fund matter -thailand

Brandsen, T., Pestoff, V., & Verschuere, B. (2012). Co-production as a maturing concept. In V. Pestoff, T. Brandsen, & B. Erschuere, *New Public Governance, the Third Sector and Co-production* (pp. 1-9). New York and London: Routledge.

Burzynska, K., & Berggren, O. (2015). The impact of social beliefs on microfinance performance. *Journal of International Development*, *27*(7), 1074-1097.

Chiang Mai University (2007). *People financial institutions for income security creation*. A research report prepared by the Faculty of Economics, Chiang Mai University for National Economic and Social Advisory Council. (in Thai)

Cleaver, F. & de Koning, J. (2015). Furthering critical institutionalism. *International Journal of the Commons*, *9*(1), 1-18.

Epstein, M., & Yuthas, K. (2011). The critical role of trust in microfinance success: Indentifying problems and solutions. *Journal of Developmental Entrepreneurship, 16*(04), 477-497.

Greenwood, D.J. (1973). *The political economy of peasant family farming: Some anthropological perspective on rationality and adaptation.* The Rural Development Committee, Center for International Studies, Cornell University, New York.

Fedderus, J., & Honingh, M. (2016). Why people co-produce with activation services: The necessity of motivation and trust - an investigation of selection biases in a municipal activation programme in the Netherlands. *International Review of Administrative Sciences, 82*(1), 69-87.

Ha, T. T. (2013). Contested "poverty" and policy implications. *Journal of Perspectives on Development Policy in the Greater Mekong Region 1*(1), 11-27.

Hardin, R. (2002). Gaming Trust. In E. Ostrom, & J. Walker, *Trust and Reciprocity* (pp. 80-101). New York: Russell Sage Foundation.

Janawar, V., & Sengupta, A. (2012). *SKS Ultra Poor Program: Qualitative Evaluation of Sustainability of Program Outcomes.* Dhaka: BRAC Development Institute

Khandker, S.R. (2012). *Grameen bank lending: Does group liability matter ?*. Policy Research working paper; no. WPS 6204. Washington, DC: World Bank. http://documents.worldbank.org/curated/en/2012/09/16753280/grameen-bank-lending-group-liability-matter

Kasetsart University. (2013). *Poverty assessment, opportunity to access financial organizations, and impacts of financial organizations on livelihood of highland* *households in Mae Sa watershed area, Chiang Mai province*. Center of Applied Economics Research, Kasetsart University. (in Thai)

Kiapathomchai, S. & Charenjuratrgul, S. (2012). Problem and sustainability of the community-based saving and welfare funds. *NIDA Economic Review*. *l6*(1):107-143.

Lockard, D.W. (2013). Extricating sustainable from sustainable development: A conceptual framework for a sustainable society. *Thai Journal of Public Administration*. *11*(1):33-58.

Menkhoff, L. & Rungruxsirivorn, O. (2011). Do village funds improve access to finance? Evidence from Thailand, *World Development*, *39*(1), pages 110-122, January.

Morss, E. R. (1984). Institutional destruction resulting from donor and project proliferation in Sub-Saharan African countries. *World Development*, *12*(4): 465-470.

North, D. C. (1990). *Institutions, institutional change, and economic performance*. Cambridge: Cambridge University Press.

Office of National Village and Urban Community Funds. (2003). *Village and urban community funds: Qualitative assessment*. Office of National Village and Urban Community Funds, Prime Minister's Secretariat Office. (in Thai)

Ostrom, E. (1995). Self-organization and social capital. *Industrial and Coporate Change*, *4*(1), 131-159.

Ostrom, E. (2003). Toward a behavioral theory linking trust, reciprocity, and reputation. In E. Ostrom, & J. Walker, *Trust and Reciprocity* (pp. 19-79). New York: Russell Sage Foundation.

Ostrom, E., Gardner, R., & Walker, J. (2002). *Rules, Games, & Common-Pool Resources.* Ann Arbor: The University of Michigan Press.

Ostrom, V., & Ostrom, E. (1999). Public goods and public choices. In M. D. McGinnis, *Polycentricity and local public economics* (pp. 75-103). Ann Arbor: The University of Michigan Press.

Parks, R., Baker, P., Kiser, L., Oakerson, R., Ostrom, E., Ostrom, V., et al. (1981). Consumers as producers of public services: Some economic and institutional considerations. *Policy Studies Journal 9*(7), 1001-1011.

Pitt, M.M. and Khandker, S.R., (2012). *Replicating replication: Due diligence in Roodman and Morduch's replication of Pitt and Khandker (1998)*. Policy Research working paper; no. WPS 6273. Washington, DC: World Bank.http://documents.worldbank.org/curated/en/2012/11/16985792/replicating-replication-due-diligence-roodman morduchs-replication-pitt-khandker-1998

Pollitt, C., Bouckaert, G., & Loffler, E. (2006). *Making Quality Sustainable: Co-design, Co-decide, Co-produce, Co-evaluate. Report by the Scientific Rapporteurs of the 4th Quality Conference.* Finland: Ministry of Finland.

Pongpit, S. (2002). *Village fund community social security.* Bangkok: Charoen Karn Pim. (in Thai)

Roy, S., Ara, J., Das, N., & Quisumbing, A. (2015). "Flypaper effects" in transfers targeted to women: Evidence from BRAC's "Targeting the Ultra Poor" program in Bangladesh. *Journal of Development Economics 117*(2015), 1-19.

Sachs, J.D. (2005). *The end of poverty*. New York: The Penguin Press.

Sen, A. (1999). *Development as freedom.* New York: Anchor Books.

Sengupta, N. (1997). Diversity in participation. *People and participation in sustainable development: Understanding the dynamics of natural resource systems (Proceedings* *of an international conference held at the Institute of Agriculture and Animal Science, Rampur, Chitwan, Nepal, 17-21 March 1996)* (pp. 75-81). Bloomington, Indiana, and Rampur, Chiwan.: Workshop in Political Theory and Policy Analysis.

Sicilia, M., Guarini, E., Sancino, A., Andreani, M., & Ruffini, R. (2016). Public services management and co-production in multi-level governance settings. *International Review of Administrative Science 82*(1), 8-27.

Shivakumar, S. (2005). *The constitutions of development: Crafting capabilities for self-governance*. New York: Palgrave Macmillan.

Steen, T., Nabatchi, T., & Brand, D. (2016). Introduction: Special issue on the coproduction of public services. *International Review of Administrative Science 82*(1), 3-7.

Thamasat University. (2004). *Assistance for communities and villages in the form of funds for income generation and income increase*. Research and Consultant Institute, Thamasat University. A research report submitted to the budget bureu, ministry of finance. (in Thai)

Van Eijk, C., & Steen, T. (2016). Why engage in co-production of public services? Mixing theory and empirical evidence. *International Review of Administrative Science, 82*(1), 28-46.

Walker, J., & Ostrom, E. (2003). Conclusion. In E. Ostrom, & J. Walker, *Trust and Reciprocity* (pp. 381-387). New York: Russell Sage Foundation.

Yamagishi, T., & Cook, K. (1993). Generalized exchange and social dilemmas. *Social Psychology Quarterly, 56*(4), 235-248.

ASEAN Journal of Management & Innovation
Vol. 4 No. 1, 139 – 150
©2015 by Stamford International University
DOI: 10.14456/ajmi.2017.10
ajmi.stamford.edu

Examining the Relationship among SHRM Roles, Human Resource Professional and Performance of Private Hospital in Thailand

Assist. Dr. Sumittra Jirawuttinunt
Mahasarakham Business School, Mahasarakham University, Thailand
sumittra.j@acc.msu.ac.th

Abstract

The purpose of this study was to examine the relationships among strategic human resource management (SHRM) roles (strategic partner, administrative expert, employee champion, and change agent) and organizational performance through HR professional. The model was tested by using data collected from 140 private hospitals and a mail survey questionnaire as an instrument. The results of OLS regression analysis showed that SHRM roles had a significant impact on organizational performance via HR professional. In addition, administrative expert has a direct effect on organizational performance. The study contributed to managers by exploring how organizational performance could be improved by SHRM roles and HR professional. Theoretical and managerial contributions, conclusion and future research were also provided.

Keywords: Strategic Human Resource Management, Human Resource Professional, Organizational Performance

Introduction

In order to survive, it is important that organizations understand the need for change in today's dynamic business. Modern firms are engaged with new technologies, organizational structures, work systems, and improvements of working processes. Major changes relating to human resources are required to fulfill the changing world of business. The success of organization depends greatly on "human", by using the employees' knowledge, skills and capabilities in an efficient and effective way which will meaningfully contribute to achievement of the firm. Strategic human resource management (SHRM) can be seen as an essential role within the HR operation. In prior studies, strategic human resources practices create a connection between business needs and organizational activity consistent with business strategies (Walsh, Sturman & Longstreet, 2010). Crucial changes in strategic planning, reorganization and system performing are among the principal roles to be enacted by HR professionals. Moreover, SHRM roles and HR professionals tend to create values and build human capital that increases organizational competitiveness. (Lengnick-Hall, Lengnick-Hall, Andrade ,& Drake, 2009).

From an organizational point of view, academics have observed that SHRM can directly affect organizational performance (Lengnick-Hall et al., 2009; Richard & Johnson, 2001). HR professionals, by quality of their knowledge of human performance, are placed to implement strategic leadership and contribute significantly to a firm's competitive advantage. This paradigm shift concerning the value of human resources will create opportunities for the

HR function to develop a more strategic role in a firm's operation (Long & Ismail, 2008). HR roles have now emerged as strategic paradigm which has a major influence between HR function and strategy. However, few studies have assessed the implications of SHRM via HR roles. Thus, this research aimed to gain a better understanding of how SHRM roles such as strategic partner, administrative expert, employee champion, and change agent affected HR professionals and organizational performance in the context of medical business. Specifically, the study of Kabene et al., (2006) found that the relationship between human resources management and health care system is multifaceted and it revealed SHRM as something essential for health care system. Based on the discussion above, private hospitals of Thailand were chosen for this study because service strategy which generated by employees, play critical role for private hospital business success. In addition, private hospital uses SHRM roles as an excellent performance which generates superior financial returns through their medical services business (Thailand Productivity Institute, 2014).

The primary basis of the research was to investigate the relationships among strategic human resource management roles in four dimensions on organizational performance through HR professionals**.** The sequence of the research is: literature survey, details of research methods including data collection, measurement, and statistics. Subsequently, the results are unveiled and examined. Accordingly, contribution, constraints, future trends, and conclusion are provided.

Conceptual Development

A number of studies suggest that SHRM can be considered as a key approach within an active situation which leads to increase both financial and operational performance (e.g. Ngo, Lau & Foley, 2008; Nigam, et al., 2011). In order to clearly investigate the relationships among SHRM roles, HR professionals, and organizational performance, SHRM roles as independent variable are described in four dimensions of Ulrich model (strategic partner, administrative expert, employee champion, and change agent). Firstly, HR works as a partner of the firm in helping with strategy. Secondly, HR should contribute expertise in the efficient and effective performance. Thirdly, HR should work with employees to increase and ensure their ability to contribute to the organization via their competence and commitment. Finally, HR should contribute to the process of change in organization. In playing these roles, HR needs to play an active and guiding role in an organization as professional in order to add value to firm performance. In addition, there is a positive relationship between HR roles and organizational performance made by HR professionals as mediating variable (Pietersen & Englbrecht, 2005). The study of Bhatnagar & Sharma (2005) found that strategic HR roles have positive relationship with organizational learning capability that is the predictor to firm performance. By fulfilling this role, SHRM roles are very important factors related that enable HR professionals to contribute to organizational success (Long et al., 2008). Accordingly, the tool of Ulrich HRM four roles model is used as independent variable to assess HR professional as mediating variable and organizational performance as dependent variable. The conceptual framework of this research is shown in Figure 1.

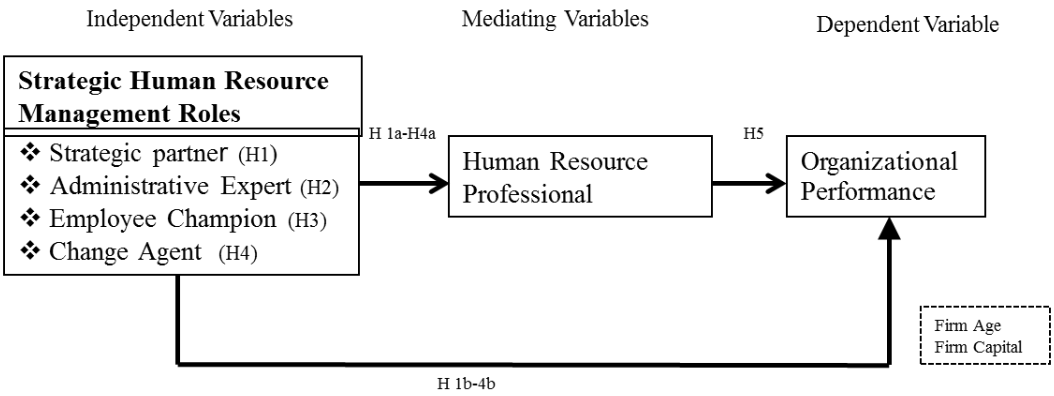


Figure 1: Conceptual Framework of SHRM Roles and the Outcomes

Strategic Human Resource Management Roles

Several researchers have defined SHRM as something having various meanings and dimensions. Huselid, Jackson & Schuler (1997) proposed that SHRM should be viewed as a critical element to foster operational efficiency and firm performance. Wright & Snell (1998) stated that SHRM is "a pattern of human resource deployments and activities intended to enable the firm to achieve goals". SHRM, as focused upon here, refers to a set of processes and activities which link people with the firm to empower the organization to achieve its goals based on the belief that organizations are man-made. In order to establish and achieve their goals, they need to depend on human expertise. In exploring the different aspects of SHRM, this research will emphasize only four SHRM roles which are based on Ulrich (1997), namely: strategic partners, administrative experts, employee champion, and change agent. These four practices were chosen because they represent some aspects of SHRM together with limited empirical studies available from a Thai perspective. With regard to the relationship between SHRM roles and organizational performance, a number of studies reveal that SHRM roles have a constructive influence on the effectiveness of an organization (Ngo, Lau & Foley, 2008; Long & Ismail, 2010; Besma, 2014). The present study investigated the possibility for SHRM roles (strategic partner, employee champion, administrative expert, and change agent) in enhancing HR professionals and organizational performance. To analyze the relationships among SHRM roles, HR professionals, and organizational performance, this research described SHRM roles in four aspects as follows:

Strategic partner refers to the participation of HR practitioners in the task of relating HR practices to business strategies that are effective in building new organizational capabilities (Ulrich, 1997). As a strategic partner, a HR manager must possess the ability to identify and implement practices that will expedite strategic business success. Strategic partnership influences HR services in a number of areas; work depiction, hiring, rewards, strategic pay, performance development, career succession planning, and development of the employees (Sharma, 2012). The study of Ulrich (1997) pointed out that the role of strategic HR is to enables the transition from business strategy to HR practice. In order to create a strategic partnership, the HR manager must focus on the work of HRM as well as business strategy in order to meet organizational goals. Panayotopoulou & Papaplexandris (2004) suggest that a partner needs professional competencies to become a strategic partner in developing an effective organization. Likewise, the study of Ahmad et al., (2014) suggests that the competencies of the HR strategic partner increase the HR professionals' effectiveness. Moreover, Padmaja & Sandhya (2015) state that the strategic partner has a positive impact on HR performance. In addition, Long & Ismail (2010) show that the strategic partner role is significantly related to firm performance. Consequently, these ideas lead to the following hypothesis:

Hypothesis 1: Strategic partner is positively associated with (a) HR professionals and (b) organizational performance.

Administrative expert refers to the capability of the HR manager to improve and apply business processes to HR functions with efficiency and effectiveness for performance goals (Darvish et al., 2012). Several researches suggest that HR experts may achieve greater performance results, due to staff performing collectively, by applying management of administrative efficiency to the business (Ulrich, 1997). In addition, Padmaja & Sandhya (2015) point out that expert HR creates infrastructure by continuously examining, evaluating, and improving the HR processes of the overall management of employees flowing throughout the organization, thus, in turn adds values to the business. Moreover, Saidi et al., (2014) pointed out that there is a positive relationship between the administrative expert role and effective work learning. In addition, Long & Ismail (2010) showed that the administrative expert role is significantly related to firm performance. Thus, these ideas lead to the following hypothesis:

Hypothesis 2: Administrative expert is positively associated with (a) HR professional and (b) organizational performance.

Employee champion can be defined as the ability of the HR manager to perceive the employees requirements and strive to comply with them so as to advance every chance of increasing employee dedication (Ulrich, 1997). Conner & Ulrich (1996) suggest that the role of the employee champion is to motivate, empower through greater responsibility and develop employee ownership of the business. Furthermore, Ulrich & Brockbank (2005) stated that the employee champion role uses knowledge and expertise in establishing the organizational atmosphere to improve competency and commitment. Likewise, Raub et al., (2006) pointed out that employee champion is one of the key roles of an HR managers competencies. Accordingly, Darvish et al., (2012) proposed that the employee champion has a relationship with HR competencies by listening and responding to employees and finding the balance between demands and resources available to the employee. Similarly, the study of Long et al., (2010) showed that the employee champion has a positive effect on the performance of the firm. Therefore, these ideas lead to the following hypothesis as follows:

Hypothesis 3: Employee champion is positively associated with (a) the HR professional and (b) organizational performance.

Change agent is defined as the capability to help the organization's employees build a capability for change that leverages firm values (Conner & Ulrich, 1996). Some researchers found that the position of the HR change agent is important (Long et al., 2008). Chanin (2014) proposes that when an organization grows, its needs a change to improve organizational creativity capability. Therefore, the HR manager must learn to understand the organizational changes and how HR can be changed to meet strategic goals. The HR manager can serve as a change agent by involving employees in the creative process for new product proposals, a process which will also result in positive financial results (Friedman, 2009). Also, Ahmad et al., (2014) revealed that the HR practitioner needs to possess certain competencies in order to play the vital role as HR professional by learning to be a change agent in the organization. The study of Choi & Khairuzzman (2008) and Long et al., (2010) found that the HR, as a change agent, is significantly related to firm performance. Accordingly, these ideas lead to the following hypothesis:

Hypothesis 4: Change agent is positively associated with (a) the HR professional and (b) organizational performance.

HR professional refers to a specialized expert who possesses the theoretical and technical knowledge of HR issues: both practical experience and the skills for managing human resources. The HR professional is a strategic asset in a vigorous and competitive environment, providing and developing a continuous competitive advantage for the firm with its ability to mesh with the constantly changing strategic requirement for human resources (Wright & Snell, 1998). Likewise, Ulrich (1998) suggest that precise competencies may be demonstrated by HR professionals to affect its performance and add value to the business. In addition, Sharma (2012) and Ahmad et al., (2014) stated that an HR professional creates a competitive advantage and improves the organization to fit in with the changing business environment. Consequently, the following hypothesis is stated:

Hypothesis 5: HR professional is positively associated with organizational performance.

Data and Methodology

1. Sample Selection and Data Collection Procedure

For this research, the population and sample of the research were 340 Thai private hospitals. The database of this research was chosen from the website of the (Department of Business Development, Ministry of Commerce, Thailand http://knowledgebase.dbd.go.th/DBD/Main/login.aspx, 5 March 2015). The crucial contributors are the HR directors or managers representing each private hospital. Questionnaires were sent to 340 private hospitals by mail. While 142 mail surveys were received, only 140 were able to be used. The response rate of 41.18%; which Aaker, Kumar & Day (2007) suggested that a mail survey response rate of 20%, without follow up, would be an acceptable figure for analyzing and testing hypotheses.

Non-response bias was tested for two independent samples. A comparison of early and late response data is recommended by (Armstrong & Overton, 1977). T-tests comparing the first 70 surveys received with the last 70 responses with four company characteristics (i.e. number of employees, number of years in business, amount of capital invested, and annual sales revenue), did not expose any outstanding differences between the two groups. Therefore, there is no apparent non-response bias posing a relevant problem within this research.

2. Variables

For the conceptual model, all of the variables, except control variables, were measured on a five point Likert scale, ranging from '1 = strongly disagree' to '5 = strongly agree'. The dependent, independent, and control variables were described below:

Organizational performance is the dependent variable in this research. It is measured by obtaining sales growth, increased profitability, market share, having outstanding service beyond a competitor, having a reputation and customer acceptance. This construct is adapted from Gilley et al., (2004). *Strategic partner* is measured by the process of linking HR practices to business strategies that are effective in building new organizational capabilities, adapted from Ulrich (1997). *Administrative expert* is measured by the capability to improve and apply business processes to HR results of efficiency and effectiveness, adapted from Darvish et al., (2012). *Employee champion* is measured by the ability of HR to understand the needs of the employees and attempt to meet those needs. It provides every opportunity to increase employee commitment, developed from Long et al., (2010). *Change agent* is measured by the ability of HR to help the organization build a capacity for change that leverages firm values, adapted from Conner and Ulrich (1996). *HR professional* is a specialized expert who possesses the theoretical knowledge, skills and practical experience in the management of HR within the organization, developed from Ahmad, Sharif & Kausar (2014). In this study, the age of a firm may impact on its ability to implement business strategies that will lead to the achievement of superior performance (Ussahawanitchakit, 2007). In addition, some literatures indicate that firm capital may affect strategic decision and firm competitiveness (Thipsri & Ussahawanitchakit, 2009). Thus, firm capital and firm age are also used as control variables.

3. Validity and Reliability

Confirmatory factor analysis has a great potential to inflate the component loadings. According to the rule-of-thumb of (Nunnally & Berstein, 1994), all factor loadings that are greater than the 0.40 cut-off are statistically significant. Furthermore, regarding scale reliability, the cronbach alpha coefficients are greater than 0.80, as recommended by (Hair et al., 2010). The scales for all measurements represent internally consistent results; therefore, they are considered acceptable for analysis due to indicating an accepted validity and reliability. Table 1 indicates the results for both factor loadings, being between 0.734-0.936 thus indicating that there is construct validity. As reliability testing, Cronbach alpha coefficients for all variables between 0.761-0.905 are considered acceptable.

Table 1: Results of Measure Validation

Items	Factor Loadings	Cronbach Alpha	Number of Items
Organizational performance (PER)	0.816-0.936	0.905	4
Strategic Partner (STA)	0.759-0.841	0.863	5
Administrative Expert (ADM)	0.803-0.888	0.877	4
Employee Champion (EMP)	0.734-0.813	0.761	4
Chang Agent (CHA)	0.838-0.865	0.865	5
HR Professional (HRP)	0.822-0.863	0.870	4

4. Statistic Test

Ordinary Least Square (OLS) is employed as the measurement of all hypotheses in this research. This is possible due to both dependent and independent variables being neither nominal data nor categorical data; therefore OLS is a fitting method of examining the hypotheses (Hair et al., 2010). Conclusively, relationships mentioned above are shown in the model shown below.

Equation 1: $HRP = \beta_{01} + \beta_1 FC + \beta_2 FA + \beta_3 STA + \beta_4 ADM + \beta_5 EMP + \beta_6 CHA + \varepsilon$
Equation 2: $PER = \beta_{02} + \beta_7 FC + \beta_8 FA + \beta_9 STA + \beta_{10} ADM + \beta_{11} EMP + \beta_{12} CHA + \varepsilon$
Equation 3: $PER = \beta_{03} + \beta_{13} FC + \beta_{14} FA + \beta_{15} HRP + \varepsilon$

Empirical Findings

1. Result of Descriptive Statistics

In this research, private hospital businesses were the unit of analysis and the key informants were executive director, HR director or HR manager of each firm. Business types in the study are limited companies (81.43 percent). Registered capital is more than 100,000,000 Baht (35.00 percent). Most of the hospital in the study, employees are more than 250 persons (57.86 percent). Most of the hospital sizes in the study are 101-200 beds (42.14 percent). The average sales revenues per year are more than 200,000,000 Baht (55.00 percent). The period of time in operation, are mostly more than 20 years (70.00 percent).

Table 2 shows the descriptive statistics and correlation matrix of the variables. By employing Pearson's correlation coefficient, it can calculate the level of linear association between all pairs of variables as shown in Table 2. Regarding potential problems of multicollinearity, all the correlation coefficients of independent variables are measured at less than 0.8, therefore there is no significant problem of multicollinearity of the independent variables in this model (Hair et al., 2010). Moreover, within the value of 10 as recommended by Hair et al. (2010), the VIF result was 1.056 – 3.194, indicating no correlation of the independent variables with each other. Finally, this means that there are no substantial multicollinearity problems indicated within this study.

Table 2: The correlation matrix of all variables in the regression analysis.

Variables	STA	ADM	EMP	CHA	HRP	PER
MEAN	4.320	4.110	4.241	4.137	3.832	3.733
S.D	0.524	0.622	0.550	0.537	0.587	0.553
STA						
ADM	.554**					
EMP	.711**	.511**				
CHA	.576**	.733*	.700**			
HRP	.413**	.531**	.570**	.571**		
PER	.392**	.463**	.438**	.466**	.645**	

**. $p < 0.01$, * $p < 0.05$

2. Effect of SHRM Roles and the Outcomes

Table 3 exhibits the OLS regression analysis of SHRM roles (strategic partner, administrative expert, employee champion, and change agent) on HR professional and organizational performance. The finding shows that strategic partner has no significant effects on HR professional ($b_3 = 0.134$, $p > 0.05$) and organizational performance ($b_9 = -0.080$, $p > 0.05$). The unaccepted result of strategic partner on consequence linkages can be explained by the research of Gilley et al., (2004) which states that effectiveness of strategic partner may be achieved in a long run. In addition, this finding may be described by the study of Long et al., (2008) which states that HR strategic partner does not impact HR professional in manufacturing company in Malaysia due to the two barriers pertaining to having no time to address strategic issues and lack of knowledge in strategy and specific competencies. Moreover, Lemmargard (2009) found that HR strategic partner does not increase productivity because it is not a main business focus which only brings little impact on organizational performance. *Thus,* ***Hypotheses 1a and 1b are not supported.***

Secondly, the results in Table 3 indicate that administrative expert has significant positive effects on HR professional ($b_4 = 0.273$, $p < 0.01$). In this sense, prior research suggests that administrative expert plays the most vital role in HR function because most of HR functions are done by administrative experts (Saidi et al., 2014). To complete strategic management, the administrative work must be done by HR professional. To sum up, HR in the role of administrative expert is positively related with HR professional (Long & Ismall, 2010). Thus**,** ***Hypothesis 2a is supported.*** Furthermore, the findings reveal that administrative expert has significant positive effects on organization performance ($b_{10} = 0.280$, $p < 0.05$) consistent with Long & Ismall (2010) who find that administrative expert role is significantly related to firm performance. Thus, ***Hypothesis 2b is supported.***

Thirdly, the results in Table 3 show that employee champion has significant positive effects on HR professional ($b_5 = 0.400$, $p < 0.01$). This result is consistent with prior study asserting that increased employee contributions are the product of HR professional (Ulrich, 1998). In addition, HR manager tends to focus on the needs of employees, attempt to meet these needs, and provide every opportunity to increase employee commitment by spending time with employee as important assets. Thus, ***Hypothesis 3a is supported.*** However, the results show that employee champion has no effect on organizational performance ($b_{11} = 0.185$, $p > 0.05$). Conversely, the unexpected finding is similar to Long et al., (2012) who reveals that employee champion has no direct effect on organizational performance. Likewise, prior literature suggests that HR needs certain competencies such as business skills to execute strategy by spending more work time for effective management of employee (Inyang et al., 2014). Most structures of private hospitals in Thailand are based on moving HRM to SHRM so it may take some more time to gain efficiency and effectiveness. Thus, ***Hypothesis 3b is not supported.***

Fourthly, the findings reveal that change agent has significant positive effects on HR professional ($b_6 = 0.194$, $p < 0.05$) which is similar to Darvish et al., (2012) who claims that change agent has a relationship with HR professional. Thus, ***Hypothesis 4a is supported.*** However, the results found no associations between change agent and organizational performance ($b_{12} = 0.143$, $p > 0.05$). According to the results of previous literature of Namasivayam & Denizci (2006), service industry should recognize that employees have a key impact on added value and service quality instead of being simply deliverers of the product so change process in service is more complex than in product. From the results, it implies that change agent has an indirect effect on organizational performance via HR professional. Thus, ***Hypotheses 4b is not supported***.

More importantly, the results in Table 3 assert that HR professional has significant positive effect on organizational performance (b_{15}= 0.614, p< 01). The results of the research support previous works suggesting that HR professional has an impact on organizational performance (Inyang & Akaegbu, 2014). ***Therefore, Hypothesis 5 is strongly supported.***

For two control variables, firm capital and firm age has no statistically significant effects on HR professional ($b_1 = 0.094$, $p > 0.05$, $b_2 = 0.039$, $p > 0.05$) whereas firm capital has significant positive effects on organizational performance ($b_7 = 0.503$, $p < 0.05$). As a result, this means that the firm capital has an impact on the relationship between SHRM and HR professional. Additionally, this research find that firm capital has significant positive effect on relationship between HR professional and organizational performance ($b_{13} = 0.478$, $p < 0.01$) as well.

In this research, it has been implication that HR professional in private hospital in Thailand seem still weak in their roles as strategic partner but quite strong in administrative expert and employee champion. To overcome this problem, company should allow them play a more strategic role in organization and give an opportunity to become involved in the process of setting corporate goals and policy planning. This can allow HR to play more strategic roles by linking HR policies to business strategy. In addition, the company should upgrade HR competencies in area of business such as marketing skills and operation management knowledge. Moreover, the HR professionals need to proactive and should not think that they play only a supportive role but also their responsibility can improve firm performance.

Table 3: The Results of Regression Analysis for Effects of SHRM Dimensions on Its Consequences Constructs[a]

Independent Variables	Dependent Variable		
	1	2	3
	HRP	PER	PER
H1 : Strategic Partner (STR)	-0.134.	-0.080	
	(.105)	(.112)	
H2 : Administrative Expert (ADM)	0.273**	0.280*	
	(.102)	(.109)	
H3 : Employee Champion (EMP)	0.400**	0.185	
	(.110)	(.118)	
H4 : Change Agent (CHA)	0.194*	0.143	
	(.113)	(0.126)	
H5 : HR Professional			0.614**
			(0.063)
FA	.094	0.041	0.015
	(.074)	(.081)	(0.070)
FC	.039	0.503**	0.478**
	(.145)	(0.156)	(0.127)
F	11.146	9.974	40.798
Adjusted R^2	0.398	0.305	0.462
VIF	3.151	3.194	1.056

[a]Beta coefficients with standard errors in parenthesis, ** p < 0.01, *p <0.05

Summary

With respect to the main research question, the empirical results indicated that SHRM roles (strategic partner, administrative expert, employee champion, and change agent) had a positive impact on HR professional and organizational performance both direct and indirect linkage. Administrative expert directly impacted the organizational performance of private hospital in Thailand whereas strategic partner had no effect on the relationships. On the other hand, employee champion, and change agent had an indirect effect on organizational performance through HR professional. Furthermore, it found that employee champion was considered the most important dimensions which can explain the effect of HR professional. Based on these results, it follows that the optimal procedure for medical service companies of Thailand was to focus on the three components of SHRM roles in order to increase organizational performance. In addition, CEOs should give HR personnel an opportunity to become involved in the process of setting corporate goals and policy. In addition, CEOs should get HR personnel involved in the operation meetings in order to understand more fully the operation needs in the company. Likewise, HR professional must start learning to work effectively with other department managers in order to achieve organizational goal. HR professionals need to proactive and should not think that they play only a supportive role but also their responsibility can improve firm performance. The results of the study support the notion that firms which actively cultivate and increase their SHRM are likely to obtain HR professional and organizational performance. Our findings suggest important implications for firms to describe SHRM as the major driver of corporate performance. To explain widely, a further study may consider comparative studying SHRM roles between public and private hospital. In summary, this research contributes significantly that administrative expert of SHRM is directly linked to organizational performance, thus, the executives should clearly improve human resource roles such as administrative expert for gaining superior performance.

References

Aaker, David A., Kumar, V. & Day, George S. 2007. 9th ed. *Marketing research*. John Wiley & Sons, New York, NY

Ahmad, A., Sharif M.Y. & Kausar, A.R. 2014. HR professionals' competencies and performance in the banking sector of Pakistan. *World Applied Sciences Journal,* 31(12): 2001-2009.

Allan, P. 2002. The contingent workforce: challenges and new directions. *American Business Review*, 20(12): 103-11.

Armstrong, J., Scottand, O. & Overton, T.S. 1977. "Estimating non-response Bias in mail surveys", *Journal of Marketing Research*, 14(3): 396-402.

Barney, J.B. 1991. Firm resources and sustained competitive advantage. *Journal of Management*, 17: 99-120.

Besma, A. 2014. Strategic human resource management and its impact on organizational performance. *Valahian Journal of Economic Studies*, 5(19).

Chanin, P. Organizational creativity capability and firm performance : a conceptual paper. *International Journal of Business Research*, 14(3) : 17-60.

Choi, S.L; & Khairuzzaman, W.I. 2008. Malaysian perspective of strategic HR roles in the manufacturing sector. *Journal of International Business and Entrepreneurship*, 13(2):1-18

Colbert, B.A. 2004. "The Complex resource-based view: implications for theory and practice in strategic human resource management". *Academy of Management Review*, 29(3): 341–58.

Conner, J. & Ulrich, D. 1996. Human resource roles: Creating value, not rhetoric. *Human Resource Planning,*19(3): 38-49.

Darvish, H., Mogheli, A., Mousavi, M. & Panahi, B. 2012. Competencies of human resources and its relationship with strategies of human resources and business in Petrochemical National Company. *General Management Research*. 5(17) : 29- 49.

Friedman, B. 2009. Human resource management role implications for corporate reputation. *Corporate Reputation Review*, 12: 229-244.

Gilley, J.W., Eggland, S.A. & Gilley, A.M. 2002. *Principles of Human Resource Development*, (2nd ed) Cambridge: Perseus Publishing.

Hair, J. F., Black, B. B., Anderson, R. & Tatham, R. L. 2010. *"Multivariate Data Analysis*, Pearson Education, New Jersey, NJ.

Huselid, M. A., Jackson, S. E. & Schuler, R. S. 1997. Technical and strategic human resources management effectiveness as determinants of firm performance. *Academy of Management Journal*, 40(1) : 171.

Inyang. B, & Akaegbu. A. 2014. Redefining the role of the human resource professional (HRP) in the Nigerian public service for enhanced performance. *International Journal of Business Administration*, 5(1): 90 – 98.

Kabene, S. M., Orchard, C., Howard, J.M., Soriano, M.A.1 and Leduc, R. 2006. The importance of human resources management in health care: a global context. *Human Resources for Health*, 4(20) : 1-14

Lemmergaard, J. 2009. From administrative expert to strategic partner. *Employee Relations* , 312: 182-196.

Lengnick-Hall, M., Lengnick-Hall, C., Andrade, L. & Drake, B. 2009. Strategic human resource management: The evolution of the field. *Human Resource Management Review*, 19 : 64-85.

Long, C. S., & Ismail W. K. 2008. Understanding the relationship of HR competencies & roles of Malaysian human resource professionals. *European Journal of Social Sciences*, 7 (1), 88-103.

Long, C. S. & Ismail, W.K. 2010. Readiness of Malaysian human resource professionals to be a strategic partner. Intangible Capital : 26-50.

Long, C.S., Ismail, W. K. & Amin, S.M. 2012. The role of change agent as mediator in the relationship between HR competencies and organizational performance . *The International Journal of Human Resource Management*, 24(10): 2019-2033.

Ngo, H., Lau, C & Foley, S. 2008. Strategic Human Resource Management, Firm Performance and Employee Relations Climate in China. *Human Resource Management*, 47(1) : 73-90.

Nigam, A., Nongmaithem, S., Sharma, S. & Tripathi, N. 2011. The impact of strategic human resource management on the performance of firms in India. *Journal of Indian Business Research*, 3(3): 148-167.

Nunnally, J. C. & Bernstein, I. H. 1994. *Psychometric Theory*. New York : McGraw-Hill.

Padmaja & Sandhya. 2015. HR manager as strategic partner – challenges and prospects in the Indian Scenario. *International Journal of Engineering and Management Research*. 5(10) : 1-7.

Panayotopoulou, L. & Papalexandris, N. 2004. Examining the link between human resource management orientation and firm performance. *Personnel Review* , 33(5/6): 499.

Raub, S., Alvarez, L. & Khanna, R. 2006. The different roles of corporate and unit level human resources managers in the hospitality industry. *International Journal of Contemporary Hospitality Management*, 18(2): 135-144.

Richard, O. C. & Johnson, N. B. 2001. Strategic human resource management effectiveness and firm performance. *International Journal of Resource Management*. 12(2) : 299-310.

Saidi, M.I., Mansor,N., Anvari,R. & Hassan, M.A. 2014. Defining HR roles of nursing line manager in workplace learning. *Procedia - Social and Behavioral Sciences*, 129 148 – 155

Sharma, A. 2012. Impact of human resource accounting on organizational performance. IOSR *Journal of Business and Management*, 5(1): 25-31.

Thailand Productivity Institute, 2014. Criteria for Thailand Quality Award (2010).-(2011). [online] Available from : http://www.tqa.or.th/th/node/99. [accessed 25 March2014].

Thipsri, N. & Ussahawanitchakit, P. 2008. Effects of Technological Capability on New product Development and Export Performance: An Empirical Research of Exporting Cosmetics Business in Thailand. *International Journal of Strategic Management*, 8(2): 1-14

Ulrich, D. 1997. The human resource champions. The nest agenda for adding value and delivering results, Boston: Harvard Business Review Press.

Ulrich, D. 1998. A new mandate of human resources. *Harvard Business Review*, 41(1): 124-134.

Ulrich, D. & Brockbank, W. 2005. *The HR value proposition*. Boston, MA: Harvard Business School Press.

Ussahawanitchakit, P. 2007. "The influences of management capability on export performance of leather businesses in Thailand", *Review of Business Research*, 7(5): 1-10.

Walsh, K., Sturman, M.C. and Longstreet, J. 2010. *Key issues in strategic human resources.* [online] Available from: http://scholarship.sha.cornell.edu/cgi/viewcontent.cgi?article=1244&context=articles [accessed 18 December 2015]

Wright, P.M., & McMahan, G.C. 1992. Theoretical perspectives for strategic human resource management. *Journal of Management*, 18(2): 295-320.

Wright, P. M. & Snell, S. A. 1998. Toward a unifying framework for exploring fit and flexibility in strategic human resource. *Academy of Management Review*, 23(4): 756-772.

Wright, M. P.; Benjamin B. D.; Scott A. S. 2001. Human resources and the resource based view of the firm. *Journal of Management*, 27: 701-721.

ASEAN Journal of Management & Innovation
Vol. 4 No. 1, 151 – 159
©2015 by Stamford International University
DOI: 10.14456/ajmi.2017.11
ajmi.stamford.edu

Exploring Sources of a University's Awareness and Contact Channels Used among Prospective Students: A Case Study of a Private University in Thailand

Thittapong Daengrasmisopon
Faculty of Business and Technology
Stamford International University, Thailand
thittapong.daengrasmisopon@stamford.edu

Abstract

The intensity of competition for new student enrollments at both undergraduate and postgraduate levels has increased greatly among private higher education institutions in Thailand in recent years. This study explored the effective sources of a university's awareness and the contact channels used by 400 prospective undergraduate and postgraduate students who expressed their interest to apply to one private university in Thailand, which will be kept anonymous in this specific study. The results indicate that online searching/browsing was the most common awareness source in general, but especially for the postgraduate group, whereas high school activities was mentioned as the most significant source by the undergraduate group. The study results also pointed out that the university's website was the most common channel that was used to make contact for the postgraduate group, whereas most of the undergraduate prospects first contacted the university during the school-visit activities undertaken by the university marketing and admissions teams. The conclusion presents several suggestions for Thai universities to be able to use, in order to gain positive results in their future marketing and sales activities.

Keywords: Consumer behavior; information sources; higher education; educational management; service marketing; Thailand

Background

Public and private universities in Thailand are facing challenges due to the decline in student enrollments according to Mala (2016) and Study International (2016). Thailand had the highest participation rate in tertiary education among countries with a similar income level, for almost fifteen years, during 1999-2012 (OECD/UNESCO, 2016). The total market size of Thai higher education, including tuition fees, service fees, thesis registration and research fees, was estimated to be circa 50.5 billion Thai Baht or 1.49 billion USD in 2007 (Kasikorn Research Center, 2010). As for the market share, public universities represented 72 percent and private universities held 28 percent of the total higher education market (Kasikorn Research Center, 2008). However, in 2015, among the 170 universities in Thailand offering 4,100 programs which could have accepted 156,216 students in total, the actual figure achieved meant that there were merely 105,046 applicants, based on the entrance exams (Mala, 2016; Study International, 2016). One could argue that this significant drop in numbers will more than likely lead to more intense competition for new enrollments among Thai higher education institutions in the near future. The long-term outlook of the significant decline in demand for university places was also predicted by the National Economic and Social Development Board (NESDB), which is the national economic planning agency in Thailand, as the population of school-age pupils will steadily drop from 62.3 percent to 20 percent of the total population by 2040 (Study International, 2016), which is in just over twenty years time.

Private universities could well suffer a more directly negative impact from the predicted increasing demand shortage. For example, the study of Kitsawad (2013) stated clearly that public universities were considered – by Thai students from both private and public high schools – as being the most important in their choice of higher education, when compared to private universities or affiliated institutes to religious organizations. The findings were also in line with MBA students who also noted that they preferred public universities to private universities, especially from the 'credibility' perspective (Tothamcharean, 2013). Marginson (2006) described a typical segmentation of competition in national higher education systems into three broad segments, namely: 1) "elite research universities"; 2) "aspirant research universities"; and 3) "teaching-focused universities", where the institutions in the third segment tended to be student-volume and revenue-income driven. Most of the Thai private universities would fit into the third category, as was indicated by the private university students' opinions about the competitive direction of their universities, where the majority of the students (69.8 percent) believed that their own university was mainly aimed towards only the teaching focus (Kaewsantia, 2013).

To cope with the challenges that are clearly lying ahead for private universities, Maringe & Mourad (2012) indicated a marketing concept, applied from what was created by Kotler (2003), for the higher education institutions, into four specific perspectives: 1) a production view (access & availability); 2) a product view (excellence & superiority); 3) a customer needs view (relevance); and 4) a social justice view (justice, equity ethics, sustainability), to help define university value propositions. The Kasikorn Research Center (2010) also predicted that institutions in the higher education business would compete in terms of product differentiation in far more clearly defined areas of expertise within their own capabilities. For example, technology, engineering, business administration, or communication arts would promote themselves with their unique selling propositions. One of the relevant marketing perspectives for a university to achieve its enrollment objective would be to look at the view of the decision process (Simões & Soares, 2010). According to Kotler & Keller (2012), the consumer buying process entails five different stages, as presented in *Figure 1* below.

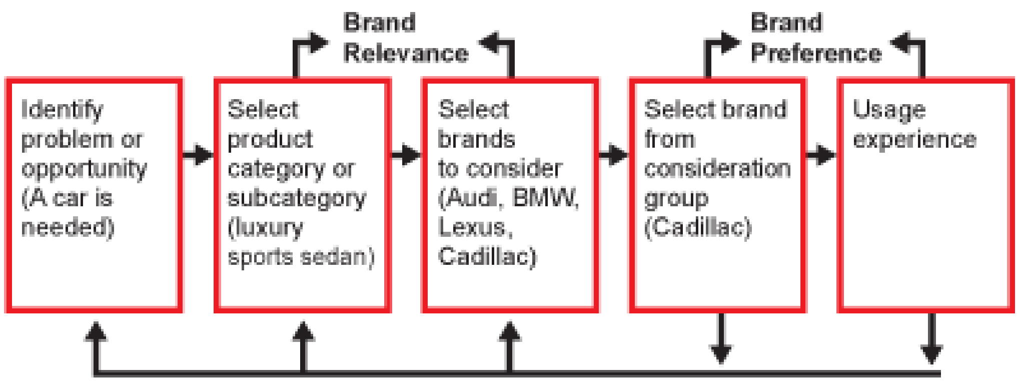
During Stage 2, the information search stage, consumers may actively find information by using various sources, including personal, commercial, public, or experiential sources (Kotler & Keller, 2012). Further research by Iacobucci, Shannon, & Grigoriou (2015) also simplified the purchase process into three distinctive stages, namely: 1) "pre-purchase"; 2) "purchase"; and 3) "post-purchase". The pre-purchase stage involves identifying the needs or wants, searching possible solutions, and building certain set considerations (Iacobucci, et al., 2015). Therefore, the "problem-recognition" or "pre-purchase" stage can be a very important stage for higher education as it is a very "high-cost, high-involvement product" (Franco, 2015; Gopalan, Pagiavlas, & Jones, 2008).

Figure 1: Five-Stage Model of the Consumer Buying Process

Source: Kotler & Keller (2012)

High-involvement buying decisions often require an immense need of pre-purchase detailed information, because they involve very significant purchases where consumers feel a greater risk if the products do not perform precisely as they had initially expected (Hunt & Mello, 2015). Furthermore, Aaker (2004, 2011) created the Brand Relevance Model in the context of consumer-brand interaction, as illustrated in *Figure 2* below, when consumers tend to select a specific category/sub-category and then identify a set of relevant brands to consider. The main challenges for a private university is how to manage its visibility when a prospective student is in search for some detailed study information – and also how to become one of the universities in the student's consideration mind-set for either their undergraduate or postgraduate program of choice.

Figure 2: Consumer-Brand Interaction.



Source: Aaker (2004)

Simões & Soares (2010) discovered in their research results that, among marketer-controlled materials, the 'university website' was the most used information source when potential students evaluate a university to attend, whilst inter-personal sources ('former/current university students' and 'teachers') and the third-party independent information sources ('media/publicity' and 'secondary school counsellors') were mentioned by some students as the most commonly used sources. Kitsawad (2013), also found that high school students looked for information from websites, at exhibition booths, and campus visits by themselves. Nonetheless, Teerakul, Kaewsomboon, Sengseedam, Deeyai, & Watthanamathawee (2013) revealed that graduate students from different education levels had different opinions about public relations and promotion factors when deciding to enroll for their post-graduate studies.

Methodology

The main objective of this paper was to identify the main sources of information that prospective students used to seek relevant information about private universities, in order to make a definite tertiary education degree choice. Further, this study explored and discussed the differences between the main information sources used and the first channels of contact for undergraduate and postgraduate prospective students for future use by private higher education institutions in Thailand.

All the research data was collected in July 2016 from 400 respondents who had applied to one private university in Thailand. This methodology was undertaken in order to reach out to the prospective students of the university based on the list of applicants, as this approach covered a relatively short period of time and was far less costly than what face-to-face interviews would have created (Sekaran & Bougie, 2013; Wilson, 2014; Zikmund, Babin, Carr, & Griffin, 2013). The applicants had agreed to participate in a telephone interview for the study. The two main questions that were asked were the following:

1. Sources of awareness: *"How did you hear about the university?"* (Multiple answers).
2. First channel of contact: *"How did you first get in contact with the university?"* (Single answer).

In addition to this, pre-listed answer choices to each question were developed and coded for the telephone interviews, which were based on the university's available sources of awareness and channels of contact. Any of the respondents' answers that did not fit in with the initial list were also recorded and analyzed.

In order to understand the differences between the undergraduate and postgraduate groups, an equal quota (50:50) was determined for the total sample. To explore the differences in the sources of awareness and the first chosen channel of contact that were used between the two groups of the education level of interest, (i.e. the undergraduate or postgraduate), the column proportion technique was used, to test the differences between the two category data proportions. The two category groups were then tested with the Z-test to identify the differences of the proportions when the sample size was 30 or higher and the T-test was used when the sample size was less than 30 (Zikmund, Babin, Carr, & Griffin, 2013).

Key Findings

The primary sources of the university's awareness, as depicted in *Table 1* below, shows that the "search/browse the Internet" seemed to be the most significant source of awareness of the university in general for all the candidates who were interviewed, at 55.5 percent. The second and third most mentioned sources were "the university provided information at my school" at 31.5 percent, and "recommendation from family members/relatives/friends/fellow students" at 22.5 percent among the total sample of 400 responses. However, some interesting differences in the key sources that were used between the prospective undergraduate and postgraduate students were also identified.

Table 1: Sources of the University's Awareness*

		Education Level of Interest	
	Total	**Undergraduate (A)**	**Postgraduate (B)**
QUESTION: "How did you hear about the university?"			
NUMBER OF RESPONDENTS	400	200	200
SOURCES OF AWARENESS	%	%	%
Search / browse the Internet	55.5	42.0	69.0 A
Online advertisement	14.5	13.0	16.0
Social media	18.0	11.0	25.0 A
Recommendation from family members / relatives / friends / fellow students	22.5	17.0	28.0 A
Recommendation from school / teachers	3.3	6.0 B	0.5
Recommendation from the alumni / professors / students at the university	5.5	6.5	4.5
Recommendation from education agent / consultant	1.0	2.0 B	-
The university provided information at my school	31.5	62.0 B	1.0
The university's open house activity	4.5	5.0	4.0
The university's English camp activity	1.0	1.5	0.5
Other events / activities by the university	3.5	1.0	6.0 A
I live / work near the campus	7.8	3.5	12.0 A
The university's advertisement – TV, radio, newspapers, magazines, billboards etc.	5.8	3.5	8.0
Others	1.0	1.0	1.0

*The respondents could provide multiple answers. The final percentage numbers were calculated and rounded up to single decimal numbers. Therefore, a sum of percentage numbers in each column is greater than 100. "Others" included "guidance information at school" and "direct inquiry / direct application at the university".

Amongst the undergraduate prospective students, the most frequently mentioned source of awareness of the university was nonetheless: "the university provided information at my school" at 62.0 percent and was significantly different from that of the postgraduate prospective group, which reached 95 percent confidence level. The "search/browse the Internet" became second at 42.0 percent, followed by: "recommendation from family members/relatives/friends/fellow students" at 17.0 percent.

The sources of awareness among the postgraduate prospective students also had some different characteristics. In consistence with the total sample, the most mentioned source of awareness from the postgraduate prospects was: "search/browse the Internet" at 69.0 percent and was significantly different from that of the undergraduate prospective group, which was 95 percent confidence level. Nevertheless, the next two most frequently mentioned sources were: "recommendation from family members/relatives/friends/fellow students" at 28.0 percent and "social media" at 25.0 percent, both of which were significantly different from those of the undergraduate prospective group, at 95 percent confidence level.

Table 2: First Channels of Contact with the University*

		Education Level of Interest	
	Total	**Undergraduate (A)**	**Postgraduate (B)**
QUESTION: "How did you first get in contact with the university?"			
NUMBER OF RESPONDENTS	400	200	200
FIRST CHANNEL OF CONTACT	%	%	%
I looked up the university's website	38.5	27.0	50.0 A
I came to the campus to contact the university by myself	9.3	6.5	12.0
I sent message to the university via telelphone (such as SMS or LINE)	2.0	2.0	2.0
I made an inquiry via the university's website	0.5	0.5	0.5
I made an inquiry via the university's social media channels (such as Facebook)	4.3	2.0	6.5 A
I sent email to the university staff	3.3	-	6.5 A
I called to the university staff	10.0	6.0	14.0 A
I attended the university's presentation	0.8	1.0	0.5
I attended the university's open house activity	1.0	1.5	0.5
I attended the university events with students, alumni, faculty or university representatives	1.3	2.5 B	-
I visited the university campus for classroom introduction or campus tour	2.0	3.0	1.0
I attended the school visit activity with the university	24.0	47.5 B	0.5
I attended the office visit activity with the university	0.5	-	1.0
I visited the admission booth from the university	0.3	-	0.5
I attended other events/activities organized by the university	2.0	-	4.0 A
The university contacted me by phone	0.5	0.5	0.5

*Each of the respondents could provide only one answer. The percentage numbers were calculated and rounded up to single decimal numbers. Therefore, a sum of percentage numbers in the "Total" column is slightly greater than 100.

The results in *Table 2* shows further findings when regarding the second main question to understand the first channel of contact with the university that was used among prospective students. Overall, the top-three most frequently mentioned channels from the total sample offered were these: 1) "I looked up the university's website" (38.5 percent); 2) "I attended the school visit activity with the university" (24.0 percent); and 3) "I called the university staff" (10.0 percent). When looking at each undergraduate or postgraduate prospective group, however, there were also differences in the first channel of contact that was used.

For the undergraduate prospects' the most frequently mentioned channel was: "I attended the school visit activity with the university" (47.5 percent) which was significantly different from that of the postgraduate prospective group, which reached 95 percent confidence level. The university's website was also the second most mentioned channel by undergraduate prospects (27.0 percent). On the other hand, the most frequently mentioned first channel among the postgraduate prospective students was: "I looked up the university's website" (50.0 percent), followed by "I called to the university staff" (14.0 percent). Both were significantly different from that of the undergraduate prospective group, being at 95 percent confidence level.

Conclusion & Suggestions

From the findings regarding the sources of awareness that were used, the prospective undergraduate students who were interviewed still relied on information from personal sources via universities' school visits and their membership groups, including family and friends, which is in line with the groups of information sources described by Kotler & Keller (2012). However, simultaneously, they still sought for information from commercial sources via an online search. Amongst the prospective postgraduate students, the major source of information would be commercial sources by searching/browsing the Internet to find appropriate university choices for them. The research results showed that they also looked for information from family and friends to a much lesser extent when compared to what the undergraduate prospects undertook. The results of both the sources of awareness and the first contact channel that was used, pointed out a difference from previous research undertaken by Simões & Soares (2010) where the 'university website' was ranked as the most commonly used information source when specifically comparing only undergraduate prospective students.

The key findings of this research project suggests that, in order to become effective in a prospective student's consideration mind-set, especially during the pre-purchase/pre-enrollment decision process stage, the private higher education institutions in Thailand should emphasize the right channels or touch-points that are the most relevant to each target group. This will enable them to become both effective and efficient to become a successful recruiter of future students, for both undergraduate and postgraduate degree programs on offer.

To gain attention and awareness from prospective undergraduate students, private universities should create prominent communication messages with a relevant value proposition via the high school visiting activities. As such, the well-trained university promoters and suitable marketing materials, with attractive designs and compelling messages, and interesting on-site school activities will be able to attract the immediate attention of prospective students, so these areas are highly recommended to be implemented for future recruitment. For both prospective undergraduate and postgraduate groups, the private higher education institutions should focus on and invest in its online presence. Lastly, to draw more attention from postgraduate prospects in particular, the private universities in Thailand should also focus on promoting recommendations from family and friends who are alumni or present students, in parallel with their online marketing programs.

It must be noted that this research study still holds a generalizability limitation in its nature of an exploratory study (Sekaran & Bougie, 2013) by using just one private university in Thailand. However, regardless of that, it directionally explored several effective ways for the university to reach prospective students seeking either an undergraduate or postgraduate degree program in Thailand's context. As such, the study results also suggests some very plausible possibilities for the future investigation and discussions about online marketing and school partnership strategies which could enable the university's ability to enhance the awareness and consideration of the private universities in Thailand, or other market areas with a similar construct.

References

Aaker, D. A. (2004, June 1). *The Innovator's Prescription: The Relevance of Brand Relevance*. Retrieved January 20, 2017, from Strategy+Business: http://www.strategy-business.com/article/04207?gko=c1de7

Aaker, D. A. (2011). *Brand Relevance: Making Competitors Irrelevant* (1st ed.). San Francisco: Jossey-Bass.

Franco, A. (2015). Evaluation and strategic development within the brand management of an international MBA program. *ASEAN Journal of Management & Innovation, 2*(1), 19-29.

Gopalan, S., Pagiavlas, N., & Jones, T. (2008). Branding MBA programs: Are they sufficiently related to an institution's strategy? *Proceedings of the Allied Academies, 15*(2), 372-376.

Hunt, C. S., & Mello, J. E. (2015). *Marketing* (1st ed.). New York: McGraw-Hill.

Iacobucci, D., Shannon, R., & Grigoriou, N. (2015). *Marketing Management in Asia.* Singapore: Cengage Learning.

Kaewsantia, R. (2013, February 7). A study of factors influencing the development of competitive advantages of private universities in Thailand (Master's thesis, Stamford International University, 2013).

Kasikorn Research Center. (2008, May 26). *Higher Education, 2008: Competition Up for Market Share of THB50 billion.* Retrieved January 19, 2017, from K-Econ Analysis: https://www.kasikornresearch.com/EN/K-EconAnalysis/Pages/ViewSummary.aspx?docid=15126

Kasikorn Research Center. (2010, April 1). *Higher Education in Thailand.* Retrieved January 19, 2017, from K-Econ Analysis: https://www.kasikornresearch.com/EN/K-EconAnalysis/Pages/ViewSummary.aspx?docid=31395

Kitsawad, K. (2013, April 23). *An investigation of factors affecting high school student's choice of university in Thailand.* Retrieved January 17, 2017, from University of Wollongong Research Online: http://ro.uow.edu.au/cgi/viewcontent.cgi?article=4783&context=theses

Kotler, P. (2003). *Marketing Management, International Edition* (11th ed.). New Jersey: Pearson.

Kotler, P., & Keller, K. L. (2012). *Marketing Management, Global Edition* (14 ed.). Harlow: Pearson.

Mala, D. (2016, June 13). *Unis facing student shortage.* Retrieved January 19, 2017, from Bangkok Post: http://www.bangkokpost.com/learning/advanced/1008885/unis-facing-student-shortage

Marginson, S. (2006). Dynamics of national and global competition in higher education. *Higher Education*, *52*(1), 1-39.

Maringe, F., & Mourad, M. (2012). Marketing for Higher Education in Developing Countries: emphases and omissions. *Journal of Marketing for Higher Education, 22*(1), 1-9.

OECD/UNESCO. (2016). *Education in Thailand: An OECD-UNESCO Perspective, Reviews of National Policies for Education.* Paris: OECD Publishing. doi:http://dx.doi.org/10.1787/9789264259119-en

Sekaran, U., & Bougie, R. (2013). *Research Methods for Business: A Skill-Building Approach* (6th ed.). West Sussex: John Wiley & Sons.

Simões, C., & Soares, A. M. (2010). Applying to higher education: information sources and choice factors. *Studies in Higher Education*, *35*(4), 371-389.

Study International. (2016, June 13). *Thai universities in 'crisis' as student enrollments decline.* Retrieved from Study International: https://www.studyinternational.com/news/thai-universities-in-crisis-as-student-enrollments-decline/

Teerakul, S., Kaewsomboon, W., Sengseedam, S., Deeyai, S., & Watthanamathawee, S. (2013). Factors influenced the decision to study the graduate level at Thaksin University. *Journal of Education Thaksin University*, *13*(2), 48-60.

Tothamcharean, P. (2013, March 10). *Factors affecting study choices for Master of Business Administration programs of public and priviate universities.* Retrieved January 19, 2017, from Repository@RMUTT: http://www.repository.rmutt.ac.th/bitstream/handle/123456789/994/132375.pdf?sequence=1

Wilson, J. (2014). *Essentials of Business Research: A Guide to Doing Your Research Project* (2nd ed.). London: SAGE Publications.

Zikmund, W. G., Babin, B. J., Carr, J. C., & Griffin, M. (2013). *Business Research Methods, International Edition* (9th ed.). South-Western: Cengage Learning.

January - June 2017 ASEAN JOURNAL OF MANAGEMENT & INNOVATION

ASEAN Journal of Management & Innovation
Vol. 4 No. 1, 160 – 171
©2015 by Stamford International University
DOI: 10.14456/ajmi.2017.12
ajmi.stamford.edu

Antecedents of Employee Creativity Management Capability: Empirical Evidence from Furniture Exporting Businesses in Thailand

Pattarika Chinchang
Mahasarakham Business School, Mahasarakham University, Mahasarakham, Thailand
a_pattarika@hotmail.com
Karun Pratoom
Mahasarakham Business School, Mahasarakham University, Mahasarakham, Thailand
karun.p@acc.msu.ac.th
Prathanporn Jhundra-indra
Mahasarakham Business School, Mahasarakham University, Mahasarakham, Thailand
prathanporn.j@acc.msu.ac.th

Abstract

Employee creativity management capability is an organization's ability to encourage employees to generate critical thinking, develop behavioral patterns, improve functional task performance, and effectively solve problems which are considered the most important driving forces of business success. The purpose of this study was to investigate the relationships among vision for proactive operations, top management support, organizational learning culture, continuous environmental change and employee creativity management capability. Data were collected through questionnaires distributed to 139 managing directors or managing partners of furniture exporting businesses in Thailand. The multiple regression analysis was used to verify hypotheses. The results highlight that top management support, organizational learning culture, and vision for proactive operations had a positive and significant effect on employee creativity management capability, respectively. Theoretical and managerial contributions, conclusion and suggestions for future research are provided in details.

Keywords: Employee Creativity Management Capability, Vision for Proactive Operations, Top Management Support, Organizational Learning Culture, Continuous Environmental Change

Introduction

In today's dynamic and competitive business environment, many organizations confront both internal and external environments that are radically changing. In order to survive under such circumstances, one of the important factors in running a business is managing employees' creativity (Yang, Lee and Cheng, 2016). Employee creativity can help an organization create unique business strategies as well as distinctive organizational capabilities which play a vital role in response to increasing effectiveness and efficiency to develop new product and service to build or sustain a competitive advantage (Amabile and Pillemer, 2012). Building employee creativity in an organization requires a strong support factor of vision, top management, culture, and environment to ensure that creative ideas are geared towards helping organization to respond to customer demands and business goals. The role of employee creativity management capability is regarded as a new concept in the administration of creative which originates from an employee's ability, knowledge, and skills in an organization. It is due to the combination of an employee's creativity and an organization's management capabilities to generate new ideas, products, and processes that can bring the greatest benefit to an organization (Gelhard and Delft, 2016). Therefore, organizations need to emphasize the management of employee creativity that is not only a core capability, but also a useful thing to building business success and innovation (Mach-Król, 2015).

The conceptual framework proposed in this study is based on the contingency theory which emphasizes the appropriate adoptions of a resource (i.e. employee creativity management capability) which allows an organization to improve, develop, and create its resource for the promotion and generation of crucial competencies corresponding to customer demand and rapid market changes (Drazin, and Van de Ven, 1985). Employee creativity management capability provides a firm with management appropriate to the employee's abilities and developing skills that not only focus on building superior creativity value, but also fostering a process which can lead to the stimulation of employee creativity in quickly adapting to changes in business environments. Previous studies shows that the internal factors (i.e. vision for proactive operations, top management support, and organizational learning culture) and external factors (i.e. continuous environmental change) play a vital role in supporting the potential of employee creativity management capability in corresponding to a rapidly changing environment which is considered essential to create sustainable business in the future (Gelhard and Delft, 2016). Based on the contingency theory, firms with employee creativity management capability can achieve competitive advantage and gain superior performance over rivals.

Furniture exporting business is one of the most important industries that stimulates economic growth in Thailand. Such business growth increases adaptability and responsiveness of firms which are considered an effort to maintain a market share (Kasikorn Research Center, 2016). The current condition of the furniture exporting businesses in Thailand under the ASEAN Economic Community and the ASEAN Free Trade Area (AFTA) brings about a competitive advantage to expand investment using preferential taxes, raw materials quality control, and better design (The Federation of Thai Industries, 2015).

Based on the literature of employee creativity research, there are little empirical studies which aim to investigate the effect of antecedents on employee creativity management capability. Therefore, this study attempts to fill this research gap by exploring the role of antecedents of employee creativity management capability in furniture exporting businesses in Thailand. Given that there is little empirical research, particularly in the context of furniture exporting businesses, the present study contributes to the existing literature on employee creativity.

Literature Review and Hypothesis Development

A conceptual framework of this study is based on literature review which proposes the relationships among vision for proactive operations, top management support, organizational learning culture, continuous environmental change, and employee creativity management capability. Therefore, a conceptual framework is illustrated in Figure 1.

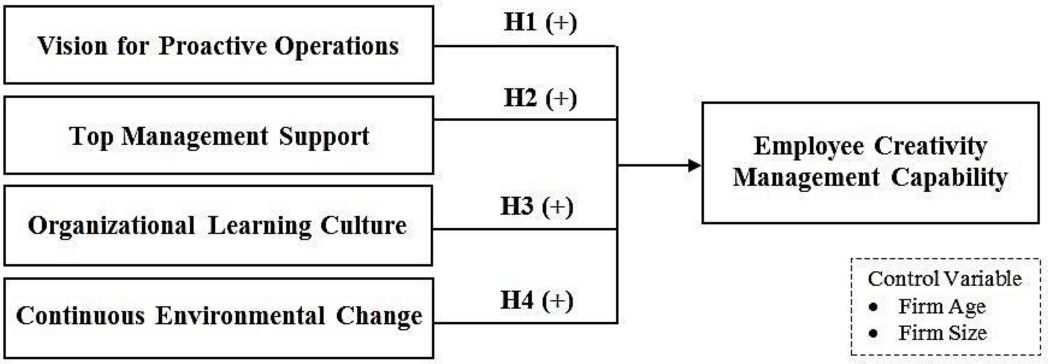


Figure 1: Conceptual framework

Vision for Proactive Operations (VPO)

Vision for proactive operations is defined as the direction and goals of the organization in coping with changes in the future associated with the objective of the organization by analyzing an opportunity and the threat of concept change which help improve the current situation and develop efficiency (Elenkov, Judge, and Wright, 2005). Proactivity deals specifically with the preparation of environment through initiative and change that are considered a reaction to the requirements of surrounding circumstances. It is managing the complex and high dynamic that supports learning constantly in adapting to a rapidly changing and competitive environment which increases market opportunities (Hughes and Morgan, 2007).

Proactive vision is related to the implementation of the working practice and behavior of creativity employee to generate innovation which, is born of learning goals for the organization, and an environment conducive to employee creativity (Montani, Odoardi, and Battistelli, 2014). The vision for proactive operations is positively associated with innovation through employee creativity which is considered important to new idea generation and creative solutions with new ways to solve organizational problems (Haeckel, 2004). The importance of proactive operations vision is not only that it facilitates employee creativity, but also supports a great work environment for employees in order to encourage creativity in the workplace (Moore, Konrad, and Hunt, 2010). Therefore, vision for proactive operations is a potential factor for the increase of employee creativity management capability. Thus, the hypothesis is proposed as follows:

H1: *Vision for proactive operations has a positive influence on employee creativity management capability.*

Top Management Support (TMS)

Top management support refers to the emphasis on executives' implementation of time, cost and resources to operate activities within the organization to achieve its objectives (Khan, Lederer, and Mirchandani, 2013). Top management support has a key executive role in boosting employee performance that is considered important in determining the use of an enterprise resource planning system for responding to complex environmental challenges

(Elbanna, 2013). The role of top management in supporting for employees can bring benefit by communicating the objectives and the working practice for employees. It is also used as an authority to overcome various obstacles. It can also promote the competence and potential of employee creativity to achieve operational excellence and optimum performance (Al Shaar et. al., 2015).

Empirical research suggests that top management support serves as the driving mechanism which provides a change in an organization that can influence employee creativity by encouraging skills and the ability of the firm and its employees to respond to a competitive environment (Santhosh and Baral, 2015). Top management support is the prime factor which enhances an employee creativity to create both product innovation and process innovation, and is also a significant tool that affects organizational structure and information technology. The support of top management is considered essential to performance which demonstrates a management predilection for planning over improvisation, and adaptation in response to searching creative solutions to firm problems (Al Shaar et. al., 2015). Therefore, top management support is likely to promote and facilitate employee creativity management capability. Thus, the hypothesis is proposed as follows:

H2: *Top management support has a positive influence on employee creativity management capability.*

Organizational Learning Culture (OLC)

Organizational learning culture is defined as the generating of values, norms, and beliefs for the employees in the organization, and is encouraging behavior and the common sense of learning, obtaining continual learning, and creating new knowledge and knowledge utilization for the benefit of the organization (Hung et al., 2010). The generation of learning culture within an organization reflects the relationships among culture, capacity, and performance, which are associated with organizational practices and values (Škerlavaj, Song, and Lee, 2010). Organizational learning culture is described in terms of organizational climate which is highly regarded as the mechanism in creating learning environments that response to opportunities and challenging situations for renewal, change, and adaptation in a rapidly changing environment. Learning culture within an organization identifies the prime role of communication and collaboration, and also can be used to collect data and information which is considered as the crucial driving force of creative employee to achieve a novel operational efficiency (Hung et al., 2010). The benefits of implementing learning culture is a core requirement for the modification of employees' behaviors; is a mechanism for acquisition, transfer, and generation of knowledge that provide an implementation of effective knowledge; and is regarded as the foremost factor of new idea generation in business competitiveness (Hahn, Lee, and Lee, 2015).

Creating a learning culture has a significant positive relationship with technical and administrative innovation, which originates from creativity within organizations. Moreover, the concept of an organizational learning culture is supporting knowledge-sharing of employees which can increase optimum performance. Effective learning culture brings a great advance in the value of employee creativity that also helps promote individual and organizational performance (Škerlavaj, Song, and Lee, 2010). An organizational learning culture affects increased performance which is the outcome of an organization. While dynamic capability originates from organizational learning, it enables an organization to remain competitive in a rapidly-changing marketplace. An organizational learning culture is related to a firm's dynamic capabilities which are driven by depending upon employee creativity (Hung et al., 2010). Therefore, organizational learning culture is a potential factor for the promotion of employee creativity management capability. Hence, the hypothesis is proposed as follows:

H3: *Organizational learning culture has a positive influence on employee creativity management capability.*

Continuous Environmental Change (CEC)

Continuous environmental change refers to the ongoing increase of differences, diversity, and uncertainty in the external environment of the organization. It is both short and long-term which cannot be predicted (Giedraitis, 2014). Continuous environmental change brings both opportunities and threats for an organization. Many organizations assess that their environmental change is a prime tool in a competition. It is a major influence on the performance of the organization affecting the employee creativity in an organization. It also increases or decreases competitiveness (Sirmon, Hitt, and Ireland, 2007). The environmental volatility of competition results in many organizations’ adaption to changes due to the increase of pressure with particular reference to a short product life cycle, changing consumer demands, or manufacturing complexity. These are the factors critical to the adaptation of the organization that can promote employee creativity in response to problems (Hamood, Omar, and Sulaiman, 2011). Environments are changing rapidly; as a result, an organization enhances its action for adaptation in the context of environmental stresses. The effectiveness of the ability of an organization to adapt employee creativity is the basis of good performance for building a competitive advantage (Sirmon, Hitt, and Ireland, 2007). The economy, technology, society, and politics are external factors of an environment that affect employee creativity; as a result, an organization must realize the importance of new ideas generation to finding operational methods which are the foremost factors in response to a dynamically-changing environment (Giedraitis, 2014). Therefore, continuous environmental change is likely to enhance and develop employee creativity management capability. Thus, the hypothesis is proposed as follows:

H4: Continuous environmental change has a positive influence on employee creativity management capability.

Employee Creativity Management Capability (ECM)

Employee creativity management capability is defines as an organization's ability to encourage employees to produce ideas, utilize behavioral patterns in routine activity, improve a task or activity performance, perform the basic functional activities of the firm, and effectively solve problems which bring the foremost benefit to an organization (Mach-Król, 2015). The dynamics and competition of the business environment are rapidly changing. Organizations must understand and adapt themselves to meet with these challenges. Employee creativity management capability is one of the most necessary factors for an organization to develop long-term competitiveness and high performance (Gelhard and Delft, 2016). Employee's creativity and an organization's management capabilities are directly related to profitability, organizational success and business goal achievements.

The basic concept of connecting employee creativity and management capability has been studied over the last decade. The foremost role of employee creativity management capability is due to encouraging and developing skills, attitudes, and behaviors of employees in an organization. It can help boost an organization's management capabilities. It can also bring the creative thinking skills to the organization by creating an employee motivation and inspiration (Pan, Sun, and Chow, 2012). These roles not only encourage employee creativity management capability to make a better business performance than competitors, but also lead to achieving competitive success and sustaining competitive advantage for organizations (Amabile and Pillemer, 2012). The characteristic of employee creativity management capability was described as an organization's management capabilities in its various aspects such as new ideas generation, working practice implementation, novel operational method, job improvement, and creative solution. Employee creativity management capability is a source of an organization's sustainable competitive advantage in order to quickly adapt to changing business environment and competition. Employee creativity management capability deals specifically with adapting and changing abilities, experiences and skill in order to respond to organizational environmental uncertainty which is considered essential to generate a long-term competitive advantage.

Research Methodology

Sample selection and data collection procedure

The population in this research was furniture exporting businesses in Thailand, a total of 740 firms from the website of the Department of International Trade Promotion Ministry of Commerce in Thailand (2016). The key informants were the managing directors or managing partners of 740 firms. Furniture exporting businesses have played a crucial role in business processes and operations for the managerial ability in enhancing and accelerating employee creativity (Robb, Xie, and Arthanari, 2008). A mail survey procedure was sent to managing directors or managing partners of each firm. A total number of 144 questionnaires were received. However, only 139 questionnaires were usable for this study. The effective response rate is 20.68 %. In order to verify the test of non-response bias, the comparison between early and late respondents was not significantly different between groups, which presumed that this study is without the problem of non-response bias. Multi-item scales for construct measurement are the development of the scales from definitions and literature review to measure each of the constructs in the models. Each of these variables is measured by a five-point Likert scale ranging from 1 = strongly disagree, to 5 = strongly agree.

Variable Measurement

Multi-item scales for construct measurement are the development of the scales from definitions and literature review to measure each of the constructs in the models. Each of these variables is measured by a five-point Likert scale ranging from 1 = strongly disagree, to 5 = strongly agree. The variable measurements of dependent and independent and the control variable are clarified as follows:

Dependent variables

Employee Creativity Management Capability (ECM) is measured by a four-item scale which involves the new notion of employee, understanding and utilizing working practice, increasing operational efficiency and effectiveness, changing the behavior of the employee value, and the variety of a way to a problem-solving of an organization.

Independent variables

Vision for Proactive Operations (VPO) is measured by determining direction and goals of the organization in coping with changes in the future.

Top Management Support (TMS) is measured by the perceptions of support personnel from executives in agreeing to time, cost and resource to operate activities within the organization.

Organizational Learning Culture (OLC) is measured by the participation of continuous learning, knowledge transfer and sharing, knowledge creation and development, and knowledge implementation.

Continuous Environmental Change (CEC) is measured by an ability of the firm in planning, adapting, and creating the strategy to manage unpredictable and rapid changes of the firm's surroundings.

Control variables

Firm age (FA) is measured by the number of years that the firm has been conducting business. *Firm size (FS)* is evaluated by the number of full-time employees working in an organization.

Reliability and Validity

The factor loadings range from 0.415 to 0.809. All factor loadings are greater than the cut-off score of 0.4, which indicate acceptable construct validity (Nunnally & Bernstein, 1999). Moreover, the Cronbach's alpha coefficients range from 0.711 to 0.868. These values are greater than 0.70, which indicate acceptable Cronbach's alpha coefficient (Hair et al., 2006).

Table 1: Results of Measure Validation

Constructs	Factor Loading	Cronbach's Alpha
Vision for Proactive Operations (VPO)	0.640 - 0.809	0.716
Top Management Support (TMS)	0.714 - 0.775	0.722
Organizational Learning Culture (OLC)	0.684 - 0.785	0.711
Continuous Environmental Change (CEC)	0.710 - 0.757	0.711
Employee creativity management capability (ECM)	0.415 - 0.618	0.868

Statistical Techniques

Multiple regression analysis was used to test and examine all hypotheses following the conceptual framework. It is considered an appropriate approach to examine the hypothesized relationships. All dependent variables, independent variables, and control variables in this study were categorical and interval data. The equation relationship of the regression models were demonstrated as follows:

$$\textit{Equation 1:} \quad ECMC = \quad \alpha_1 + \beta_1 VPO + \beta_2 TMS + \beta_3 OLC + \beta_4 CEC + \beta_5 FAG + \beta_6 FSI + \varepsilon_1$$

Results and Discussion

Table 1 illustrates the descriptive statistics and correlation matrix for all variables. The results of correlations in this study are less than 0.80. The maximum value of variance inflation factors (VIF) is 1.912, which was below the cut-off value of 10. Therefore, the results of regression analysis in this research indicate that multicollinearity is not a serious problem.

Table 1: Descriptive Statistics and Correlation Matrix

Variables	EMC	VPO	TMS	OLC	CEC
Mean	4.43	4.61	4.44	4.46	4.49
S.D.	.29	.37	.40	.40	.38
EMC	1				
VPO	.446**	1			
TMS	.453**	.400**	1		
OLC	.436**	.370**	.318**	1	
CEC	.443**	.438**	.466**	.636**	1
FA	.087	.024	.006	-.155	-.055
FS	.154	.140	.062	.083	.118

*** p<0.01, ** p<0.05

Table 2 indicates the results of regression analysis. Firstly, the results indicate that vision for proactive operations has a significant positive effect on employee creativity management capability (H1: β_1= 0.213, $p < 0.01$). Thus, H1 is supported. The results of this research that are consistent with Montani, Odoardi, and Battistelli (2014) demonstrate that proactive goal generation has a direct effect on the creativity of employees since creativity is considered crucial for a firm to gain success or failure in a business competitive environment.

Secondly, top management support has a significant positive effect on employee creativity management capability (H2: β_2= 0.250, $p < 0.01$). Hence, H2 is supported. The results of this research that are consistent with Al Shaar, et al. (2015) indicate the importance of top management through facilitating and fostering employee creativity which can lead an organization to gain competitive advantages.

Thirdly, organizational learning culture has a significant positive effect on employee creativity management capability (H3: β_3= 0.239, $p < 0.05$). Therefore, H3 is supported. The results of this research that are consistent with Hahn, Lee, and Lee (2015) propose that the firms need to understand about learning culture since it benefits individual creativity by encouraging employee's learning potential in the workplace.

Finally, continuous environmental change has no significant positive effect on employee creativity management capability (H4: β_4= .082, p > 0.10). Thus, H4 is not supported. The results of this research that are consistent with Bradley et al. (2011) suggest continuous environmental change as an obstacle to managing employee creativity for the organization due to adaptation to the external environment of an organization. An organization needs to understand and respond appropriately to social, political and economic change. It is possible to mention that continuous environmental change is not a basic mechanism for managing employee creativity.

Table 2: Result of Regression Analysis

Independent Variables	**Dependent Variable**
	ECM
	Equation1
Vision for Proactive Operations	.213***
(VPO : H1)	(.081)
Top Management Support	.250***
(TMS : H2)	(.081)
Organizational Learning Culture	.239**
(OLC : H3)	(.092)
Continuous Environmental Change	.082
(CEC : H4)	(.098)
Firm age (FA)	250
	(.174)
Firm size (FS)	.087
	(.150)
Adjusted R^2	.336
Maximum VIF	1.912

* p < 0.10, ** p <0.05, *** p < 0.01, Beta coefficients with standard errors in parenthesis

Contributions

This study provided both theoretical and managerial contributions as follows. Firstly, this study proposed an antecedent of employee creativity management capability which includes: vision for proactive operations, top management support, organizational learning culture, and continuous environmental change. Secondly, this study provided an empirical evidence for the understanding of the relationships among vision for proactive operations, top management support, and organizational learning culture. Finally, this study brought about managerial implications for practitioners. Top management support played a crucial role in promoting and facilitating employees to generate new ideas and creativity for effectively solving problems. Organizational learning culture can stimulate and improve the workplace environment. When firms have to change the strategic direction and goals to respond to competitive business scenario, vision for proactive operations is considered the most potential factor which increases employee creativity. Therefore, furniture exporting businesses in Thailand should concentrate on these factors since they can encourage greater employee creativity management capability.

Conclusions and Suggestions for Future Research

The purpose of this study was to investigate the relationships among vision for proactive operations, top management support, organizational learning culture, continuous environmental change and employee creativity management capability in furniture exporting businesses in Thailand. Four hypotheses were proposed for testing. Multiple regression analysis was also used to analyze data. Data collected from 139 furniture exporting businesses in Thailand indicated that vision for proactive operations, top management support, and organizational learning culture had a significant positive effect on employee creativity management capability. On the other hand, continuous environmental change had no a significant positive effect on employee creativity management capability. Moreover, continuous environmental change had no significant impact on employee creativity management capability. For future research, data should be collected from different samples of other industries so as to expand the generalizability of the results. Different qualitative methods should be employed to verify the potential utility of the results.

References

Al Shaar, E. M., Khattab, S. A., Alkaied, R. N., and Manna, A. Q. (2015). The effect of top management support on innovation: The mediating role of synergy between organizational structure and information technology. *International Review of Management and Business Research*, 4(2), 499 - 513.

Amabile, T.M., and Pillemer, J. (2012). Perspectives on the social psychology of creativity. *Journal of Creative Behaviour*, 46(1), 3–15.

Bradley, S. W., Aldrich, H., Shepherd, D. A., and Wiklund, J. (2001). Resources, environmental change, and survival: Asymmetric paths of young independent and subsidiary organizations. *Strategic Management Journal*, 32(5), 486-509.

Department of International Trade Promotion. (2016). Furniture exports and parts. Jan - Dec. 58. review [Online]. Avalable from: http://www.ditp.go.th [accessed 10 March 2016].

Drazin, R., and Van de Van, A.H. (1985). Alternative forms of fit in contingency theory. *Administration Science*, 30(4), 514-539.

Elbanna, A. (2013). Top management support in multiple-project environments: An in-practice view. *European Journal of Information Systems*, 22(3), 278-294.

Elenkov, D. S., Judge, M., and Wright, P. (2005). Strategic leadership and executive innovation influence: An international multi-cluster comparative study. *Strategic Management Journal*, 26(7), 665-682.

Gelhard, C., and Delft, S.V. (2016). The role of organizational capabilities in achieving superior sustainability performance. *Journal of Business Research*, 69(10), 4632-4642.

George, J.M., 2007. Creativity in organizations. *Academy of Management Annals*, 1, 439–477.

Giedraitis, A. (2014). Expression of business environment changes in trading company: Research of users'opinion. *Regional Formation and Development Studies*, 14(3), 53-63.

Hahn, M. H., Lee, K. C., and Lee, D. S. (2015). Network structure, organizational learning culture, and employee creativity in system integration companies: The mediating effects of exploitation and exploration. *Computers in Human Behavior*, 42, 167-175.
Hair, J. F., Anderson, R. E., Tatham, R. L., and Black, W. C. (2006). *Multivariate Data Analysis*. 6thed. Upper Saddle River, New Jersey: Prentice Hall.
Hamood H. H., Omar H. and Sulaiman S. (2011). Target costing practices: A review of literature. *Asia-Pacific Management Accounting Journal*, 6(1), 25-46.
Haeckel, S. H. (2004). Peripheral vision: Sensing and acting on weak signals making meaning out of apparent noise: The need for a new managerial framework. *Long Range Planning*, 37(2), 181-189.
Hughes, P., and Morgan, R.E. (2007). A resource-advantage perspective of product-market strategy performance and strategic capital in high technology firms. *Industrial Marketing Management*, 36(4), 503-517.
Hung, R. Y. Y., Yang, B., Lien, B. Y. H., McLean, G. N., and Kuo, Y. M. (2010). Dynamic capability: Impact of process alignment and organizational learning culture on performance. *Journal of World Business*, 45(3), 285-294.
Kasikorn Research Center. (2016). Economic and business trends of Thailand in 2016. [Online]. Avalable from: https://www.kasikornresearch.com [accessed 15 April 2016].
Khan, S. A., Lederer, A. L., and Mirchandani, D. A. (2013). Top management support, collective mindfulness, and information systems performance. *Journal of International Technology and Information Management*, 22(1), 95-122.
Mach-Król, M. (2015). Tools for building a temporal knowledge base system supporting organizational creativity. *Procedia Computer Science*, 65(1), 1031-1037.
Montani, F., Odoardi, C., and Battistelli, A. (2014). Individual and contextual determinants of innovative work behaviour: Proactive goal generation matters. *Journal of Occupational and Organizational Psychology*, 87(4), 645-670.
Moore, M. E., Konrad, A. M., and Hunt, J. (2010). Creating a vision boosts the impact of top management support on the employment of managers with disabilities: The case of sport organizations in the USA. *Equality, Diversity and Inclusion: An International Journal*, 29(6), 609-626.
Nunnally, J.C., and Bernstein, L.H. (1999). Psychometric theory. *Journal of Psychoeducational Assessment*, 17(3), 275-280.
Pan, W., Sun, L., and Chow, I. S. (2012). Leader-member exchange and employee creativity: Test of a multilevel moderated mediation model. *Human Performance*, 25(5), 432-451.
Robb, D.J., Xie, B., and Arthanari, T. (2008). Supply chain and operations practice and performance in Chinese furniture manufacturing. *International Journal of Production Economics*, 112, 683-699.
Santhosh, M., and Baral, R. (2015). The moderating role of top management support in the link between csr and employee engagement-a conceptual framework. *Journal of Contemporary Management Research*, *9*(2), 1.
Sirmon, D.G., Hitt, M.A. and Ireland, R.D. (2007). Managing firm resources in dynamic environments to create value: Looking inside the black box. *Academy of Management Review*, 32, 273-292.
Škerlavaj, M., Song, J. H., and Lee, Y. (2010). Organizational learning culture, innovative culture and innovations in South Korean firms. *Expert Systems with Applications*, 37(9), 6390-6403.

The Federation of Thai Industries. (2015). Industrial review [Online]. Avalable from: http://www.fti.or.th [accessed 5 March 2016].

Yang, Y., Lee, P. K., and Cheng, T. C. E. (2016). Continuous improvement competence, employee creativity, and new service development performance: A frontline employee perspective. *International Journal of Production Economics*, 171, 275-288.

ASEAN Journal of Management & Innovation
Vol. 4 No. 1, 172 – 188
©2015 by Stamford International University
DOI: 10.14456/ajmi.2017.13
ajmi.stamford.edu

Leading Culturally Diverse Teachers: Leadership Style and Job Satisfaction of Multinational Teachers

Malisa Komolthiti
Stamford International University
Email: malisa.komolthiti@stamford.edu

Abstract

This literature review explores leadership theory over a five-period of time, teacher job satisfaction, cross-cultural leadership, and the relationship between leadership style and teacher job satisfaction. The extensive review of research h and theory reveals that leadership may influence teacher job satisfaction, and culture may play a role in leadership practices and teachers' perception about leaders. The review of existing research on the relationship between leadership style and teacher job satisfaction shows that existing research has been centered around determining whether there is a relationship between leadership behavior and teacher job satisfaction and on identifying the type of leadership style that might influence satisfaction. Analysis of the literature indicates that existing research has been conducted in two main settings: research in one specific area or in cross-country research. A study of the relationship between leadership style and teacher job satisfaction in a multicultural educational institution is suggested for future research in order to understand whether culture plays a role in this relationship.

Keywords: Correlation, cross-cultural leadership, teacher job satisfaction, leadership style, educational leadership

Statement of the Problem

Leadership styles affect teacher job satisfaction (Nguni, Sleegers, & Denessen, 2006). A study shows that one leadership style, transformational leadership, had significant effects on organizational commitment, and satisfaction and had indirect effects on student academic performance (Koh, Steers, & Terborg, 1995). Leadership and job satisfaction are fundamental components of effective organizations (Kennerly, 1989). Workers with lower job satisfaction tend to have lower work performances (Pan, 1994; Wang, 1999). Teacher job satisfaction was reported as one of the intrinsic motivators significantly influencing retention while extrinsic motivators including salary and work overload had no effects (Perrachione, Rosser, & Petersen, 2008). Previous studies focused on the relationship between leadership styles of school leaders and satisfaction of teachers in some parts of the country such as in New Jersey (Bliss et al., 1990), in northern Israel (Shechtman, Zou'bi, & Katz, 1994), in central midwestern state (Blase et al., 1986), in the northern part of Israel (Bogler, 2001), in Shanghai, China(Zhang & Wu, 2001), in the eastern educational zone of Tanzania (Nguni et al., 2006), in Ankara, Turkey (Korkmaz, 2007), and in Flanders, Belgium (Hulpia, Devos, Rosseel, & Vlerick, 2012); and some studies was conducted across country such as in Lebanon (Theodory, 1981), in Singapore (Koh et al., 1995), and in the United States (Higgins, 2010)

However, in the new millennium, globalization has stimulated a dynamic flow of immigrants worldwide (Suarez-Orozco & Qin-Hilliard, 2004). There are increasing numbers of international schools and multinational educational institutions where s and leaders are from different countries of origin and have varying national, linguistic, religious, and racial backgrounds. The relationship between cultural context and leadership was recognized in a cross-country study, the GLOBE project (Jepson, 2009). Leaders in multicultural organizations need to consider the national origin and cultures of their workers.

Significance of the Problem

A meta-analysis of the relationship between job satisfaction and job performance demonstrates a relationship between the two (Judge, Thoresen, Bono, & Patton, 2001). Job satisfaction in organizational sciences is a vital research topic, and the measure of work attitudes, such as job satisfaction is one of the most useful information about organizations' employees (Whitman, Van Rooy, & Viswesvaran, 2010). Organizations need to ask how to increase job satisfaction and organizational commitment, which in turn help increase long-term worker productivity and performance (Westover, Westover, & Westover, 2010).

In the field of education, highly satisfied teachers are more likely to want to improve their teaching efforts and to engage in professional development. In addition, teacher job satisfaction has a direct correlation with student academic achievement (Knox & Anfara Jr., 2013). Thus, educational organizations' leaders need to understand variables that increase teacher job satisfaction, and try to enhance the effects of those variables, which may lead to an increase of student academic achievement.

One of the variables influencing teacher job satisfaction is educational leaders' effectiveness. A study showed that teacher job satisfaction depends heavily on how educational leaders demonstrate feedback, reward, and provide support (Whaley, 1994). However, an extensive cross-cultural research demonstrated leadership has not only managerial but also cultural dimensions (Hofstede, 1980). Although leader prototypes applied to people from different national cultures are difficult to define, a study on differences in leadership perception provides a better understanding of cross-cultural leadership (Gerstner & Day, 1994).

Purpose of the review

The primary concept addressed in this literature review is to explore whether differences of cultural and national background of teachers and leaders play a role in leadership style and teacher job satisfaction. This article gives an overview of the literature on which the study is based. The primary concepts addressed in this literature review are leadership theory, cross-cultural leadership, job satisfaction, and the linkage between leadership style and teacher job satisfaction. There have been considerable research and proposals for theoretical frameworks on the relationship between leadership style and teacher job satisfaction (Blase, Dedrick, & Strathe, 1986; Higgins, 2010; Koh, Steers, & Terborg, 1995; Korkmaz, 2007; Nguni, Sleegers, & Denessen, 2006; Theodory, 1981; Zhang & Wu, 2001).

The first section of this article presents a historical review of five main leadership theories: trait approach, style approach, contingency approach, transformational leadership, and distributed leadership during the following five time-periods, followed by the cross-cultural perspective of leadership in the globalization era. The concept of national cultures (Hofstede, 1980) is explored, as well as the GLOBE project, which is a major cross-cultural leadership research project. The review of this research project and criticisms of it (Ailon, 2008; Gerstner & Day, 1994; Graen, 2006) provide an awareness of the influences of culture on leadership perspective, how countries are divided into ten cultural clusters, and limitations that are useful for this research. The theory, research, and practices of teacher job satisfaction are presented in the third section. Each variable that might influence teacher job satisfaction is explored. These variables are demographic variables, coworkers, professional competence, job-or-role-related characteristics, policy and bureaucracy, and pay. The last section is devoted to an investigation of the linkage between leadership style and teacher job satisfaction. The review examines the related literature and relevant research studies on the relationship between leadership style and teacher job satisfaction. The contexts of these studies are also explored to find out which in context the study of the relationship between leadership style and teacher job satisfaction has been conducted in an educational field. The last section provides conclusion of the review and a discussion for future research.

Leadership Theory

Leadership behavior is an extensive domain of research and numerous researchers have defined the main concepts of leadership (Bass, Bass & Stodgill, 1990). Leadership concepts are the least understood phenomenon (Rost, 1991). Leadership can be simply defined as “the behaviors, traits, interactions, influences, occupations and the relationships of the administrative position” (Yukl, 2010, p.2). Majority of the definitions of the leadership mainly reflect simple assumption which involves the intentional idea of the leaders who actually want to facilitate, guide and structure the organization as well as building relationships in an organization or among a group (Yukl, 2010, p.3).

The understanding about the concept of leadership actually developed over time with the start of the understanding of the traits and characteristics of the leaders which are known as personal traits. This has shifted the focus on the behavior of the leaders. With the passage of time, the situation aspect of the leadership got introduced and it was in 1980s when the concept of transformational leadership was introduced. The transformational leadership has the motivation of the leaders to influence the followers in making sacrifices and moving forward towards the organizational objectives and goals. From here the leadership concept moved on from the post heroic towards distributed or shared leadership (Pepper, 2010). Majority of the research on the leadership during the past century was conducted in Canada, United States and Western Europe. Due to the emerging globalization during the last decade, the researchers have major concern about the role of leadership in different cultures and thus the concept of culture was added to the study of the leadership (Yukl, 2010).

Numerous leadership frameworks and theories have been proposed. In this review, only four approaches have been focused namely post-heroic leadership, transactional leadership and transformational leadership, contingency leadership, style and trait approaches. Every approach has been presented with its time period. Trait approach was the first even approach introduced during 1940s, style approach during 1960s, contingency approach during late 1960s and early 1980s, transactional and transformational approach during 1980s. The latest approach is the post-heroic approach which is a form of distributed leadership.

Trait Approach. Traits mainly refers to the attributes an individual possesses including temperament, motives, needs and personality (Yukl, 2010). This approach is among the early approaches presented in the study of leadership. The initial traits studied mainly believed in the natural leaders and attempts were made to identify the personal and physical traits of the leaders. Numerous studies compared the traits of leaders with those of non-leaders and many also investigated the traits of good leaders. About 124 traits had been studied during 1904-1948 and among them Stogdill (1948) found that most common traits of a good leader is the capability to help groups to reach to the goals. The sample traits investigated include self-confidence, responsibility, initiative, understanding the task and intelligence. But it is worth mentioning here that no particular trait was enough to guarantee the success of a leader in any situation. Stogdill hence concluded that no single pattern of traits can guarantee success of a leader and personal traits of any leader need to relevant to the goals and activities of the followers. He also reviewed the traits studied again in 1974 and again similar traits were found among the 163 traits studied during 1949-1970. He reached to the conclusion that no universal leadership trait and possession of a single trait doesn't guarantee effectiveness of the leader. But some other researchers are of the opinion that some of the traits like self- confidence (Bass, Bass & Stodgill, 1990), belief in making self-destiny (Rotter, 1966), self-control and emotional maturity (Bass, Bass & Stodgill, 1990) are more relevant to the managerial effectiveness. Despite of the disagreement among the researchers on the effectiveness of any single trait, the trait approach is still considered helpful in understanding the effectiveness of the managers (Yukl, 2010). Trait knowledge has been also effective in recruiting managers in organizations.

Style Approach. During 1960s, the focus of the researchers shifted from the traits towards the style of behavior of the leaders. Their focus mainly then become what the leaders do instead of the characteristics they possess. Though trait approach was helpful in recruiting leaders for the managerial positions, style approach on the other hand was helpful for the training (Parry & Bryman, 2006). Researchers in this domain tried to identify different types of the behaviors or the leadership styles which can influence performance and job satisfaction. The method used by them to identify the styles include the questionnaires, critical incidents and field experiments (Yukl, 2010). Majority of the studied conducted in this direction followed method first employed by the pioneer studies of the University of Michigan and Ohio State University. Questionnaire based investigation method was used by Ohio State University (Yukl, 2010). The initial tasks of the researchers were to identify the relevant leadership styles/behaviors along with developing relevant questionnaires to examine how frequently leaders use those behaviors. From the analysis two basic behaviors types were identified including initiating structure and consideration. Consideration behavior is mainly the employee centered approach that refers to leadership style where leaders are mostly concerned about the subordinates. While on the other hand the initiating structure behavior is mainly task based that refers to leadership style in which leaders are concerned about the accomplishment of tasks (Parry & Bryman, 2006). Questionnaires developed during that time were Leader Behavior Description Questionnaire (LBDQ), Leader Opinion Questionnaire (LOQ), Leader Behavior Description Questionnaire, Form XII (LBDQ XII) and Supervisory Behavior Description Questionnaire (SBDQ) (Yukl, 2010).

The main focus of the Michigan researchers was to identify the relationship among the leaders' group performance, group process and behavior. They used a completely different approach than the Ohio state University researchers. They utilized structures interviews approach instead of questionnaires as well as the special managerial style/behavior questionnaire (Yukl, 2010). They identified three main types of leadership behaviors that differentiated the non-effective managers from the effective and that includes the participative leadership, relation-oriented behavior and task-oriented behavior. The task oriented behavior was similar to what was identified by the researchers of the Ohio State University as initiating structure and it included the task related functions of the leader having broader range of behavior showing this attitude. The relation oriented behavior was similar to the consideration approach proposed by the researchers of the Ohio State University. The participative leadership was considered as a behavior that involved the capability to be responsible to take all important decisions during group tasks (Yukl, 2010).

Contingency Approach. From 19402 to early 1960s, the behavior, style and personal traits were investigated and studied. In late 1960s, the situational aspects by large were determined in order to identify the appropriate roles of leaders, their styles and behaviors (Yukl, 2010). Some contingency theories are Normative Decision Theory, Cognitive Resource Theory, LPC Contingency Model, Multiple Linkage Model, Situational Leadership Theory and Path-Goal Theory (Yukl, 2010). The earliest theory presented in this domain was the Fiedler's LPC Contingency Model. Instrument used for the measurement of the effectiveness of the managers was known as Least Preferred Coworker (LPC) scale (Fiedler, 1964). This LPC score shows the motive hierarchy of leaders (Yukl, 2010). Scale showing high LPC reading shows that leader is highly motivated to keep strong interpersonal relations with the subordinates and people. Leaders show supportive attitude in improving and fostering the relationships. While the low LPC score shows that a leader is motivated to complete the tasks. Relationship among the leadership effectiveness and LPC score mainly depends on the situational variables also known as situational favorability. The situational favorability mainly was categorized in 3 categories; 1) leader-member relations: which means to what extent the subordinates are cooperative and loyal, 2) position power: which means to what extent a leader has the authority and 3) task structure: means to what extent the operating processes are in place to the accomplish tasks. With the passage of time, the contingency approach became less popular due to the inconsistent results in generated (Parry & Bryman, 2006). But the major contribution of this approach is that it has been successful in attracting the attention of the researchers towards the situational factors (Yukl, 2010).

Transformational Leadership. Parry & Bryman (2006) identified different terms which could be used to mainly describe new leadership types. Some of these types include charismatic leadership, transformational leadership and transactional leadership. The transactional leadership mainly refers to the exchange process that involves what the leader and the subordinates want and expect from each other (Bass, 1985). While the transformational leadership focuses on the motivating and encouraging the employees to accomplish the tasks. Transactional and transformational behavior both are though distinct but are not mutually exclusive (Yukl, 2010). In short, the transformational behavior includes the individualized consideration, idealized influence, intellectual stimulation and inspirational motivation. While the transactional behavior includes passive management, active management by exception and contingent reward (Yukl, 2010). Majority of the researchers use the term charismatic and transformational interchangeably (Yukl, 2010). Both these concepts though are similar but has some distinctions. The charismatic leaders mainly arouse the commitment and enthusiasm among the followers through the compelling vision while the transformational leaders motivate and transform the followers by bringing awareness among them about the importance of the outcomes of the tasks and the organizational or group interests.

Distributed Leadership. The individual focused heroic leadership has been shifted towards the post-heroic model which not only focuses on single leader but also on the collaborative efforts of all the stakeholders (Oduro, 2004). Heroics concept is problematic due to main two reasons (J. P. Spillane, 2005); 1) the main center in the heroic model is the school of principals or administrators but the leaders normally require more than simply individual efforts. Distributed leadership show that the leadership routine is a mix of different leaders (J. P. Spillane, 2005). Number of the leaders normally depend on the routine as well as the subject area. The routine such as evaluating and monitoring the teaching practices generally require the principal and the assistant principal. While the routines such as development of teachers within literacy involves the lead teacher, curricular specialist and the principal. The research also identifies that the number of the leaders who are involved in some leadership routine mainly depends on the school subjects such as in the case of the Adams Elementary, the literacy instructions which are involve more participants for the execution of the leadership routines than the mathematics instructions (J. Spillane & Diamond, 2003). 2) heroic model mainly focuses on What instead of how. It mainly focuses on what the leadership structures, roles, routines and functions are there instead of how the leadership is being exercised. The leadership practices should not only focus on what the leader do but also on why and how they do it.

The distributed leadership actually is the antidote to the heroic leadership (Spillane, 2005). The term distributed leadership has been interchangeably used with the shared leadership, democratic leadership, and team leadership. The democratic leadership can been defined in 2 ways; 1) it can be used as an expansion to the authority or the leadership to the teachers, 2) it can be used as an expansion to the leadership work (Firestone & Martinez, 2007). The main focus of the distributed leadership is on exploration of spreading of the leadership among teachers and the leaders. The elements of distribution are 1) dispersed: which means leadership is to be taken as an activity which can easily be located in different segments of the organization, 2) collaborative: which means leadership through networking, partnership or alliance, 3) democratic: means leadership which is antithetical to the delegation and hierarchy, 4) shared: which means leadership which gets emerged from the social process and not from the leaders (Oduro, 2004).

Cross-Cultural Leadership

In recent years, globalization has generated public interest in social sciences, humanities, public policy, and educational fields (Suarez-Orozco & Qin-Hilliard, 2004). Educational leaders have been working with increasingly diverse groups of students and teachers. In this globalization era, many organizations are challenged to maintain global leadership competence and to manage increasing diversity (Manning, 2003). Leadership has not only managerial dimensions, but also cultural dimensions (Hofstede, 1980). It is important to develop effective cross-cultural leaders (Manning, 2003). Effective leaders need to be aware of cultural differences and work in unfamiliar situations and cultures in which the leadership skills that they have within their own culture are no longer enough (Frost & Walker, 2007).

In 1980, Hofstede introduced four dimensions of national cultures. National culture was defined as the values that distinguish countries from each other. National cultures were grouped into four groups: Power Distance (PDI), Individualism versus Collectivism (IDV), Masculinity versus Femininity (MAS), and Uncertainty Avoidance (UAI). According to Hofstede (1980), power distance is the extent to which a society accepts the fact that power is distributed unequally. Individualism is a loose social framework where people take care only of themselves and family, while collectivism is a tight social framework where people look after and loyal to their groups or social network. Masculinity includes values like assertiveness, the acquisition of money and materials, and not caring for others, while feminine encompasses values that are opposite from masculinity. Lastly, uncertainty avoidance is the extent to which a society feels threatened by uncertain and ambiguous situations and tries to avoid these situations.

In 1991, a major cross-cultural leadership research project, conceived by Robert J. House, was conducted. The first purpose was to conduct an international research project on leadership, but, later, the study expanded into other aspects of national and organizational cultures (Hofstede, 2006). The relationship between cultural context and leadership was recognized in a cross-country study, the GLOBE project (Jepson, 2009). The Global Leadership and Organizational Behavior Effectiveness project or the GLOBE Project was a quantitative-based research effort conducted across 62 cultures in 170 countries and initiated in the 1990s by Wharton School of Management at the University of Pennsylvania (Frost & Walker, 2007). The study aimed to investigate organizational culture and cross-cultural leadership. The research questions were whether societal culture is reflected in organizational culture and whether particular kinds of leadership, especially transformational and charismatic leadership, have universal value (Peterson, 2004).

The GLOBE researchers categorized countries into ten cultural clusters based upon cultural similarities due to shared geography and climate conditions, which were believed to influence on people's perceptions and behaviors. These cultural groups are as follows:

(a) Anglo Cultures: England, South Africa (white), Australia, Canada, New Zealand, Ireland, United States
(b) Arab Cultures: Bahrain, Algeria, Qatar, Morocco, Kuwait, Tunisia, Lebanon, Syria, Yemen, Jordan, Iraq, UAE, Libya, Saudi Arabia, Egypt, Oman
(c) Confucian Asia: Taiwan, Hong Kong, South Korea, Singapore, China, Japan, Vietnam
(d) Eastern Europe: Hungary, Romania, Czech Republic, Bulgaria, Slovakia, Poland, Lithuania, Latvia, Estonia, Serbia, Greece, Slovenia, Albania, Russia
(e) Germanic Europe: Dutch-speaking (Netherlands, Belgium and Dutch speaking France) German-speaking (Austria, German-speaking Switzerland, Germany, South Tyrol, Liechtenstein)
(f) Latin America: Costa Rica, Venezuela, Ecuador, Mexico, El Salvador, Colombia, Guatemala, Bolivia, Brazil, Argentina
(g) Latin Europe: Italy, Portugal, Spain, France, Switzerland (French and Italian speaking)
(h) Nordic Europe: Finland, Sweden, Denmark, Norway
(i) Southern Asia: India, Indonesia, Malaysia, Thailand, Iran, Philippines, Turkey
(j) Sub-Sahara Africa: Zambia, Zimbabwe, Namibia, South Africa (Black), Nigeria

In the GLOBE project, leadership attributes were analyzed to see which leadership attributes are universal positive or negative, and which may be interpreted differently in different culture (Frost & Walker, 2007). The results showed that good leadership attributes in any culture are honesty, trustworthiness, decisiveness, intelligence, positivity, and being a good communicator; bad leadership attributes in any culture are ruthlessness, irritability, egocentricity, and a dictatorial approach; and attributes, which may be misinterpreted in different cultures are ambition, logic, enthusiasm, individuality, sensitivity, and willingness to take risks (Frost & Walker, 2007).

The GLOBE project contributed a quantitative-based approach in the field of cross-cultural research into leadership and acknowledged the differences of leadership across cultures (Jepson, 2009). It is one of the well-known cross-cultural leadership research projects. Nevertheless, it has some limitations. Not all researchers agree the results. The project was criticized for over-simplifying culture (Ailon, 2008). In a critical analysis of the GLOBE project, Jepson (2009) pointed out the methodological limitations of the project. He indicated that the standardized questionnaire tended to "treat both culture and leadership in a too minimalist, static, and overly objectivist way, limiting our understanding of the complex, fluid and fragmented nature of cultural contexts" (Jepson, 2009, p.76). The GLOBE project was also criticized for claiming too much cross-cultural, ecological validity; for over-generalizing its findings, and for inappropriately making broad interpretations based on empirical findings (Graen, 2006). Graen (2006) stated that the GLOBE research is "the results of a large number of one-shot, self-reported, culturally biased survey studies" (Graen, 2006, p. 100).

In 1994, a prototype-based approach was used in a cross-cultural leadership study (Gerstner & Day, 1994). A leader prototype is a collection of traits or attributes stored in followers' memory, which are used in identifying leaders. The prototype is an abstract perception one has about a leader. A perceived individual will be seen as a leader when he or she fits the prototype stored in the follower's memory. However, Gerstner & Day (1994) stated that, in a cross-cultural context, the perception about leadership did not involve only physiological function, but also cultural background. They conducted a cross-cultural leadership research effort to compare leadership prototypes of students from eight countries: American, China, France, Germany, Honduras, India, Japan, and Taiwan. The students were enrolled in graduate programs at a large southeastern university. Their average age was 26.6 years, and the average time living in the United States was 2.5 years. The results showed that characteristics of business leaders varied by culture. The findings also showed an unexpected result that the U.S. business leader prototype maybe more similar to the Japanese than to the Honduran prototype. They concluded that leader prototypes applied to people from different national cultures are difficult to define. However, a study on differences in leadership perception is significant as it provides a better understanding of cross-cultural leadership.

Teacher Job Satisfaction

In the study of organizational behavior, job satisfaction is the most frequently examined variable (Spector, 1997). Job satisfaction and motivation are tightly linked to each other and to work effectiveness and productivity (Westover, Westover, & Westover, 2010). There are several attempts in defining job satisfaction (Knox & Anfara Jr., 2013). A study on various definitions of job satisfaction concluded that job satisfaction is a reaction to one's job (Cranny, Smith, & Stone, 1992). It can also be simply defined as the feelings people have about their jobs (Knox & Anfara Jr., 2013).

A meta-analysis of the relationship between job satisfaction and job performance reported a relationship between the two (Judge, Thoresen, Bono, & Patton, 2001). Some researchers believe that job satisfaction causes an increase in work performance (Smith, Kendall, & Hulin, 1969). Some believe that positive behaviors are the cause of job satisfaction, and some believe that job satisfaction is a side effect of behaviors (Balzer, et al., 2000). However, some researchers do not believe that job satisfaction leads to better work performance (Brayfield & Crockett, 1955).

In the field of education, teacher job satisfaction is significant as a study showed that teachers who have job stress or lack of job satisfaction tend to have a weak relationship with students and thus have a classroom management problem (Burke, Greenglass, & Schwarzer, 1996). Furthermore, teacher job satisfaction was reported as one of the intrinsic motivators significantly influencing retention, while extrinsic motivators including salary and work overload had no effects (Perrachione, Rosser, & Petersen, 2008). Teacher job satisfaction is also critical to teacher retention and commitment, which will lead to school effectiveness (Shann, 1998).

Nevertheless, the relationship between job satisfaction and productivity appears to be inconclusive. While some researchers claim that job satisfaction has an impact on performance and productivity (Judge et al., 2001; Knox & Anfara Jr., 2013; Whitman, Van Rooy, & Viswesvaran, 2010), some argue that the relationship between satisfaction and productivity is not that straightforward (Knox & Anfara Jr., 2013), and some state that there is no correlation between job satisfaction and performance (Barbash, 1979).

Variables that Influence Teacher Job Satisfaction

Some research on variables that influence teacher job satisfaction has been conducted (Chapman & Lowther, 1982; Ma & MacMillan, 1999; Perrachione et al., 2008). There are many variables that influence teacher job satisfaction, including demographic variables(Bogler, 2002; Green-Reese, Johnson, & Campbell Jr., 1991; Ma & MacMillan, 1999); coworkers (Garner, 1995; LaRocco, House, & French, 1980; Maslow, 1954; Sergiovanni, 1967); professional competence (Ma & MacMillan, 1999); job-or-role-related characteristics(Knox & Anfara Jr., 2013); policy and bureaucracy(Knox & Anfara Jr., 2013); and pay (Maslow, 1954). Job satisfaction can be influenced by intrinsic and extrinsic motivators (Herzberg, 1966). Intrinsic factors involve job content or work roles, and extrinsic factors are work environment or workplace conditions. According to Herzberg (1996), intrinsic factors contribute to job satisfaction. In contrast, extrinsic factors do not lead to job satisfaction but rather to job dissatisfaction. In the following sections each type of variable is explored.

Demographic Variables. Some studies have investigated the relationship between teachers' job satisfaction and their demographic characteristics (Bogler, 2002). Findings show inconsistent results. Some research shows that job satisfaction has been positively related to age, gender, marital status, and level of education. The findings of Ma & MacMillan's study (1999) show that the older and the more experienced teachers are, the less satisfied they are with their careers, and male teachers tends to be less satisfied than female teachers. However, Green-Reese et al. (1991) show a different result. Their study of job satisfaction of 229 secondary school physical education teachers in 85 urban schools in North Florida and South Georgia shows that the age of teachers and years of teaching experiences are not significant factors in job satisfaction or job stress. As for teachers' marital status, other research shows that married female teachers are more satisfied than unmarried teachers are (Goodlad, 1984). In term of teachers' educational level, teachers with higher educational level tend to be more satisfied than those with lower educational level (Meek, 1998).

Coworkers. Colleagues can cause job satisfaction and dissatisfaction (Knox & Anfara Jr., 2013). Coworkers provide friendships, social support, and the continued learning that help enhance performance (LaRocco, House, & French, 1980). Teamwork creates a greater sense of professionalism and higher job satisfaction (Garner, 1995). Teachers also gain confidence through collaboration. Teachers tend to stay in the profession when they have positive relationships with colleagues (Maslow, 1954). Although working with professional teams can create a positive working environment (LaRocco, House, & French, 1980; Garner, 1995; Maslow, 1954), one study shows that interpersonal relationship with peers cause teacher job dissatisfaction (Sergiovanni, 1967). Teachers' preferences on interaction with coworkers are different (Knox & Anfara Jr., 2013). Teachers have different emotional needs and backgrounds. Some teachers prefer a higher degree of interaction with other teachers, while some need little interaction.

Professional Competence. Teaching competence is viewed as one of key contributors to teacher job satisfaction (Albert & Levine, 1988). A positive feeling about what the teachers know and a feeling that their teaching is effective lead to their satisfaction (Ma & MacMillan, 1999). In contrast, the lack of this professional competence will lead to an uneasy feeling resulting in teaching dissatisfaction. Teaching competence can be described as (a) the content knowledge and skills needed for the particular course,(b) the teachers' belief that they have or have access to effective and up-to-date teaching strategies, and (c) the teachers' ability to use their knowledge along with instructional techniques to help students meet the educational standards (Ma & MacMillan, 1999).

Job- or Role-Related Characteristics. Research shows that a job itself or teachers' daily tasks can be a satisfier, a dissatisfier, and a predictor of job satisfaction (Knox & Anfara Jr., 2013). Variation of job tasks, creativity in performing tasks, and ownership of assignments can create higher job satisfaction than the salary does. Teachers tend to have lower job satisfaction when performing routine or repetitive tasks. Teachers who believe that their tasks are important and meaningful tend to have a higher level of job satisfaction.

Policy and Bureaucracy. Policy and bureaucracy have been reported as annoyances that cause lower job satisfaction (Knox & Anfara Jr., 2013). Teachers often view regulations, paperwork, and meetings as unnecessary bureaucracy and hindrances that disrupt them from their work. Thus, teachers who perceive a high level of bureaucracy in their workplace have low job satisfaction.

Pay. Pay or income and financial recognition for accomplishment can be used as a tool to promote job satisfaction and self-esteem (Maslow, 1954). Teachers need to feel that they are financially stable, and teachers who have financial problems are likely to behave negatively (Knox & Anfara Jr., 2013). Some researchers have indicated that pay can be used as a tool to improve an employee's job satisfaction, since knowing that one can make more income increases the level of job satisfaction (Knox & Anfara Jr., 2013). However, not all researchers agree that money can increase the level of satisfaction. Some believe that it might cause an adverse effect if administered improperly (Knox & Anfara Jr., 2013). Using pay incentives like merit pay plans have been reported as an unsuccessful strategy in increasing motivation (Sylvia & Hutchinson, 1985).

The Relationship between Leadership Style and Teacher Job Satisfaction

Some research indicates that leadership style is related to teacher job satisfaction (Blase et al., 1986; Nguni et al., 2006; Whaley, 1994). Leaders or principals may have a direct or indirect effect on the satisfaction of teachers (Hulpia, Devos, & Rosseel, 2009). However, the research on leadership type or leadership behavior that directly or indirectly influences teacher job satisfaction is still inconclusive.

Bliss, Konet, & Tarter, 1990 conducted a study by utilizing Fiedler's LPC contingency model. They examined leadership style and effectiveness in 60 secondary school social studies departments. Department chairpersons were divided into two groups: task-oriented and relations-oriented based on their LPC scores. Teachers were randomly selected from each department to provide information about satisfaction in their career. The findings indicate that task-oriented leadership promotes a higher level of teacher job satisfaction in high-control situations.

As for leadership styles, transformational leadership or transactional leadership has been reported as correlated to teacher job satisfaction (Bogler, 2001; Korkmaz, 2007; Nguni et al., 2006; Pepper, 2010). Transformational leadership behaviors have been viewed as a factor that contributes to a higher level of satisfaction. Bogler (2001) examined the effects of transformational or transactional leadership style of school principals on teacher job satisfaction of 745 teachers from Israeli schools, and the findings indicate that principals' transformational leadership affect teachers' satisfaction both directly and indirectly. Nguni et al. (2006) investigated the perception of 700 Tanzanian teachers about transformational and transactional leadership styles of school principals and the teachers' own job satisfaction The results indicate that both transformational and transactional leadership influence teacher job satisfaction, as well as other variables in the study. In a study of the effects of leadership styles and teacher job satisfaction on organizational health, (Korkmaz, 2007) surveyed of 635 teachers' perception of transformational and transactional leadership styles of their principals and their job satisfaction. Their results demonstrates that the perception of transformational leadership type is an indicator of teacher job satisfaction. The more transformational leadership type teachers perceived, the more satisfied they are. In contrast, the less transactional leadership behaviors they perceived, the more satisfied they are. However, not all researchers agree that transactional leadership negatively affects satisfaction. From a review and analysis of literature on leadership and leadership styles, especially transformational and transactional leadership type, (Pepper, 2010) concluded transformational leadership is not the only type that creates a healthy school environment. A proper balance of these two leadership types helps establish a positive school environment (Pepper, 2010), which in turn leads to teacher satisfaction (Moore, 2012).

In addition, leadership behaviors such as consideration behaviors (Blase et al., 1986), styles of decision making (Bogler, 2001), communication style (Kottkamp & Others, 1987), and how leaders provide support (Hulpia et al., 2009) and feedback (Knox & Anfara Jr., 2013) influence teacher satisfaction. A survey of 168 full-time elementary, junior high, and senior high school teachers from many regions of a central midwestern state about their perceived impact of the principal's behavior on teachers' classroom performance, and their work stress showed an association between teacher satisfaction and frequency of the principal's initiation of structure and consideration behaviors (Blase et al., 1986). From a review of literature, Bogler (2001) found that it was hypothesized that leaders' decision-making style that allow greater teacher involvement in decision-making processes leads to a higher level teacher job satisfaction than autocratic decision-making style where leaders solely make decision without consulting team members . In the study of school climate of 78 high schools in New Jersey, (Kottkamp & Others, 1987) found that teachers seem to be more satisfied in schools where principals were perceived as using an open communication style compared to schools where principals use an authoritative style. Leader supportive behaviors were reported as positively influencing teacher job satisfaction (Hulpia et al., 2009). The findings of a study on the relation between distributed leadership, organizational commitment and job satisfaction of teachers involving teachers from 46 secondary schools, on the other hand, indicated that leadership support indirectly influences job satisfaction (Hulpia et al., 2009). Feedback studies have looked at the depth, quantity, appropriateness, and timing of the feedback given by leaders (Knox & Anfara Jr., 2013). These studies indicate that appropriate feedback provided by leaders creates a feeling of importance for teachers as such feedback made them feel they had been given the necessary support for success.

The Context of the Studies on Leadership Style and Teacher Job Satisfaction

Several research studies have been conducted to determine the relationship between leadership styles and teacher job satisfaction (Blase et al., 1986; Higgins, 2010; Knoop, 1981; Nguni et al., 2006; Robinson, 1995; Weissman, 2009). This review of literature reveals that leadership style is one of the factors that influence teacher job satisfaction both directly and indirectly. The review demonstrates that although some research studies have investigated the relationship between leadership style and teacher satisfaction (Bogler, 2001), there is a lack of research on multicultural perspectives. A study of this relationship in the setting of a multicultural educational institution is absent. Research on leadership styles and teacher job satisfaction pays very little attention to the context of multicultural organizations. There is no attempt at investigating the relationship of leadership style and teacher satisfaction involving leaders and teachers who have diverse backgrounds. The focus of existing research has been on determining whether there is a relationship between leadership behavior and teacher job satisfaction and which type of leadership style or behavior influences or promotes teacher job satisfaction (Blase, Dedrick, & Strathe, 1986; Bliss et al., 1990; Bogler, 2001; Hulpia, Devos, & Rosseel, 2009; Korkmaz, 2007; Nguni et al., 2006; Pepper, 2010).

The studies generally investigated leadership behavior and satisfaction of teachers and leaders who share the same ethnical and racial background. The studies were mainly conducted in two main settings: research in one specific area or in cross-country research.

(a) Research in one specific area:
· 60 secondary school social studies departments in New Jersey (Bliss et al., 1990)
· 20 schools in northern Israel (Shechtman, Zou'bi, & Katz, 1994)
· elementary, junior high, and senior high schools from many regions of a central midwestern state (Blase et al., 1986)
· 98 schools in the northern part of Israel (Bogler, 2001)
· primary schools in Shanghai, China(Zhang & Wu, 2001)
· 70 schools in the eastern educational zone of Tanzania (Nguni et al., 2006)
· 46 high schools in Ankara, Turkey (Korkmaz, 2007)
· 46 secondary schools in Flanders, Belgium (Hulpia, Devos, Rosseel, & Vlerick, 2012)

(b) a-cross country research:
· 14 secondary schools in Lebanon (Theodory, 1981)
· 100 secondary schools in Singapore (Koh et al., 1995)
· the Commission on Collegiate Nursing Education or CCNE-accredited colleges and universities in the United States (Higgins, 2010)

Conclusion and recommendation for future research

In the literature review on the topic of the relationship between leadership style and teacher job satisfaction in a multicultural perspective, considerable research was discovered explaining how leaders may influence teacher job satisfaction, how cultural attachments that leaders have may affect their behaviors, and how culture may affect followers' perspectives of leaders. The review of existing research has revealed that a multicultural perspective is missing from the study of the relationship between leadership style and teacher job satisfaction in educational settings. The impact of globalization has forced not only business sectors, but also educational sectors to deal with the increasing diversity. Effective leaders need to be aware of cultural differences (Frost & Walker, 2007); thus, educational leaders, especially the ones in a multinational educational institution or international school, need to develop their cross-cultural skills in order to work with increasing diverse numbers of students, staff, and teachers.

Future research should be conducted to examine leadership styles and teacher job satisfaction at multicultural educational institutions, researchers can better understand the complexity of leadership styles in a multicultural context. Such study will add multicultural perspectives to the body of research. The results of the study can be used to plan leadership-training programs that integrate cultural perspectives in professional development programs in international organizations. In addition, the research on leadership styles and teacher job satisfaction can be an initiative for finding the best environments for teaching and learning.

A study on the relationship between leadership styles and teacher job satisfaction at a multicultural educational institution is significant for many reasons. A study of a relationship between leadership styles and job satisfaction of multinational teachers can be an initiative in educational context. The finding can clarify which leadership styles produce higher teacher job satisfaction at multicultural institution. The information about these styles helps provide guidance for improved professional development programs such as leadership training for chairpersons within the institution. An understanding of the relationship between leadership styles of multicultural instructors and their job satisfaction helps create effective leadership policies and practices, which in turn create an increase of teacher job satisfaction, and a better working environment. Satisfied teachers will, then, have more teaching efforts, high work performance and high teaching quality, which will lead to high academic performance students.

References

Ailon, G. (2008). Mirror, mirror on the wall: Culture's consequences in a value test of its own design. Academy of Management Review, 33(4), 885-904.

Albert, D., & Levine, D. (1988). Teacher satisfaction. Peabody Journal of Education, 65(3), 47-58.

Balzer, W. K., Kihm, J. A., Smith, P. C., Irwin, J. L., Bachiochi, P. D., Robie, C., . . . Parra, L. F. (2000). Users' manual for the Job Descriptive Index (JDI;1997 version) and the Job in General scales. In J. M. Stanton and C. D. Crossley. Bowling Green, OH: Bowling Green State University.

Barbash, J. (1979). Job satisfaction attitude surveys. Paris: Organisation for Economc Co-operation and Development.

Bass, B. M. (1985). Leadership and performance beyond expectations. New York: Free Press.

Bass, B. M. (1990). Bass & Stodgill's handbook of leadership: Theory, research & managerial applications (3 ed.). New York, NY: Free Press.

Blase, J. J., Dedrick, C., & Strathe, M. (1986). Leadership behavior of school principals in relation to teacher stress, satisfaction, and performance. Journal of Humanistic Counseling, Education & Development, 24(4), 159-171.

Bliss, J. R., Konet, R. J., & Tarter, C. J. (1990). Leadership style and effectiveness in secondary school departments. The High School Journal, 74(1), 38-46.

Bogler, R. (2001). The influence of leadership style on teacher job satisfaction. Educational Administration Quarterly, 37(5), 662.

Bogler, R. (2002). Two profiles of schoolteachers: A discriminant analysis of job satisfaction. Teaching & Teacher Education, 18(6), 665.

Brayfield, A. H., & Crockett, W. H. (1955). Employee attitudes and employee performance. Psychological Bulletin, 52, 396-424.

Burke, R. J., Greenglass, E. R., & Schwarzer, R. (1996). Predicting teacher burnout over time: Effects of work stress, social support, and self-doubts on burnout and its consequence. Anxiety, Stress, and Coping, 9(3), 261-275.

Chapman, D. W., & Lowther, M. A. (1982). Teachers' satisfaction with teaching. Journal of Educational Research, 75(4), 241-47.

Cranny, C. J., Smith, P. C., & Stone, E. F. (1992). Job satisfaction: how people fell about their jobs and how it affects their performance. New York, NY: Lexington Press.

Fiedler, F. E. (1964). A contingency model of leadership effectiveness. Advances in Experimental Social Psychology, 72(2), 149-190.

Firestone, W. A., & Martinez, M. C. (2007). Districts, teacher leaders, and distributed leadership: Changing instructional practice. Leadership and Policy in Schools, 6(1), 3-35.

Frost, J., & Walker, M. (2007). Cross cultural leadership. Engineering Management, 17(3), 27-29. doi:10.1049/em:20070303

Garner, H. (1995). Teamwork models and experience in education. Needham Heights, MA: Allyn & Bacon.

Gerstner, C. R., & Day, D. V. (1994). Cross-cultural comparison of leadership prototypes. The Leadership Quarterly, 5(2), 121-134. doi:10.1016/1048-9843(94)90024-8

Goodlad, J. I. (1984). A place called school. New York: McGraw-Hill.

Graen, G. B. (2006). In the eye of the beholder: Cross-cultural lesson in leadership from project GLOBE: A response viewed from the third culture bonding (TCB) model of cross-cultural leadership

Green-Reese, S., Johnson, D. J., & Campbell Jr., W. A. (1991). Teacher job satisfaction and teacher job stress: School size, age and teaching experience. Education, 112(2), 247.

Herzberg, A. (1966). Work and the nature of man. Cleveland: World Publishing.

Higgins, B. C. (2010). An evaluation of the relationship of nursing school administrators' leadership frame orientation to faculty perceptions of job satisfaction and leadership effectiveness. ProQuest Information & Learning). Dissertation Abstracts International Section A: Humanities and Social Sciences, 70(9-). (2010-99050-199).

Hofstede, G. (1980). Motivation, leadership, and organization - do american theories apply abroad. Organizational Dynamics, 9(1), 42-63.

Hofstede, G. (2006). What Did GLOBE Really Measure? Researchers' Minds versus Respondents' Minds. Journal of International Business Studies, 37(6), 882-896.

Hofstede, G., Neuijen, B., Ohayv, D. D., & Sanders, G. (1990). Measuring organizational cultures: A qualitative and quantitative study across twenty cases. Administrative Science Quarterly, 35(2), 286-316.

Hulpia, H., Devos, G., & Rosseel, Y. (2009). The relationship between the perception of distributed leadership in secondary schools and teachers' and teacher leaders' job satisfaction and organizational commitment. School Effectiveness & School Improvement, 20(3), 291-317. doi:10.1080/09243450902909840

Hulpia, H., Devos, G., Rosseel, Y., & Vlerick, P. (2012). Dimensions of Distributed Leadership and the Impact on Teachers' Organizational Commitment: A Study in Secondary Education. Journal of Applied Social Psychology, 42(7), 1745-1784.

Jepson, D. (2009). Studying leadership at cross-country level: A critical analysis.5(1), 61-80.

Judge, T. A., Thoresen, C. J., Bono, J. E., & Patton, G. K. (2001). The job satisfaction–job performance relationship: A qualitative and quantitative review. Psychological Bulletin, 127(3), 376-407. doi:10.1037/0033-2909.127.3.376

Kennerly, S. M. (1989). Leadership behavior and organizational characteristic: Implicaitons for faculty satisfaction. Journal of Nursing Education, 28(5), 198-202.

Knoop, R. (1981). Leadership styles of principals and teachers' job satisfaction, satisfaction with supervision, and participation in decision making. ().

Knox, J. A., & Anfara Jr., V. A. (2013). Understanding job satisfaction and its relationship to student academic performance. Middle School Journal, 44(3), 58-64.

Koh, W. L., Steers, R. M., & Terborg, J. R. (1995). The effects of transformation leadership on teacher attitudes and student performance in singapore. Journal of Organizational Behavior, 16(4), 319-333. doi:10.1002/job.4030160404

Korkmaz, M. (2007). The effects of leadership styles on organizational health. Educational Research Quarterly, 30(3), 23-55.

Kottkamp, R. B., & Others, A. (1987). Secondary school climate: A revision of the OCDQ. Educational Administration Quarterly, 23(3), 31-48.
LaRocco, J. M., House, J. S., & French, J. R. (1980). Social support, occupational stress, and health. Journal of Health and Social Behavior, 2, 202-218.
Ma, X., & MacMillan, R. B. (1999). Influences of workplace conditions on teachers' job satisfaction. Journal of Educational Research, 93(1), 39-47.
Manning, T. T. (2003). Leadership across cultures: Attachment style influences. Journal of Leadership & Organizational Studies, 9(3), 20-30. doi:10.1177/107179190300900304
Maslow, A. H. (1954). Motivation and personality. New York, NY: Harper.
Meek, A. (1998). America's teachers: Much to celebrate. Educational Leadership, 55, 12-17.
Moore, C. M. (2012). The Role of School Environment in Teacher Dissatisfaction Among U.S. Public School Teachers. SAGE Open, 2(1), 1-16. doi:10.1177/2158244012438888
Nguni, S., Sleegers, P., & Denessen, E. (2006). Transformational and transactional leadership effects on teachers' job satisfaction, organizational commitment, and organizational citizenship behavior in primary schools: The tanzanian case. School Effectiveness and School Improvement, 17(2), 145-177.
Oduro, G. K. T. (2004). Distributed leadership in schools. Education Journal, (80), 23-25.
Parry, K. W., & Bryman, A. (2006). Leadership in Organizations. In The SAGE Handbook of Organization Studies (2 ed., pp. 446-469). Thousand Oaks, CA: SAGE.
Pepper, K. (2010). Effective principals skillfully balance leadership styles to facilitate student success: A focus for the reauthorization of ESEA. Planning and Changing, 41(1-2), 42-56.
Perrachione, B. A., Rosser, V. J., & Petersen, G. J. (2008). Why do they stay? elementary teachers' perceptions of job satisfaction and retention. Professional Educator, 32(2)
Peterson, M. F. (2004). Culture, leadership and organizations: The GLOBE study of 62 societies. Administrative Science Quarterly, 49(4), 641-647.
Randers-Pehrson, M. (2000). Largest Foreign Language Program in the World Continues to Broaden Horizons, Dazzle Linguists. American Council On The Teaching of Foreign Language, 33(6), 657-678.
Robinson, G. H. (1995). A study of the relationship of leadership styles of principals and teacher job satisfaction. ProQuest Information & Learning). Dissertation Abstracts International Section A: Humanities and Social Sciences, 55(8-). (1995-95004-103).
Rost, J. E. (1991). Leadership for the 21st century. New York, NY: Praeger Publishers.
Rotter, J. B. (1966). Generalized expectancies for internal versus external control of reinforcement. Psychological Monographs, 80(609).
Sergiovanni, T. (1967). Factors which affect satisfaction and dissatisfaction of teachers. Journal of Educational Administration, 5(1), 66-82.
Shann, M. H. (1998). Professional commitment and satisfaction among teachers in urban middle schools. Journal of Educational Research, 92(2), 67.
Shechtman, Z., Zou'bi, M., & Katz, M. (1994). Principal leadership style and teacher feelings and behavior: Arab schools in israel. The School Community Journal, 4(2), 53-66.
Smith, P. C., Kendall, L. M., & Hulin, C. L. (1969). The measurement of satisfaction in work and retirement. Chicago: Rand-McNally.
Spector, P. E. (1997). Job satisfaction. Thousand Oaks, CA: Sage.
Spillane, J., & Diamond, J. (2003). Leading instruction: The distribution of leadership for instruction. JOURNAL OF CURRICULUM STUDIES, 35(5), 533-543.

Spillane, J. P. (2005). Distributed leadership. Educational Forum, 69(2), 143-150.
Stogdill, R. M. (1948). Personal factors associated with leadership: A survey of the literature. Journal of Psychology, 35-71.
Stogdill, R. M. (1974). Handbook of leadership: A survey of the literature. New York: Free Press.
Suarez-Orozco, M. M., & Qin-Hilliard, D. B. (2004). Globalization, culture and education in the new millennium. Berkeley and Los Angeles, CA: University of California Press.
Sylvia, R. D., & Hutchinson, T. (1985). What makes Ms. Johnson teach? A study of teacher motivation. Human Relations, 13, 693-713.
Theodory, G. C. (1981). Principal's experience and teachers' satisfaction in lebanese secondary schools. Journal of Psychology, 108(1), 7-10.
Weissman, N. L. (2009). The relationship between leadership styles of directors of accredited higher education respiratory care programs and faculty satisfaction, willingness to exert extra effort, perceived director effectiveness, and program outcomes. ProQuest Information & Learning). Dissertation Abstracts International Section A: Humanities and Social Sciences, 69(7-). (2009-99010-239).
Westover, J. H., Westover, A. R., & Westover, L. A. (2010). Enhancing long-term worker productivity and performance: The connection of key work domains to job satisfaction and organizational commitment. International Journal of Productivity and Performance Management, 59(4), 372-387. doi:10.1108/17410401011038919
Whaley, K. W. (1994). Leadership and teacher job satisfaction. NASSP Bulletin, 78(564), 46-50.
Whitman, D. S., Van Rooy, D. L., & Viswesvaran, C. (2010). Satisfaction, citizenship behaviors, and performance in work units: A meta-analysis of collective construct relations Wiley-Blackwell. doi:10.1111/j.1744-6570.2009.01162.x
Zhang, Z., & Wu, Z. (2001). The relationship between principal leadership behaviors and teachers' job satisfaction. Psychological Science (China), 24(1), 120-121.
Yukl, G. (2010). Leadership in organizations (7 ed.). Upper Saddle River, NJ: Prentic Hall.

ASEAN Journal of Management & Innovation
Vol. 4 No. 1, 189 – 192
©2015 by Stamford International University
DOI: 10.14456/ajmi.2017.14
ajmi.stamford.edu

BOOK REVIEW

Education is Not an App: The Future of University Teaching in the Internet Age
Jonathan A. Poritz and Jonathan Rees
New York: Routledge, 2017. pp. 144. ISBN 978-1-91040-9, (hbk)

Reviewed by: Alexander Franco, Ph.D., Stamford International University, Graduate School of Business

This book was written by two university professors in the United States, Poritz (mathematics) and Rees (history), for the stated purpose of examining the economic and pedagogical impacts of technology on higher education learning. The authors structured the book to examine contemporary manifestations of technological development within education, including fully on-line courses, blended (hybridization) classes, and massive open online courses (MOOCs), as well as various uses of social media in the classroom setting.

The authors cannot be accused of being neo-Luddites since they professed to finding value in educational technology. They cannot be accused of pondering if such technology will play a significant role since this is already the case. Instead, they focused on how technology has affected higher education over the past twenty years in order to answer the question of who should ultimately control these technologies in the future in a practical endeavor to improve the pedagogical process.

The result of their research led the authors to conclude that much of what exists today regarding technology in the classroom was agreed upon with little participation and consent of teachers. Instead, the authors suggest the implementations were performed by administrators under heavy budgetary pressure. The incorporation of on-line courses allowed for less brick-n-mortar construction and upkeep and created an opportunity to transfer a lot of the teaching responsibilities to lesser paid adjunct professors. The authors suggested that the remedy is to "trust faculty to employ technology into the way they teach already" (p. 9). Good courses are created when faculty is "directly involved in the planning and implementation of all online courses" (p. 12) and where there is as much teacher input as possible on any technologically-infused structure.

The term the authors use for this mutual cooperation is "shared governance," wherein faculty should play an important role, if possible, the "lead role…in determining the university decisions related to its educational and research missions because they are the experts on these areas on campus" (p. 15). Technology must serve its master with the master being the teacher. The authors expressed high criticism for "cash hungry" (p. 22) university administrators who solicited (or where solicited by) instructional designers, most of whom are not faculty – and are not tenured – to create "cookie-cutter online courses" (p. 22) that are then often delivered by part-time, untenured adjunct labor, many lacking doctoral degrees. The authors argue that many private companies (often short-lived consultancies) provide technologically-based courses with "little interest in the teaching philosophies and prerogatives of individual professors" (p. 22). Because of this, they tend to target university administrators while ignoring teachers and keeping them out of the developmental process. The results are inferior courses where there is little flexibility because substance is sacrificed to form. Teachers are forced to work with the pedagogical structure of non-teachers who, often, know little about the subject of the course they developed. The teacher is left to fend with issues of on-line cheating, the loss of opportunity to teach with the Socratic method, and with the perception developed by many students that on-line or blended courses require less work. The challenge to teach is difficult enough in a post-modernist paradigm that mocks the use of logic, and critical thinking is an exercise within a box of values and premises that are utilized for reinforcement of the prevailing intellectual *zeitgeist* of the academy without the values and premises themselves being allowed to be challenged with any intellectual scrutiny.

The authors argue that the surrender of substance to form impedes teaching *as a craft*. Their solution to preserving craft and art form is a compromise with technology wherein teachers are offered a “rich technological buffet” (p. 115) of support from which they can choose to enhance their teaching while still maintaining creative freedom and avoiding an inferior system of one-size-fits-all courses.

In an added point of what can be described as traditionalism, the authors caution that any technology-heavy class, particularly fully on-line, dramatically diminishes the role of the teacher as a role model. The opportunity for role modeling (both by way of interaction and as example) is present, in ample opportunities, in face-to-face communications wherein mentorship is also possible. The intangible value of this is diminished to a great extent as a result of technological distance. The inability for teachers to have control of their own pedagogical means also sets a bad example for the importance of autonomy when a professor is forced to say “I’m not allowed to decide that” to students regarding the composition and structure of his own course.

This reviewer found himself to be a kindred spirit with the authors on the fundamental observations and recommendations made in the book. However, it is very disappointing that, towards the conclusion of the work, the authors chose to blame the cost-cutting implementation of educational technology on the operationalization of the ideology of neoliberalism. They cited the priority of many universities to build expensive sports complexes and to create “administrative bloat” (p. 113) where far more monies have been allocated at American universities for administrative jobs over tenure-track teaching positions. However, the authors are also aware that, despite some post-graduate degree programs in university administration, most in the managerial class of the academy are former university professors who either self-eliminated themselves from the tenure-track process or were forced out due to lack of scholarly publications. For neoliberal ideology to be the pervasive culprit at American universities is to argue that this ideology was carried into managerial positions by large numbers of like-minded (i.e., neoliberal) professors making their career transitions.

Yet, neoliberalism has virtually no adherents in faculty lounges. In fact, virtually no one self-identifies as a neoliberal since the term itself has no substantive definition. Boas and Gans-Morse (2009) performed a content analysis of 148 scholarly journal articles on neoliberalism that were published between 1990 and 2004. They “did not find a *single* article focused on the definition and usage of neoliberalism” (p. 138). The articles accused laissez faire advocates within the Austrian School of Economics (with a particular focus on Friedrich von Hayek), monetarists from the Chicago School (especially Milton Friedman), and a number of advocates and institutions of corporatism (e.g., the International Monetary Fund and the World Bank) – all of being neoliberals, despite the substantial philosophical and policy differences among these groups. Lacking any substantive definition, neoliberalism lacks the context to be seen as an ideology or even a paradigm. However, in the 148 articles studied by

Boas and Gans-Morse, the term was used with a negative connotation towards anything that resembled "free-market policies" (Boas & Gans-Morse, 2009, p. 154). In essence, it has become a boogeyman term for those who wish to attack capitalism without identifying themselves as being anti-capitalists and paying the consequence, in essence, a combination of deception and cowardice. Neoliberalism is now the boogeyman responsible for poisoning the environment, *Neoliberal Environment: False Promises and Unnatural Consequences* (2007), causing hunger, *Food for the Few: Neoliberal Globalism and Biotechnology in Latin America* (2008), undermining healthcare, *Blind Spot: How Neoliberalism Infiltrated Global Health* (2014), proliferating AIDS, *The Deadly Ideas of Neoliberalism: How the IMF has Undermined Public Health and the Fight Against AIDS* (2009), creating civil unrest, *Urban Uprisings: Challenging Neoliberal Urbanism in Europe* (2016), fostering poverty, *The Poor and Spirit: Neoliberalism and the Political Theology of Poverty* (2017), and implementing malevolent city planning, *Evil Paradise: Dreamworlds of Neoliberalism* (2008).

For higher education to have been taken over by neoliberals required a small army of supposedly free-market advocates transitioning from faculty lounges into the offices of administrative functionaries. However, this is improbable since it is easier to find a vegetarian in a steak house than to find a free-market advocate in a typical social science department in the American academy. The administrative bloat that Poritz and Rees wrote about has no connection to the cost-cutting agenda ascribed to neoliberal administrative policies. The answer may lie elsewhere. The past two decades has seen a dramatic increase in university administrative jobs while tenure-track jobs decreased. As an example, the California State University (CSU) system, with 23 campuses covering half a million students, faculty, and staff, saw the number of tenure-track faculty drop 31.1% from 2004 to 2014 while administrative staff rose by 19.2% during the same time period (California Faculty Association, 2015). Benjamin Ginsburg (quoted in California Faculty Association, 2015, p. 7) states:

> Every year, hosts of administrators and staffers are added to college and university payrolls, even as schools claim to be battling budget crises that are forcing them to reduce the size of their full-time faculties. As a result, universities are now filled with armies of functionaries – vice presidents, associate vice presidents, assistant vice presidents, provosts, associate provosts, vice provosts, assistant provosts, deans, deanlets, and deanlings….

Indeed, university administration jobs grew by 60 percent between 1993 and 2009 (or 10 times the rate of tenured faculty jobs during that period) according to the U.S. Department of Education (Campos, 2015). Therefore, what has been occurring is not a deficiency of monies (especially with the generosity of the government-backed student loan program) but, rather, a misallocation of funds regarding the function of the academy.

What is at play here may be darker than a boogeyman. Former teachers who now sit in administrative offices are mainly there because they could not or would not compete in the tenure-track process. Many were good teachers who simply did not devote enough time to publish and, therefore, perished in the process. The dynamics of such a process, that amounts to a malallocation of labor, fosters resentment and even hostility against those professors who survived the publish-or-perish game and against the very institutions who reward those for publications while paying little attention to the teacher's primary responsibility of good teaching. Perhaps this, and other problems, can be solved when the academy creates a binary structure of career teachers (many by necessity) and career researchers (fewer in number) whose employment survival is assessed by established quantity and quality of productivity in those distinctly different endeavors.

The past decade has provided ample evidence of an inverse relationship between the infusion of technology into education and student performance. Standardized test scores (critical reading, mathematics, and writing) for undergraduate college admission continue to drop; scores for the National Assessment of Education Progress (NAEP) – the national standardize test for elementary education in the United States, have dropped; U.S. students' academic achievements continue lag and even drop (e.g., math) compared to their peers in many other countries (Desilver, 2017). The federal government's E-rate program (subsidization of broadband connections, internal wiring, and networking equipment for certain school districts) showed no improvement in student test scores. Books by Carr (2010) and Oppenheimer (2003) indicate that long-term usage of the internet for learning purposes actually triggers neurological consequences that are deleterious compared to the reading of physical books. Carr (2010, p 9) states:

> …[d]igital immersion has even affected the way they absorb information. They Don't necessarily read a page from left to right or top to bottom. They might instead skip around, scanning for pertinent information of interest.

Billions in monies have been poured into educational technology without any tangible improvements in test scores or overall student performance. In fact, studies have shown that students using laptops while listening to a lecturer are outperformed by those who do not use their laptops in class (Carr, 2010). This reviewer witnessed a novice, tenured-track professor who was unable to teach a class when the breakdown of the room's audio-visual equipment prevented him from using a textbook company-provided power point presentation for that day's entire lecture. Pushback on too much technology is now commonplace in the academy. What is needed is more thoughtfulness and courage in addressing the organizational and environmental factors at playing in pushing too much technology.

However, despite their conjuring of the neoliberal boogeyman, the authors of this book should be commented on a work that is both necessarily provocative in its analysis and commendably courageous in its criticism.

References

Boas, T. C., & Gans-Morse, J. (2009). Neoliberalism: From new liberal philosophy to anti-liberal slogan. *Studies in Comparative International Development 44*, 137-161.

California Faculty Association (2015). *Race to the Bottom: Salary, Staffing Priorities and the CSU's 1% (Paper 2).* Sacramento, CA: California Faculty Research Center.

Campos, P. F. (2015, April 4). The real reason college tuition costs so much. *The New York Times.* Retrieved from http://www.nytimes.com.

Carr, N. (2010). *The Shallows: How the Internet is Changing the Way We Think, Read and Remember.* London: Atlantic Books.

Desilver, D. (2017, February 15). *U.S. Students' Academic Achievement Still Lags That of Their Peers in Many Other Countries.* Washington, D.C.: Pew Research Center.

Oppenheimer, T. (2003). *The Flickering Mind: The False Promise of Technology in the Classroom and How Learning Can Be Saved.* New York: Random House.

ASEAN Journal of Management & Innovation
Vol. 4 No. 1, 193 – 195
©2015 by Stamford International University
DOI: 10.14456/ajmi.2017.15
ajmi.stamford.edu

BOOK REVIEW

If You're in a Dogfight, Become a Cat!: Strategies for Long-Term Growth
Leonard Sherman
New York: Columbia University Press, 2017. 360 pp. ISBN 978-0-231-17482-4, (cloth)

Reviewed by: Alexander Franco, Ph.D., Stamford International University, Graduate School of Business

This work was written by an adjunct professor of marketing and management at Columbia University's school of business. The purpose of the book was to determine how businesses can achieve and then sustain long-term profitable growth. To derive an answer, the authored surveyed forty years of strategic thinking in business. The works of Michael Porter (creator of the Five Forces framework), Tom Peters and Robert Waterman, Jr. (*In Search of Excellence),* Jim Collins (the HALO effect), Peter Drucker and others were reviewed along with theories tied to the managerial practices of companies such as FedEx, Amazon, Walmart, Apple, Southwest Airlines, Casella Family Brands, and others.

Based on this research, the author concluded that long-term profitably depended on three primary strategic imperatives: **continuous innovation** along with **meaningful differentiation** of products and service, and; **business alignment –** wherein the company's resources and organizational culture are aligned to fulfill a strategic intent tied to the first two imperatives.

To add *gravitas* to his argument, the author contrasted his strategic approach to that of the doctrine of shareholder value maximization, as prominently presented by Michael Jensen and William Meckling (1976). Maximizing shareholder value (MSV), the author argued, is misguided as a driver to business success. Instead, the maximizing of profits and the generation of additional value for shareholders should be seen as a *result* within a context of not undermining societal and economic welfare. The author argues that the MSV theory was operationalized by turning corporate executives into major shareholders and that its misguided focus has led to misallocation of capital through stock buybacks, offshoring of manufacturing and product development as well as underinvestment in research & development. The true drivers leading to long-term sustainable profitability consist of "continuously delivering innovative and meaningfully differentiated products and services" (p. X) to attract and retain customers in a way that is difficult for competitors to replicate. Much of the book went into detail to explain the implementation of the strategic imperatives as drivers, using references to specific companies but in presentations too short to qualify as case studies.

The strategic imperatives chosen by the author for his overall thesis are important, but they are hardly original. In fact, they have already been established to be fundamental in the existing literature on business strategy. However, the author makes the obvious seem like a significant personal discovery. His characterization of MSV theory, in order to contrast against his argumentation, bears scrutiny as a straw man developed for self-serving contrast. For example, there is nothing inherent within MSV theory that calls for high-level executives to become major shareholders. The author describes Milton Friedman's (1970) *New York Times* article on the role of businesses as "fiercely" (p. 54) defending Jensen and Meckling and their MSV doctrine. However, their MSV doctrine was not articulated until six years *after*

Friedman's piece. In addition, Friedman's article addressed all business, not just corporations with shareholders, and the focus of that work was to criticize the developing theory that businesses had "social responsibilities" or what is now referred to as "corporate social responsibility" – a concept devoid of any solid definition and based on a stakeholder theory that can logically conclude that virtually everyone in the world can be a "stakeholder" of a business (Franco, 2015). Fundamentally, Friedman's position in the 1970 article was that to embrace the notion of corporate social responsibility involved "the acceptance of the socialist view that political mechanisms, not market mechanisms, are the appropriate way to determine the allocation of scarce resources."

It is curious that after knocking down his MSV straw man, the author allied himself with Peter Drucker whose views on the purpose of business were actually very close to those of Friedman. The author selected a quote by Drucker which stated: "There is only one valid definition of business purpose: to create a customer" (p. 63). This definition was then revised by the author to state: "The only valid definition of business purpose is to profitably create and retain satisfied customers" (p. 63). This was not an exercise in pedantry. As in his examination of the MSV doctrine and its advocates, the author tended to manipulate to give his proposition more weight. A business sage like Drucker was never delinquent in factoring in profitability. In fact, he actually stated (2010): "The first responsibility of business is to make enough profit to cover the costs for the future." It was not lost on him that long-term profitability could not be achieved without business innovation aimed at attracting and retaining customers. The two, naturally, go hand-in-hand.

And here is where we confront the most disappointing part of this book. The author claims that there is "no such thing as a bad industry" (p. 29) and that all companies can achieve long-term profitability and sustained growth by following the criteria of imperatives he outlined in the book. To believe otherwise is a flawed viewpoint that "could become a self-fulfilling prophecy of corporate failure" (p. 290). History books dispute the absence of bad industries. However, the real flaw in this work – and it is a profound flaw – is in the belief and expectation of equal results by way of profitability for all companies because this presupposes that what causes inequality is the failure to apply the author's imperatives.

What is at play here is not hubris. The author's endeavor is based on an egalitarian ideal, in this case, not equality in profits but equality in performance – that is – that everyone can be a winner. In the contemporary academy, any ship of inquiry must encounter the perilous waters between the Scylla of postmodern metaphysics and the Charybdis of politically correct egalitarianism. Postmodern metaphysics is so crippled by its rejection of objective reality that it cannot provide any ontological structure of reality. The egalitarian ideal that dominants the academy (including in many business school classrooms) defies biological reality including the diversity that exists among human beings and the variability of effort and energy that individuals experience throughout their lives. It is not common to find a sixty-year-old man burning the midnight oil. But look back thirty years in his past.

The inequality of skill and knowledge as well as the variability of individuals (most prominent being the unique differentiation of personal character and its lifelong evolution) guarantees a universal division of labor which includes filling the ranks of leaders. Humanity's challenge of scarcity of resources includes human capital within factors of quantity and quality. Some leaders will perform better than others; some will innovate and invent due to greater creativity, dedication, knowledge and intelligence. To expect equal outcome in business performances by way of long-term, sustained profitability is to deny the very basis of human nature.

On a final note, the title of the book may attract some due to its cuteness. Its metaphorical presentation depicts dogs as firms who claw and scratch each other for territorial dominance (market share) and, in the process, incur a heavy toll where the major dogs emerge as the winners even though the author also stated that there could be a "no-win dogfight" (p.17). The author suggests that companies should emulate cats who are "clever…agile and innovative" (p.17) and avoid conflict by exploring new territory.

The metaphors are not convincing. The author argues for continuous and aggressive innovation and product differentiation. This implies dogfights – and every fight has a winner or loser, even if it just results in retaining control of your territory (in this case, market share). The author goes into depth about loyalty and dedication to customers in order to be valued by them in a long-term relationship providing sustained profitability. What animal is more loyal and noble than a dog? What animal is more forgiving? The expression "Working like a dog" goes back to medieval times when dogs spent the day pulling carts for the poor who could not own a horse. Cats, not particularly known for innovation, will brush up against your leg when they are hungry and later fall into solitary slumber. Wake a dog from his sleep and he will look up to follow your lead. Wake a cat from its slumber and witness a murderous glance.

References

Drucker, P. F. (2010). *The frontiers of management: Where tomorrow's decisions are being shaped today*. Boston, MA: Harvard Business Review.

Franco, A. (2015). Toward a workable definition of corporate social responsibility: A restitutive approach. In *The 3rd National Conference on Management and Higher Education. Theme: Emerging Trends in Business Management and Higher Education.* Bangkok, Thailand: Stamford International University.

Friedman, M. (1970). The social responsibility of business. *The New York Times Magazine*, September 13th, in L. P. Hartman (ed.). (2001), *Perspectives in business ethics* (2nd ed.), 260-264. New York: The McGraw-Hill Companies.

Jensen, M., & Meckling, W. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics 3*(4), 305-360.

Guideline for Authors

ASEAN Journal of Management & Innovation (AJMI) welcomes submissions in all topics related to management, as well as topics related to innovation regardless of discipline or subject area. Manuscripts that are simply literature reviews are generally discouraged, while papers that represent preliminary findings or research in progress are encouraged. AJMI expects that papers accepted for publication have not been published elsewhere prior to publication in AJMI.

Submissions

To submit your paper, go to journal management system at *ajmi.stamford.edu*, register as an author, and upload the file containing your paper.

AJMI Style Guide

1. Must be a Word-compatible document (not PDF)

2. Title page
   a. Uploaded separately from abstract and body
   b. Manuscript title
   c. Title, name, affiliation and email address of all authors

3. Abstract page
   a. Manuscript title
   b. Abstract of not more than 250 words; abstract should not include any information that would identify the author(s).

4. Keywords
   a. Three to six keywords are requested at the time of submission

5. Body of the paper
   a. A4 page size
   b. Margins of 1” (2.5 cm) on all four sides
   c. Article Title: Times New Roman font, 20 point, no indentation
   d. Author Name, Affiliation, and E-mail: Times New Roman, 12 point, no indentation
   e. Body text: Times New Roman, 12 point
   f. Single space (not double) between sentences
   g. Maximum 5,000 words

6. References
   a. Appear at the end of the manuscript body
   b. Follow APA format