

**Editor-in-Chief**

Jean-Marc Dautrey, JD

Stamford International University, Thailand

**Senior Consulting Editor**

Dr. Andrew David Leslie Scown

Stamford International University, Thailand

**Editorial Advisory Board**

Prof. Josu Takala

University of Vaasa, Finland

Prof. Dr. Jibon Kumar Sharma Leihaothabam

Manipur University, India

Dr. John Walsh

Royal Melbourne Institute of Technology, Vietnam

Dr. Josua Tarigan

Petra Christian University, Surabaya, Indonesia

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, Thailand

Assoc. Prof. Napat Watjanatepin

Rajamangala University of Technology,  
Suvarnabhumi, Thailand

Assoc. Prof. Dr. Suthathip Suanmali

Sirindhorn International Institute of Technology,  
Thammasat University, Thailand

Asst. Prof. Dr. Sid Suntrayuth

National Institute of Development Administration, Thailand

Asst. Prof. Dr. Sa-ard Banchirdrit

Stamford International University, Thailand

Asst. Prof. Dr. William Philip Wall

Stamford International University, Thailand

Asst. Prof. Dr. Ake Choonhachatrachai

Stamford International University, Thailand

Asst. Prof. Dr. Bampen Maitreesophon

Stamford International University, Thailand

Dr. Kate Hughes

Stamford International University, Thailand

**Managing Editor**

Asst. Prof. Dr. Sa-ard Banchirdrit

Stamford International University, Thailand

Asst. Prof. Arunee Lertkornkitja

Stamford International University, Thailand

Phatrakul Phaewprayoon

Stamford International University, Thailand

(Website and Journal Administration support)

## Editorial

Dear Readers,

Welcome to Volume 6, Number 2 of the *ASEAN Journal of Management and Innovation* (AJMI).

The end of the year is nearing and with it comes the ritualistic plunge into the past twelve months in search of the defining moments in our lives and some of the milestones that will shape our future. Each year invariably stages landmark events and brings its share of challenges and achievements. This year is no different. Some data though, tells us that something unusual is going on. Summers are becoming hotter, floods wetter, droughts drier, and hurricanes fiercer. Once a distant and abstract issue, global warming is becoming immediate and real. Deadly heatwaves and flood-inducing rains may be the ‘new’ normal and mark the end of ‘normal’ times.

The scale of economic losses forecasted for Southeast Asia is sobering. By 2030, average annual losses caused by natural disasters are expected to quadruple to be about 2.4 of the region’s GDP. Yet, in spite of weekly protests by millions of young people across the planet at the urging of Swedish youth activist Greta Thunberg, at the *UN Climate Change Conference* (COP 25) held in Madrid, Spain, December 2-13, 2019, ambition on mitigation, adaption and finance to tackle the climate crisis was at a low.

The result is that the hard-earned compromises squeezed out of the nearly 200 participating nations over a global warming battle plan fall short of what scientists say is needed to close the gap between current emissions and the *Paris Treaty* goals. Clearly, scientific evidence, alarming predictions, a year of climate-enhanced extreme weather events, and growing demand by citizens for governments to move ahead faster and better have so far failed to move authorities to redouble their efforts.

Technology though, offers a glimmer of hope as the arsenal of technological breakthroughs, that have led – among others – to the production of cleaner electric vehicles, is expanding. But innovation can be disruptive and catching the next wave is therefore critical. This has prompted large firms to become increasingly active in assessing emerging technologies in order to adopt and commercialize them; even before smaller and more agile firms. However, as reported by **Danu Suwatchara, Michael J. Axelgaard, Brendan R. Wilmot, and Yaa Serwaah Amoah Kwateng** in *Identification and Adoption of Disruptive Technologies – Perspectives of UK-Based Industry Major vs. Venture Capitalists*, there are substantial differences in practices among the two groups. While assessments performed by the industry majors entail rigid processes and monumental amount of documentation, those conducted at venture capitalist firms are less formal and unstandardized.

Consumers also offer glimmers of hope, as they are increasingly adopting ‘green’ products and services and reducing the use of plastic bags when shopping (governments in the region have also pledged to ban them in the coming years). Understanding green consumers’ attitudes toward, and perceptions of, environmental-friendly products and services is precisely

at the core of two articles in this volume. In *Understanding Malaysian Consumers' Willingness to Buy Organic Personal Care Products: The Moderating Effect of Customer Characteristics*, **Yuanfeng Cain** argues that novice consumers, unlike expert ones, are more likely to rely on intrinsic cues for their green purchase decisions. In *Green Marketing Model: Empirical Evidence from Green Consumers in Phetchabun, Thailand*, **Ampol Chayomchai** examines the key factors affecting the green attitude and behavior of green consumers in one province in Thailand. The presence of green consumers outside major urban centers is a clear indication that the 'green' cause is gaining widespread currency; hence the importance of developing a solid grasp of their purchasing behavior and being able to identify the differences, if any, between the comportment of city dwellers and that of those living in provinces.

As emphasized by **Pattarika Chinchang** in *Organizational Creativity and Business Competitiveness: Empirical Evidence from the Thai Gem and Jewelry Industry*, organizational creativity is also critical for firms, both large and small, to remain competitive. Three other contributions to this volume focus on this need to innovate in the face of mounting competition. In *Thai Culture Creates Added Value for Thai Culinary Tourism*, **Suchitra Rimdusit** and **Varaphorn Duangsaeng** posit that firms in the highly-competitive food tourism sector should blend elements of Thai culture with gastronomic activities so as to create added value to customers.

In *Quality Signals in Healthcare Services: An Integrative View from Physical Therapy Service Providers and Consumers in Thailand*, **Nutch Sujjaporamest** and **Alisara Rungnontarat Charinsarn** discuss the imperial necessity for clinics to convey to consumers the level of the quality of their services, most notably the technical knowledge and skills of physical therapists, as a way to maintain their competitive advantages. Moreover, as **Kaye Chon**, **Pipatpong Fakfare**, **Arunotai Pongwat**, and **Suwadee Talawanich** argue in *Asianness in Hospitality: The Case of Luxury Hotels in Bangkok, Thailand*, the incorporation of various levels of 'Asianness' and 'Thainess' into the designs and operations of Asian and non-Asian luxury hotel brands offers a viable response to the need for differentiation.

The need to innovate and remain competitive has driven many companies to join forces. Thai companies are no exception as there has been a steady growth in the number of mergers and acquisitions (M&As) among Thai firms (although, far less frequently with foreign entities). But as **Jiraporn Popairoj** reports in *Mergers and Acquisitions and Success Factors in Thailand*, the expected synergies often fail to materialize; hence the frequent statistical CAR (cumulative abnormal return) differences before and after the announcement of the completion of deals.

The remaining two articles in this volume focus on institutions of higher learning. In *Factors Affecting Thai Students' Decision to pursue a MBA at a Private or a Public Business School in Bangkok*, **Sarinya Jeerranairoongroj**, **Boonyarat Samphanwattanachai** and **Sumeth Tuvadaratragool** provide insights on students' decisions to join private or public business schools and on the need for some of these schools to re-evaluate their marketing approach. As **Liang Zhao** and **Sid Suntrayuth** point out in *Maintenance- and Performance-Oriented HR Systems, Parents' Expectations, Perceived Behavioral Control, and Career*

*Intention of College Graduates: An Example from China*, for Chinese students, making a career choice often means having to decide whether to join state-owned enterprises or private companies; and face competing interests and intense family pressure.

As can be seen from the above, the topics broached in this edition are diverse. So are the countries which the contributions to this volume cover. There is also much diversity in respect of the research methodology (qualitative, quantitative, and mixed) and with regard to the contributors, who, in addition to Thailand, hail from the United Kingdom, Hong Kong and mainland China.

Jean-Marc Dautrey, JD  
Editor-in-Chief  
ASEAN Journal of Management and Innovation

## Contents

1	Identification and Adoption of Disruptive Technologies – Perspectives of UK-Based Industry Major vs. Venture Capitalists <i>Danu Suwatchara, Michael J. Axelgaard, Brendan R. Wilmot, Yaa Serwaah Amoah Kwateng</i>
10	Quality Signals in Healthcare Services: An Integrative View from Physical Therapy Service Providers and Consumers in Thailand <i>Nutcha Sujjapornamest, Alisara Rungnontarat Charinsarn</i>
23	Understanding Malaysian Consumers' Willingness to Buy Organic Personal Care Products: The Moderating Effect of Customer Characteristics <i>Yuanfeng Cai</i>
41	Mergers and Acquisitions and Success Factors in Thailand <i>Jiraporn Popairoj</i>
58	Maintenance and Performance-Oriented HR Systems, Parents' Expectations, Perceived Behavioral Control, and Career Intention of College Graduates: An Example from China <i>Liang Zhao, Sid Suntrayuth</i>
77	Asianness in Hospitality: The Case of Luxury Hotels in Bangkok, Thailand <i>Pipatpong Fakfare, Suwadee Talawanich, Arunotai Pongwat, Professor Kaye Chon</i>
93	Organizational Creativity and Business Competitiveness: Empirical Evidence from the Thai Gem and Jewelry Industry <i>Pattarika Chinchang</i>
106	Green Marketing Model: Empirical Evidence from Green Consumers in Phetchabun, Thailand <i>Ampol Chayomchai</i>
118	Thai Culture Creates Value Added for Thai Culinary Tourism <i>Suchitra Rimdusit, Varaphorn Duangsaeng</i>
131	Factors Affecting Thai Students' Decision to Pursue a MBA at a Private or a Public Business School in Bangkok <i>Sarinya Jearranairoongroj, Boonyarat Samphanwattanachai, Sumeth Tuvadaratragool</i>
	<b><i>Guideline for Authors</i></b>
146	Guideline for Authors

# Identification and Adoption of Disruptive Technologies – Perspectives of UK-Based Industry Major vs. Venture Capitalists

**Dr. Danu Suwatchara**

Lecturer, Department of Engineering, Mahidol University, Thailand

danu\_suwatchara@hotmail.com

**Michael J. Axelgaard**

General Partner, AI Seed, UK

michael@axelgaard.com

**Brendan R. Wilmot**

Start-up Execution Lead, BP, UK

r.b.wilmot.05@cantab.net

**Yaa Serwaah Amoah Kwateng**

PhD. Candidate, Imperial College, UK

serwaah189@yahoo.co.uk

## Abstract

Since its conception in 1995, the theory of disruptive technology has been well established. Large firms around the globe are becoming increasingly active in assessing emerging technologies with the goal of adopting disruptive ones before smaller, more agile firms, commercialize them. While there is a surge in the number of academic studies performing ex ante assessments of emerging technologies, most of these are conducted with outside-in perspectives. This study aims to elucidate processes and perspectives used by technology firms as they try to catch the next wave. Surveys were conducted among two groups of UK-based respondents: (1) personnel of a high-tech industry major and (2) venture capitalists. Findings reveal substantial difference in practices among the two groups. Assessments performed by the industry major, representing the “large firm” mind-set, entail rigid processes and monumental amount of documentation, while those conducted at venture capitalist firms, representing the “small firm” mind-set, are less formal and unstandardized within the same firm. In terms of perspectives, it is found that all participants lack clarity as they make judgement to differentiate between disruptive vs. sustaining technologies. The scope of what is considered to be the top market success drivers of disruptive technologies also varies substantially between the two groups, with striking degree of consistency among the same group.

**Keywords:** Disruptive Technology, Disruptive Innovation, Technology Assessment, Innovation, Success Factor

## 1. Introduction

In the context of today’s rapidly evolving technology landscapes, it is crucial for companies to continually deliver new innovations to the market in order to ensure sustainable competitiveness. This issue is attracting the attention of major technology firms worldwide as new technologies are delivered by small firms and start-up companies at a rapid rate, posing an unprecedented degree of threat in driving the decline of major firms’ market dominance. In particular, the most threatening type is disruptive technologies whose concept has been well developed (Bower & Christensen, 1995; Christensen & Bower, 1996; Christensen, 1997a; Christensen, 1997b; Christensen, Johnson, & Rigby, 2002; Christensen & Raynor, 2003; Christensen, 2006; Christensen, Raynor, & McDonald, 2015).



In his landmark book “The Innovator’s Dilemma,” Christensen (1997a) categorized new technologies into two types: sustaining and disruptive. According to this framework, sustaining technologies refer to those that present incremental improvement to existing technologies, such as for instance the increase in memory capacity of computer disk drives. For this type of technology, major industry players typically find it easy to lead the market based on their high degree of customer centricity and profit margin (Bower & Christensen, 1995). On the other hand, disruptive technologies are new technological platforms that present performance trajectories which may initially underperform, but may eventually overtake that of the existing technologies, allowing them to gain prominent positions in the market (Bower & Christensen, 1995). Moreover, these technologies may also bring about new performance attributes. This concept is well demonstrated by the example of digital photography, which introduced resolution trajectory that is different from that of film photography, while offering new value attributes in terms of ease of image sharing.

In the initial stage, adoption of this type of technology may seem unattractive to the incumbent industry major due to conflicts with profitability goals and the pressure to deliver what existing customers ask for (Bower & Christensen, 1995), both of which are closely met by sustaining technologies. Disruptive technologies are, therefore, often delivered by small entrepreneurial firms and start-ups. As factors contributing to disruptiveness span beyond technological improvements, assessors of disruptive technologies must also take the broader context of market and strategic factors into account.

In response to the threat presented by disruptive technologies, major firms have become more active in scouting and assessing emerging technologies in the hope of catching the next waves. This trend has been reported for several industries including technology (Mortara et al., 2010), automotive (Gassmann & Gaso 2004) and publishing (Cozzolino, Verona, & Rothaermel, 2018). Since adoption and commercialization of disruptive technologies have become the focus of both established and new firms (Cooper & Smith, 1992), several frameworks to aid these firms in the assessment of disruptive technologies have also been developed within academia (Rasool, Koomsap, Afsar, & Ali Panezai, 2018; Kilkki et al., 2018; Hang, Chen, & Yu, 2011; Guo et al., 2019; Gatignon, Tushman, Smith, & Anderson, 2002; Govindarajan & Kopalle, 2006; Klenner, Hüsigg, & Dowling, 2013). In the literature, a vast variety of technological advances have also been assessed with respect to the potential for disruption in areas including electric vehicles (Hardman, Steinberger-Wilckens, & van der Horst, 2013), 3D printing (Al-Harbi, Buqawa, & Soud, 2018), on-line office applications (Keller & Hüsigg, 2009), and information and communications technology (Sainio & Puumalainen, 2007).

This qualitative research study aims to elucidate processes and perspectives used by technology firms as they try to catch the next wave. More specifically, surveying the UK-based personnel of a high-tech industry major and venture capitalists respondents through face-to-face interviews, it seeks to determine fundamental differences between the practices of “large firms” and small entrepreneurial firms and start-ups, in this study collectively referred to as “venture capitalists.” Whilst most of the foregoing frameworks and assessments offer outside-in perspectives of potential success factors of disruptive technologies, this study aims to elucidate the inside-out perspective as firms assess prospect technologies for adoption. A particular emphasis is also placed on comparing between perspectives between large and small firms.

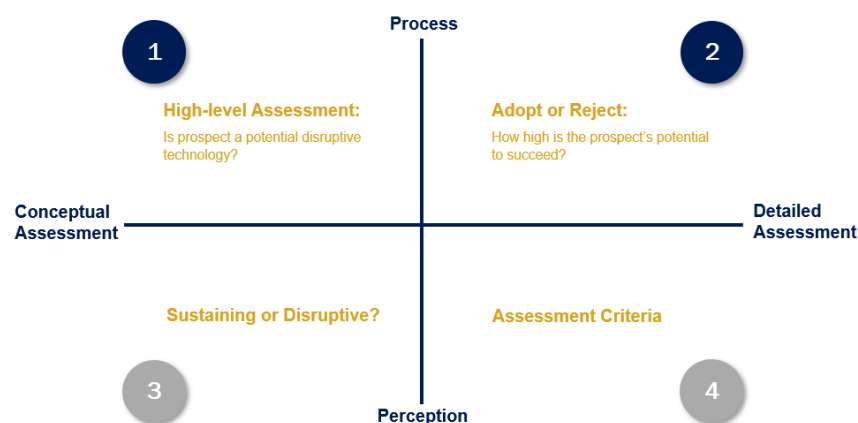
## 2. Approach to the Study

### - *Disruptive Technology*

The concept of disruptive technology has gained rapid traction among the academic community and has been widely debated and refined (Kawamoto & Spers, 2019). Though the original definition of disruptive technologies focuses on characteristics of the technology (i.e. performance trajectories), recent developments suggest that disruptiveness is also a function of how technology interacts with the market and consumers. Govindarajan and Kopalle (2006), pointed out that new trajectories contribute to the technology's radicalness, however, disruptiveness is attributed to market-based factors driven by receptiveness of customers in emerging market segment at the time of the technology's introduction). Nagy, Schuessler, and Dubinsky (2016) also suggested three disruptive characteristics: new functionality, discontinuous technical standards, and new form of ownership. The latter correlates with how the market responds to the new technology as it is introduced. In addition, Petzold, Landinez, and Baaken (2019) have also proposed that disruptive technologies "can be understood as occurring through emergent dynamics" including timing of entry, synchronization of events and adaptability of strategic actions, pointing out that disruptiveness of the technology is dependent on its market entry strategy. Likewise, Tsoukas (2017) also noted that disruption is a dynamic process which can be influenced by actions taken to manage the innovation.

### - *Research Framework*

As noted earlier, small firms are generally perceived as more rapid adopters of disruptive technologies due to a higher degree of agility in the decision making process as the result of their smaller size. This indicates that processes play a part in delivering disruptive technologies to the market. Apart from processes, perspectives also impact what firms consider to be disruptive. For example, large firms utilize customer centricity to deliver closely what the customer voices, blinding them from delivering discontinuous technological standards that can disrupt the market (Christensen & Bower, 1996). Therefore, it is hypothesized that the key differentiating factors behind assessments of small and large firms lie in the aspects of process and perception aspects.



**Figure 1:** Four Components in Understanding Processes and Perceptions Firms Adopt in Assessing Prospective Disruptive Technologies (created by the authors for the purpose of this study)



On the other hand, firms commonly conduct their assessment of disruptive technologies in a series of stages, beginning with understanding broad overview and with increasing level of details required in subsequent steps (Gassmann & Gaso 2004; Mortara et al., 2010, Ernstsén, Thuesen, Larsen, & Maier, 2018). Differences in process and perception factors between large and small firms may be present across both high-level and detailed assessment stages taken by companies. Therefore, in light of the above discussion and with these factors in mind, the authors propose the use of the following framework (Figure 1) toward understanding how large and small firms think as they identify what would be the next big thing:

In setting up the fault line of process versus perception, which crisscrosses with that of conceptual versus detailed assessments, four quadrants are defined. Quadrants 1 and 2 deal with the processes which firms adopt to assess a technological prospect. For simplicity, these are categorized into 2 steps: (i) High-level Assessment (Quadrant 1), and (ii) Adopt or Reject (Quadrant 2).

- 1) *High-level Assessment* (Process/Conceptual Assessment, Quadrant 1): For large and small firms alike, the first step in the assessment process involves answering the question of “Is this potentially a sustaining or disruptive technology?” Once the prospect is classified as a potential disruptive technology, it can then be passed on to the next step in order to decide whether the technology should be adopted.
- 2) *Adopt or Reject* (Process/Detailed Assessment, Quadrant 2): In the latter step of the assessment process, firms assess the prospect in more detail in order to determine its potential for success. The outcome of this step is the decision either to adopt or reject the technology.

Quadrants 3 and 4 pertain to the perceptions which firms take as they follow different steps of the assessment process.

- 1) *Sustaining or Disruptive?* (Perception/Conceptual Assessment, Quadrant 3): Firms make judgment based on their perceptions in order to determine if a new technological idea has the potential to fundamentally shift the market and become a disruptive technology. Will it compete on the basis of incrementally improving the performance of an existing technology?
- 2) *Assessment Criteria* (Perception/Detailed Assessment, Quadrant 4): During the detailed assessment phase, firms use a set of assessment criteria to determine the potential of success of the new technology in disrupting the market. Of course, what are considered to be success factors may differ based on the perspective of each firm.

#### **- Interviewees**

Using the framework shown in Figure 1, this study therefore aims to determine fundamental differences between the practices of “large firms” and “small firms”. To this end, two groups of respondents were chosen for face-to-face interviews:

- 1) *Assessors from large firms*: This group consists of 10 Senior Scientists in a global high-technology major who work in a UK-based think-tank unit and are responsible for prospecting and assessing emerging technologies to be adopted by the large firm whereas the large firm itself has a global presence with number of employees in the order of several thousands. This group of respondents makes up the working group of think-tank of the firm hence, their assessments presents a material degree of influence on the firm’s adoption/acquisition of technologies.
- 2) *Assessors from small firms*: This group is represented by 6 UK-based venture capitalists (Director level) with successful track-records of disruptive technology investment. In this study, venture capitalists are selected to represent the “small

firm's" views for two reasons: 1) the small size of their organization which is typically limited to under 10 head-counts of full-time employees and 2) their role as an important assessor as to which emerging ideas from small start-ups get selected for funding as potential disruptive technology.

During the interview, each interviewee is asked a list of similar open-ended questions designed to elucidate the respective organization's practice on each component described in the quadrants of the above matrix (Figure 1). The questions are largely divided into 3 areas:

- 1) Description of processes used in technology assessment and information required for input at each step;
- 2) Top-of-mind criteria that drive success in disruptive technology;
- 3) Judgment on categorizing a list of technological developments into sustaining vs. disruptive technologies.

In particular, questions in Area 1 aim to elucidate conceptual and detailed assessment processes used by the respondents. Questions in Areas 2 and 3 further identify the perceptions applied along the assessment process.

### 3. Key Findings

Overall, in terms of assessing prospective disruptive technology, fundamental differences exist between the industry major and venture capitalists, both in terms of processes and perceptions/perspectives.

#### - *Processes*

In terms of processes being used at the large firm, personnel of the industry major are required to submit lengthy documentation describing multiple aspects of the prospective technology. These include technical details of the new technology, product description, use cases, qualitative comments on market potential and projection on time to market. Documentation required at this stage may span several A4-sized pages and demands an intensive number of man-hours, typically between half to one working day. After the documentation is submitted, the team then discusses all candidate prospects in a regular meeting. If the prospect is selected to be further explored in detail, additional documentation is then required.

Next, the assessors are required to complete a scoring matrix which is a pre-defined template used at the industry major. This documentation is a form which contains a set of assessment criteria, each of which is to be scored on a scale of 0 to 5 in terms of potential for success. A member of one the teams interviewed deemed the use of the scoring matrix "difficult, lengthy, abstract and extremely inaccurate". This is because the same set of criteria is used across all prospects. However, some criteria only apply to sustaining technologies, not disruptive, and vice-versa.

On the other hand, unlike the industry major, venture capitalists are on the other end of the spectrum when it comes to the level of complexity in processes. Among the firms interviewed, most require no formal process across both high-level and detailed analyses. Documentation submitted in support for cases for funding often varies in format, even within the same organization.

#### - *Perspectives*

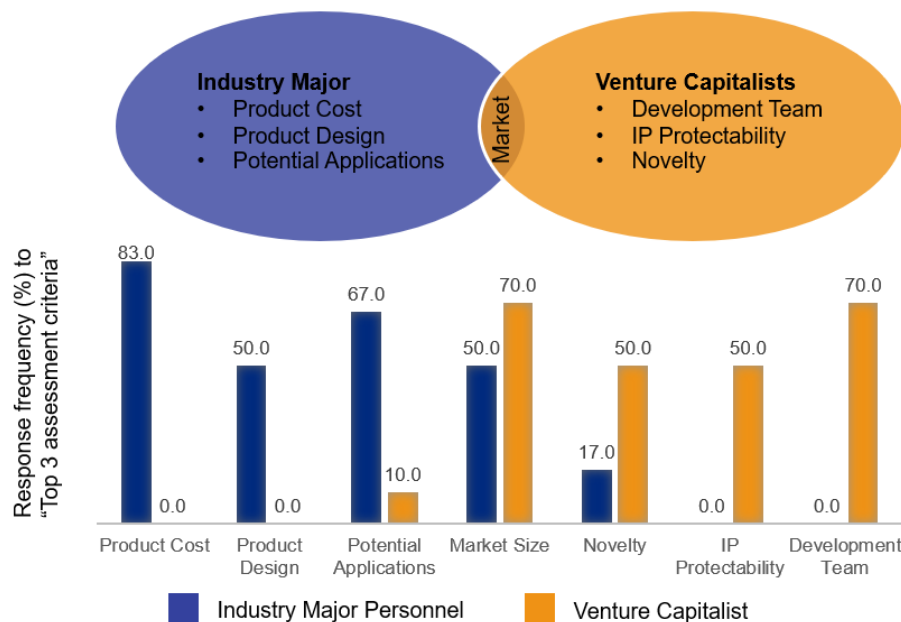
In terms of perspectives, both the industry major and venture capitalists have not formed a solid view in defining what is disruptive. A list of technologies which had gained general consensus among the academic community to be either sustaining or disruptive was presented to each respondent to perform his own categorization. In addition, definitions of sustaining and disruptive technologies according to Christensen (Christensen, 1997a) were given to each

respondent prior to the survey interviews, however, every participant, both from the industry major and venture capitalists, finds the task difficult. Each produced a list of categorization with limited agreement to those done by the academic community. For example, several interviewees incorrectly identified recent advances in digital radiography to be an incremental improvement from conventional film x-rays.

In fact, digital radiography is a potential disruptive technology in a similar way that digital photography was to film photography: presenting a new trajectory in a key value-driving attributes (image resolution) and introducing new attributes (e.g. ease of sharing across different digital devices). This finding is consistent with the trend observed by Hopp, Antons, Kaminski, and Salge (2018) in that the term “disruptive technology” is often mixed with that of “radical technology” (those that are merely fundamentally different from the predecessor, but would not cause the market to be disrupted).

Lastly, assessment criteria used by the industry major compared to those by venture capitalists in the detailed assessment stage differ substantially. When asked to identify the top three criteria in determining market success of a disruptive technology, interviewees from the two groups responded with sets of criteria that were different across the groups but generally similar within a given group, with minor overlap between groups. As this question was unprompted, responses received from the participants represent their top-of-mind factors. Frequency of responses was measured. The results are presented in Figure 2.

Overall, it can be observed that the industry major considers criteria pertaining to the product and its applications to be paramount, while venture capitalists focus on bringing the technology to market and defending its commercial value. An overlap exists, however, between the two groups particularly in the area of market size.



**Figure 2:** Industry Major vs. Venture Capitalists' Perspectives on Important Success Drivers of Disruptive Technologies (based on responses from face to face interviews with respondents)

For the industry major, great emphasis is placed on product costs, potential applications, product design and market size, with 83%, 67%, 50% and 50% of respondents considering the factor within their top 3 criteria, respectively. Moreover, 17% of respondents in this group also consider novelty of the technology to be within their top three criteria. On the other hand, for venture capitalists, the following criteria are in the spotlight: the capability of the development team in commercializing the technology, market size, novelty of the technology and IP protectability. These are mentioned among the top 3 criteria with 70%, 70%, 50% and 50% frequency, respectively. Moreover, 10% of respondents in this group also considered potential applications to be among their list.

## 5. Discussion and Conclusions

The “large firm” and “small firm” mind-sets differ substantially with respect to the question of what would be the next wave of disruptive technologies. This is evident in the difference in processes with which they use to filter prospects, as well as the perspectives used in determination of potential degree of success. In terms of processes, the industry major is more rigid, requiring a set of detailed documents to be completed from the earliest stage of the assessment, hence, demanding an intensive amount of staff’s efforts. In order to offset this, it is recommended that a prospect filter be implemented at the earliest part in the process so that unpromising ideas can quickly be identified and discarded. For example, a filter that separates between sustaining and disruptive technologies can present a quick-win as this helps simplify both high-level and detailed assessment stages.

At the high-level assessment, the scope on the right type of prospects can be quickly refined, while at the detailed assessment stages, the set of assessment criteria can be streamlined as the current set used by the industry major currently contains factors that are more specific to the success of sustaining technologies. In order to use the proposed process successfully, further refinement in the dimension of assessors’ perspectives needs to be addressed.

As this study has shown, misunderstanding of what are sustaining versus disruptive is pervasive. Personnel should be trained in order to shape their perspective of sustaining vs. disruptive technologies based on the following applicable and simplified interpretations:

### Sustaining Technology

- Improvements on existing technology platform

### Disruptive Technology

- New technology platform; hence new performance trajectory
- Performance trajectory can overtake existing technology and disrupt the market
- May bring about new attributes that become valuable to the customers

Moreover, the current study has shown that perspectives on most important drivers for market success also differs substantially between the industry major and venture capitalists. Although there is an overlap in the criterion of market size, the “large firm” mind-set is found to be geared more towards product design and costs, while the “small firm” mind-set is particularly focused on capability of development team and IP protectability. In order to mimic the rate of disruptive technology adoption of small firms, large firms may consider increasing the importance of the top factors used in the “small firm” mind-set in their own assessment criteria.

## References

- Al-Harbi, S. M., Buqawa, A., & Soud, A. (2018). Disruptive technology adoption: An empirical investigation in Saudi Arabia. *Process of the Seventh International Conference on Advances in Computing, Communication and Information Technology*, 28-32.
- Bower, J. L., & Christensen, C. M. (1995). Disruptive technologies: Catching the wave. *Harvard Business Review*, 73(1), 43-53.
- Christensen, C. M. (1997a). *The innovator's dilemma. The revolutionary book that will change the way you do business*, (1st ed.). New York: Collins Business Essentials.
- Christensen, C. M. (1997b). *The innovator's dilemma: When new technologies cause great firms to fail*. Boston: Harvard Business School Press.
- Christensen, C. M. (2006). The ongoing process of building a theory of disruption. *Journal of Production Innovation Management*, 23(1), 39-55.
- Christensen, C. M., & Bower, J. L. (1996). Customer power, strategic investment, and the failure of leading firms. *Strategic Management Journal*, 17(3), 197-218.
- Christensen, C. M., Johnson, M. W., & Rigby, D. K. (2002). Foundations for growth: How to identify and build disruptive new businesses. *MIT Sloan Management Review*, 43(3), 22-31.
- Christensen, C. M., & Raynor, M. (2003). *The innovator's solution: Creating and sustaining successful growth*. Boston: Harvard Business School Press.
- Christensen, C. M., Raynor, M., & McDonald R. (2015). What is disruptive innovation? *Harvard Business Review*, 93(12), 44-53.
- Cooper, A. C., & Smith, C. G. (1992). How established firms respond to threatening technologies. *Academic Management Executive*, 6(2), 55-70.
- Cozzolino, A., Verona, G., & Rothaermel, F. T. (2018). Unpacking the disruption process: New technology, business models, and incumbent adaptation. *Journal of Management Studies*, 55, 1166-1202.
- Ernstsen, S. K., Thuesen, C., Larsen, L. R., & Maier, A. (2018). Identifying disruptive technologies in design: Horizon scanning in the early stages of design. *Proceedings of the DESIGN 2018 15th International Design Conference*, 1833-1844.
- Gassmann, O., & Gaso, B. (2004). Insourcing creativity with listening posts in decentralized firms. *Creativity and Innovation Management*, 13(1), 3-14.
- Gatignon, H., Tushman, M. L., Smith, W. K., & Anderson, P. (2002). *Management Science*, 48(9), 1103-1122.
- Govindarajan V., & Kopalle, P. K. (2006). The usefulness of measuring disruptiveness of innovations ex post in making ex ante predictions. *Journal of Production Innovation Management*, 23(1), 12-18.
- Guo, J., Pan, J., Guo, J., Gu, F., & Kuusisto, J. (2019). Measurement framework for assessing disruptive innovations. *Technological Forecasting and Social Change*, 139, 250-265.
- Hang, C. C., Chen J., & Yu D., (2011). An assessment framework for disruptive innovation. *Foresight*, 13(5), 4-13.
- Hardman, S., Steinberger-Wilckens, R. & van der Horst, D. (2013). Disruptive innovations: The case for hydrogen fuel cells and battery electric vehicles *International Journal of Hydrogen Energy*, 38, 15438-15451.
- Hopp, C., Antons, D., Kaminski, J., & Salge, T. O. (2018b). The topic landscape of disruption research: A call for consolidation, reconciliation, and generalization. *Journal of Product Innovation Management*, 35(3), 458-487.
- Kawamoto, C. T., & Spers, R. G. (2019). A Systematic Review of the Debate and the Researchers of Disruptive Innovation. *Journal of Technology Management & Innovation*, 14 (1), 73-82.

- Keller, A., & Hüsig, S. (2009). Ex-ante identification of disruptive innovations in the software industry applied to web applications: the case of Microsoft's vs. Google's office applications. *Technological Forecasting and Social Change*, 76(8), 1044-1054.
- Kilkki, K., Mäntylä, M., Karhu, K., Hämmäinen, H. & Ailisto, H. (2018). A disruption framework. *Technological Forecasting and Social Change*, 129, 275-284.
- Klenner, P., Hüsig, S., & Dowling, M. (2013). Ex-ante evaluation of disruptive susceptibility in established value networks - When are markets ready for disruptive innovations? *Research Policy*, 42(4), 914-927.
- Mortara, L., Thomson, R., Moore, C., Armara, K., Kerr, C., Phaal, R., & Probert, P. (2010). Developing a technology intelligence strategy at Kodak European Research: Scan & target. *Research-Technology Management*, 53(4), 27-38.
- Nagy, D., Schuessler, J. H., & Dubinsky, A. (2016). Defining and identifying disruptive innovations. *Industrial Marketing Management*, 57, 119-126.
- Petzold, N., Landinez, L., & Baaken, T., (2019). Disruptive innovation from a process view: A systematic literature review. *Creativity and Innovation Management*, 28, 157-174.
- Rasool, F., Koomsap, P., Afsar, B., & Ali Panezai, B. (2018). A framework for disruptive innovation. *Foresight*, 20(3), 252-270.
- Sainio, L. M., & Puumalainen, K. (2007). Evaluating technology disruptiveness in a strategic corporate context: A case study. *Technological Forecasting and Social Change*, 74(8), 1315-1333
- Toukas, H. (2017). Don't simplify, complexity: From disjunctive to conjunctive theorizing in organization and management studies. *Journal of Management Studies*, 54, 132-153.



# Quality Signals in Healthcare Services: An Integrative View from Physical Therapy Service Providers and Consumers in Thailand

**Nutcha Sujjaporamest**

Physical Therapist and Clinic Partner, Kanya Physical Therapy, Mengjai Branch, Bangkok, Thailand.

lookknut@hotmail.com

**Alisara Rungnontarat Charinsarn, JDBA**

Associate Professor of Marketing, Thammasat Business School, Thammasat University, Thailand

alisara@tbs.tu.ac.th

## Abstract

Many highly competent healthcare service providers find it difficult to discreetly convey to consumers the level of quality of their services. Building on the signaling theory and prior literature on service quality, this paper explores how to appropriately signal quality. It integrates the perspectives of both healthcare service providers and consumers with regard to sending service quality signals. The five service quality dimensions at the core of this research include tangibility, reliability, responsiveness, empathy, and assurance. The study uses a mixed methodology. The qualitative approach involves interviews with clinic owners and consumers and the quantitative one a survey collected from 181 consumers. The results indicate that the top two signals are the reliability and physical therapist assurance dimensions. The primary focus of consumers is on the technical knowledge and skills of physical therapists and the extent to which they can be trusted and relied upon to improve their health and well-being. This study will help to bridge the communication gap between service providers and consumers.

**Keywords:** Quality Signal, Health Service, Physical Therapy, Consumer Perception, Service Quality Dimension

## 1. Introduction

The global healthcare industry has been on an upward trajectory (Morris, 2015; Srikarn, 2014). According to Allen (2019), global healthcare spending is expected to grow by 5.4 percent per year for the period 2017-2022 and exceed USD \$10 trillion by 2022. But while the health service industry is experiencing growth, challenges are rising as well. One such challenge is the increasing difficulty some stakeholders in the healthcare industry have had signaling service quality (Dudley, Miller, Korenbrot, & Luft, 1998; Powell, Davies, & Thomson, 2003; Fesharaki, 2019). As a healthcare practitioner in Thailand, one of the coauthors of this article has experienced this challenge first hand as have colleagues working in that same clinic. While the quality of the services they provide is excellent, they find it difficult to communicate it to their current and potential consumers. At the same time, those in need of healthcare services often find it difficult to choose where to go and determine which clinic offers the best quality. Even those currently receiving a particular service have difficulty ascertaining the actual quality of the service. In short, service providers do not know how to signal quality and consumers are not certain about which signal to look for. This paper aims to discuss this issue in the context of physical therapy services in Bangkok, Thailand. To the best of the authors' knowledge, there is little research on quality signals that covers the physical therapy domain,

especially in the specific context of Thailand. Most of the existing research typically focuses on the technical aspects of treatment as illustrated by the two journals dedicated to physical therapy in Thailand. One is the *Thai Journal of Physical Therapy*, the official journal of the Physical Therapy Association of Thailand and the other, the *Journal of Medical Technology and Physical Therapy*, the official journal of the Faculty of Associated Medical Sciences at Khon Kaen University, Thailand. Both focus on the technical aspects of physical therapy. Additionally, when searching online such terms as ‘physical therapy communication’, ‘signal’, ‘consumer signaling’, or ‘perceived quality’, no relevant result can be found for Thailand. Yet, physical therapists, especially clinic owners, under pressure to develop competitive advantages, realize how important it is to be able to signal quality to consumers. This is all the more necessary in cases where consumers do not get well instantly as the failure to heal them right away may be taken as sign of a lack of quality. Compounding these issues is the legal framework within which the physical therapy industry operates. How to promote in ads a physical therapy business in Thailand is governed by strict rules, regulations, and ethical guidelines. For example, physical therapists may not call themselves ‘experts’ (Office of the Council of State, 2004). They also are not permitted to use outright promotional messages (Ministry of Public Health, 2003).

Communication has to be subtle and restrained notwithstanding that fact that there is stiff competition in the Thai market. In Thailand, in 2014, the most recent year for which statistics are available, there were 281 physical therapy clinics (Ministry of Public Health, 2015a). This number is expected to have grown since. Another compelling reason for choosing this topic is the high growth of healthcare services in Thailand, which is considered to be one of the prominent medical tourism hubs in Asia (Krai Wong, Vongsirinavarat, and Soonthornthada, 2014; Woraset, 2019). The physical therapy business has grown from 185 clinics in 2011 to 281 in 2014; a 51.89 percent increase. (Ministry of Public Health, 2015b, and Thailand has become the most popular destination for medical tourism (Destination Thailand, 2018). Chinese consumers, for example, report a positive experience with healthcare services in Thailand (Zhang, Wall, and Hughes, 2018). Additionally, since physical therapy is a healthcare service business characterized by information asymmetry between service providers and consumers, this makes it a suitable domain for our study.

In light of all the above, it is clear that there is a need to understand how to signal quality in the Thai physical therapy sector. This research study seeks to do just that by exploring the quality signal dimension from both a service provider and consumer perspective. More specifically, it first discusses the service elements of physical therapy, in particular those that are unique to physical therapy. It then examines how to signal each of them and considers whether service providers and consumers share similar or different views regarding these elements and signals. On the service provider side, this is achieved through interviews and surveys with physical therapists, physical therapy clinic owners, and administrative staff who also double as receptionists. To our best knowledge, this paper is the first one to provide an integrated view regarding quality signal between healthcare service providers and consumers. More specifically, this paper can benefit those who work in the physical therapy business as they can apply the findings of this study to subtly, credibly, and sustainably signal quality to consumers.

## 2. Literature Review

### - *Growth of the Healthcare Service Industry in Thailand*

A number of powerful forces support the continuous growth of the healthcare industry in Thailand, including physical therapy. One major push factor is the growing proportion of elder people in the composition of the Thai population (those aged 60 and over) (The United Nations,

2015). This is the inevitable consequence of the demographic transition from high to low fertility and the increase in longevity on the back of substantial progress in improving people's health and well-being and reducing mortality risks (Schultz, 2001). One direct consequence is the increasing burden on the healthcare system. This existential threat to the system is leading the government to encourage healthy conducts and support activities that promote elderly well-being (Thai Gerontology Research and Development institute, 2014). Moreover, research shows that working people also have health concern, but prefer natural treatment to medications, especially when it comes to injuries caused by inappropriate working position (Prasittivatechakoo, 2014). Another significant push factor accelerating the growth of the revenue of the rehabilitation sector is the Ministry of Public strategic plan to turn Thailand into the Medical Hub of Asia (2014-2018) (Ministry of Public Health, 2014).

#### **- *Asymmetric Information***

Asymmetric information refers to a situation where a therapist has more information than a consumer or vice versa. According to Stiglitz (2000), asymmetric information can be divided into two subgroups. The first one relates to product or service quality, e.g. one of the parties is not fully informed about the other party's credentials. The second is the purpose or the behavioral intent of the other party (Connelly, Certo, Ireland, & Reutzel, 2011). Asymmetry of information is a market failure (Mushkin, 1958). In spite of the steady growth of the health market in the last decades and the internet boom, consumers still lack quality information (Haas-Wilson, 2001; Millenson, 2000; Topaz, Bar-Bachar, Admi, Denekamp, & Zimlichman, 2019; Rapport et al., 2019).

#### **- *Assessing Service Quality***

The quality of healthcare services such as physical therapy tends to be difficult for consumers to assess due to its intangible and heterogeneous nature and the diversity of the needs to satisfy consumers (Payne, 1993). According to service quality guru Parasuraman et al. (1985), consumers not only assess service quality from the results of the service provided but also from the service process. The result of the treatment may not always be successful. Uncertain recovery and unpredictable periods of rehabilitation cannot be discarded (Haas-Wilson, 2001). Consumers need accurate information about the quality of the health service before making a decision. However, medical information may be difficult for them to understand (Haas-Wilson, 2001). Service quality can be broken down into five dimensions: tangibility, reliability, responsiveness, assurance, and empathy (Berry, Zeithaml, & Parasuraman, 1985; Parasuraman, Zeithaml, & Berry, 1985; Zeithaml & Bitner, 1996). Each dimension will be discussed in more detail in the 'results' section.

#### **- *The Signaling Theory***

In a nutshell Haas-Wilson's (2001) signaling theory proposes that manufacturers and service providers can reduce risk for consumers and lower perceived risk in purchasing goods or services by sending them the right signals. At the core of the signaling theory is the desire to reduce the perceived risk inherent in purchasing a service. Service providers send signal to consumers to let them know about the 'invisible' properties of the services (Dean & Lang, 2008). They can send many different kinds of signal, such as for example clinic brand and specialization, to build confidence among consumers. Research on quality signal focuses on various forms of signals. These include warranty (Choi & Ishii, 2009), advertising (Oh & Veeraraghavan, 2009), word-of-mouth communication and third-party evaluation (Dean & Lang, 2008), and price (Henze, Schuett, & Sluijs, 2015). Signaling is very important for credence services such as healthcare services since consumers cannot access quality even though they have already used the service (Akerlof, 1970). As we just saw above, asymmetric information occurs when one party has more information than the other party, which allows the former to make better decisions than the latter (Connelly et al., 2011). Therefore consumers

rely on these quality signals in making decision (Rao & Monroe, 1989). Another way of communicating quality is to position the organization as a specialist (Kalra & Li, 2008). Difficulty comprehending medical information is considered a major barrier due to consumer limitation in data acquisition and interpretation of such data. This is especially the case when having to decide on a healthcare service for a sudden injury as the patient/consumer has limited time to collect information. An immediate treatment generally produces more effective results (Hass-Wilson, 2001).

#### ***- Physical Therapy Clinic Selection and Consumer Signaling of Service Quality***

A study conducted by Udomchalermrat in 2015 among consumers of physical therapy clinics in Bangkok found that most of them chose a particular clinic because it had specialized renowned physical therapists. This study also found that consumers who choose a physical therapy clinic because of the therapist's expertise tend to be more loyal than those who choose a physical therapy clinic because of its reasonable fees. Another determination of this study is that consumers who have heard about the physical therapy clinic from friends tend to have a higher loyalty level than those who find out about the clinic from online sources such as the clinic's website or social media such as Facebook.

### **3. Methodology**

As explained earlier, this research study seeks to further explore how service providers signal quality and what quality signals consumers look for. Based on these objectives, a mixed approach (both qualitative and quantitative) was employed.

#### ***- Qualitative Approach***

The qualitative approach consists of two main parts. First, eight consumers were interviewed. Since an interpretive method emphasizes the quality and richness of the data rather than the quantity, the number of participants should range from a single case to ten but not much more than that (Pietkiewicz & Smith, 2014). Six to eight participants are generally recommended as an appropriate number as this is still manageable for in-depth interviews. Limiting the number of interviewees to eight allowed the researchers to compare and contrast data across cases (Turpin et al., 1997). Second, three mini focus groups were formed among the eight service providers. One sub-group included four physical therapists, another two physical therapy owners and the third one two administrative staffs/receptionists. To ensure the reliability and validity of qualitative research, the participants selected must correspond to the research objectives (Appleton, 1995). Thus, the participants recruited were those with service experience in various job positions and the ability to answer a variety of questions on the core issues.

Appointments were set at a time and place convenient to all so as to create an environment conducive to efficient communication (Wattanasuwan, 2007). The interviewer in this research study is both a physical therapist and physical therapy clinic owner. At the start of the interviews/mini focus groups, the researcher first built a rapport with the participants in order to break the ice and make them feel at ease and comfortable sharing their feelings and opinions (Fontana & Frey, 1994). The research objectives were first explained to the participants (Spradley, 1979). Recording during the interviews was optional and left up to the participants (Wattanasuwan, 2007). The interviews/mini focus groups consisted of open-ended questions. Additional questions on each issue were asked (Riessman, 1993) and the interviewees closely observed for further probing and analysis (Mayoux, 2000). The philosophy of qualitative methodology is that there is no single truth (Hartley & Muhi, 2003). As the saying goes, beauty is in the eyes of the beholder. The authors observed, interviewed, moderated and interpreted the discussion and stories learned from the interviews and focus groups with this principle in mind and were open to different perspectives on the same issue.

Perhaps of even greater significance, all the key points mentioned by the participants in their interviews were verified for correctness (Mayoux, 2000). Qualitative and quantitative methodologies were both used to triangulate the data to ensure its reliability (Lincoln & Guba, 1985). To prevent the researchers from overlooking minor differences or ambiguous data, the qualitative data were interpreted based on their subjectivity (Wallendorf & Belk, 1989). As a physical therapist and physical therapy clinic owner, one of the researchers is “experience-near” (Geertz, 1973), i.e., very close to the information. The other, a university lecturer in marketing, has no health service background, and therefore is “experience – far” (Geertz, 1973). The researcher combination therefore improved the accuracy of the interpretation (Geertz, 1973). Additionally, since the interviews were recorded and transcribed, further information could be obtained from available researchers to examine the validity and reliability the material collected (Lincoln & Guba, 1985).

#### *- Quantitative Approach*

Since the qualitative results were used as input for the quantitative part, obviously the quantitative research was conducted once the qualitative study was completed. The main impact of the qualitative part is the different dimensions which both healthcare service providers and consumers use to identify quality signals or to put it another way, how service providers try to signal quality and what consumers look at in order to assess quality. For example, one service quality dimension could be ‘credibility’ and the number of consumers at the clinic a signal of this dimension. A survey was conducted to study the importance consumers give to each service quality dimension and quality signal. The target population was people living in Bangkok who had received services at a physical therapy clinic (musculoskeletal system) at least once in the past year. Survey results were collected from 181 respondents. The questionnaire used for collecting data consists of three parts. In Part 1, information about the general behavior in receiving physical therapy services was collected. Part 2 contains questions about quality signals as well as their importance. To assess the level of importance, a 5-point Likert scale was used. Part 3 gathers demographic information on the research participants was collected. All the data on the quality and quality signals of each dimension of consumers at physical therapy clinics (musculoskeletal system) in Bangkok were analyzed using descriptive statistics.

## **4. Results**

The Qualitative data was gathered from service providers and consumers. The participants were between 21-40 years old. Five of the eight consumers in the one-on-one in-depth interviews were females. Six of them hold a master’s degree or a higher degree and two have a bachelor degree. As noted earlier, the qualitative signals generated from the interviews were used to develop questionnaire items for the quantitative research.

For the quantitative part, 181 physical therapy consumers completed the questionnaire. Their age ranges from 41 to 60 years old and the average age is 44 years old. 55 percent of them are females and 82 percent of them have a bachelor degree or higher. The level of education of the remaining 18 percent is below bachelor’s degree level. The findings from both the qualitative and quantitative research are in line with prior literature on the service quality dimensions used for this study, tangibility, reliability, responsiveness, assurance and empathy (e.g. Meesala & Paul, 2018; Parasuraman et al., 1985; Setyawan, Supriyanto, Tunjungsari, Hanifaty, & Lestar, 2019). More importantly, the results indicate a set of quality signals in relation to each quality dimension and a ranking was obtained from the quantitative part for each quality signals.



The qualitative sessions, both with service providers and consumers, generated 46 signals. The highest number of signals relates to ‘tangibility’, i.e., physical evidence that can be easily observed. The top-three highest-rated tangibility signals are (i) specialized physical therapy equipment (mean 4.60; standard deviation 0.57); (ii) contemporary equipment (mean 4.55; standard deviation 0.59); and (iii) clean place and equipment (mean 4.55; standard deviation 0.64). Interestingly, the top tangibility signal (specialized physical therapy equipment) was not at all mentioned by service providers during the qualitative sessions. The second-highest rated signal (contemporary equipment), however, was mentioned by both physical therapists and clinic owners. Although consumers did not mention them in the qualitative sessions, they rated them quite highly once they were asked about them in those sessions.

The quality dimension with the second highest number of signals is ‘assurance’, which can be grouped into two groups: assurance regarding physical therapists, and assurance regarding clinics. The top three signals for therapist assurance are: (i) ability to explain the symptoms and causes of disease and formulate a guideline for treatment (mean 4.69; standard deviation 0.51); (ii) ability to answer questions confidently (mean 4.66; standard deviation 0.52); and (iii) ability to recommend and teach self-care to consumers (mean 4.65; standard deviation 0.58). The top signal is essential as it was mentioned by almost all service providers and consumers. This input is in line with the quantitative rating as well. As to the top-three signals for clinic assurance, they include: (i) displaying a physical therapy license (mean 4.44; standard deviation 0.65); (ii) displaying clinic registration (mean 4.32; standard deviation 0.71); and (iii) displaying physical therapists’ training certificates (mean 4.22; standard deviation 0.87).

The ‘empathy’ service quality dimension generated the third highest number of signals. The top three signals are: (i) physical therapist’s ability to memorize consumers’ symptoms (mean 4.61; standard deviation 0.52); (ii) physical therapists’ following up on consumers’ symptoms (mean 4.61; standard deviation 0.53); and (iii) physical therapists taking time to give advice or discuss with the consumers (mean 4.60; standard deviation 0.56). Surprisingly, service providers did not mention the first signal (memorizing consumers’ symptoms) at all during the interviews and only one out of the eight consumers mentioned this in the qualitative sessions. Yet, it tops the list for the empathy dimension in the survey. This shows that some signals so far neglected by practitioners could be very critical to indicate quality. The other top-rating score in ‘empathy’ is ‘physical therapists following through on consumers’ symptoms’. Again, only clinic owners though mentioned this (not even one therapist did). Half of the eight consumers made reference to it. In the meantime, this signal is one of the top-rated signals for the empathy dimension in the survey. This points out to the fact that information and exchanges of perspective among service providers (clinic owners, therapists, and administrative staff/ receptionists) can be very useful and should be encouraged.

Next, the top-three rated ‘reliability’ signals are: (i) physical therapist’s ability to diagnose correctly (mean 4.79; standard deviation 0.43); (ii) good treatment results (mean 4.77; standard deviation 0.49); and (iii) the consumer got better within a short period (mean 4.47; standard deviation 0.72). None of the service providers mentioned any of the top three signals but almost all consumers did. This shows the importance for service providers to learn and embrace the consumer perspective. If quality signals were generated only by service providers, this signal would not have been in the list for the quantitative rating, which means that in this case, service providers could have overlooked this top reliability dimension. It should be noted though that this top reliability signal could not be properly assessed if consumers did not have the knowledge, skills and experience which such an assessment requires. This dimension should be related to the therapist assurance discussed earlier as consumers look at therapists’ ability to diagnose any medical problem in their domain of expertise correctly as both a signal of reliability and therapist assurance.



Finally, the top-three rating quality signals for ‘responsiveness’ are/ (i) appropriate waiting time before receiving treatment (mean 4.35; standard deviation 0.62); (ii) receptionist is enthusiastic and willing to help (mean 4.29; standard deviation 0.68); and (iii) receptionist’s ability to tell how long the consumer will have to wait (mean 4.15; standard deviation 0.71). These three signals are mainly about the appropriate waiting time and receptionists’ interaction with consumers and ability to provide adequate and reliable information. When ranking all signals regardless of the dimension, the top five signals are: (i) physical therapist’s ability to diagnose correctly (mean 4.79; standard deviation 0.43); (ii) good treatment results (mean 4.77; standard deviation 0.49); (iii) physical therapists’ ability to explain the symptoms and causes of a disease and come up with a guideline for treatment (mean 4.69; standard deviation 0.51); (iv) physical therapists’ ability to answer questions with confidence (mean 4.66; standard deviation 0.52); and (v) physical therapists’ recommendations and self-care teaching to consumers (mean 4.65; standard deviation 0.58). The top two signals are reliability dimensions and the other three signals are associated with a physical therapist assurance dimension. In other words, these top-five signals focus on the technical knowledge and skills of physical therapists, including their communication skills and ability to involve consumers in their own self-care. Clearly, consumers are primarily concerned about physical therapists’ training, expertise, and communication skills and to what extent they can be trusted and relied upon to improve their health and well-being. These are legitimate concerns.

Another important finding from this research is that it is necessary to learn from both a health service provider and consumer perspective. Some important signals were completely neglected by service providers at the beginning of the process, yet they received a very high rating when brought to their attention at the quantitative stage. For example, the item ‘sizable clinic’ could easily override another item such as ‘need to display the clinic license’ since clinic owners often assume that having a large operation automatically implies that it is licensed. But consumers see it otherwise and if a license is not displayed they are likely to interpret it as meaning that no license was delivered. Another example is ‘capability and skills of the physical therapist’ which could obliterate the need to mention the lack of experience ‘short years of service’. It is thus critical for clinic owners to make use of all the different quality signals and manage them so as to maximize the quality perception. One of the most essential quality signals is physical therapist knowledge development so that they will be able to diagnose medical problems correctly. This will help build consumer confidence.

In this case, if the therapist happened to have little experience, they should make it clear that he/she has a mentor that closely supervises his/her work, especially when giving diagnosis. This could go a long way in terms of alleviating consumers’ concerns, which as we just saw center around reliability and assurance. This is a big part of marketing communication. While consumers can generally easily perceive the quality of physical therapy equipment, especially if it is state-of-the-art, physical therapy information and treatment plans are more sensitive issues to deal with. These are part of the quality signals to help consumers assess the service quality. In addition, clinic owners should choose proper communication channels such as word-of-mouth from friends, family, medical staff and social media (as well as e-word-of-mouth) as these are vital channel nowadays. They should also consider providing content – well-being and physical therapy knowledge – as well as information that serves as quality signals, both via online and offline channels (e.g. brochures). Finally, there should be an adequate proportion of consumers assigned per physical therapist at any given time. This would avoid the overlapping of treatment time, and enhance the quality of individual care. Treating too many consumers at a time will reduce perceived quality.

## 5. Conclusion and Recommendations for Future Studies

This research built on the signaling theory and adopted the service quality dimension frame from prior literature to explore the quality signals for each quality dimension. The focus was on the relative importance of each quality signals from the perspective of both service providers and consumers. Since health service providers – physical therapists, physical therapy clinic owners, and administrative staff/ receptionists – were the primary audience of this research, it is the authors' hope that the findings will help them be aware of and progressively be able to appropriately convey the quality signals of the five service quality dimensions at the core of this study. This will help to bridge the communication gap between service providers and consumers and improve the latter's well-being. The results regarding the five quality dimensions can be summarized as follows:

- *Tangibility*: The perspectives of service providers and consumers regarding specialized physical therapy equipment differ. Whereas consumers gave a very high rating to this signal in the quantitative research, service providers did not mention this signal during the qualitative sessions. This might be because physical therapy equipment is controlled by the Notification of the Ministry of Public Health No11 (2003), which specifies the list of equipment that can be used for physical therapy. To register as a clinic, physical therapy clinic must have basic physical therapy equipment according to this regulation. Thus, service providers did not mention this aspect because they all comply with the regulation. Another difference is about advanced equipment. It was found that consumers did not mention this in the qualitative research. However, it was surprisingly prioritized in second place in the quantitative rating. Consumers do not have 'advanced equipment' as their top-of-mind signal. However, if they are reminded of this aspect, they will attach a lot of importance to it. Therefore, it is recommended that a clinic communicate about their advanced equipment to consumers, so that consumers would have a higher quality perception towards the clinic.

- *Reliability*: The reliability dimension mainly concerns the capability and skills of physical therapists, essentially their ability to diagnose correctly and produce good results. These are the top two signals mostly emphasized by consumers. This is because recovery is the main purpose for visiting physical therapy clinics. When consumers experience good results, this quality signal override other negative signals, such as few-year experience among young physical therapists. Experiencing good results also gives consumers confidence to persuade other potential consumers to come to the clinic. Apart from having reliable physical therapists, consumers also expect reliable receptionists who are able to manage consumers' medical records correctly. Additionally, receptionists are expected to be present at all time. Consumers did not mention these two points in the qualitative research. However, they rated this point highly when reminded in the quantitative part. This signal might appear to be trivial, yet it affects the quality perception of the clinic.

- *Responsiveness*: The most important quality signal in the responsiveness dimension is the appropriate waiting time. This is an important factor that frequently makes the physical therapy consumers switch from public hospital to private clinic due to shorter waiting time. The appropriate waiting time is subjective. Each consumer has his/her own acceptable waiting time. Generally, consumers are willing to wait longer when they do not set an appointment in advance. However, they need to know how long it would be, so that they can ensure that they will receive treatment on that day. The other responsiveness signal is enthusiastic receptionists. Physical therapy clinic owners should pay attention to this point since helpful and friendly receptionists (or conversely, unenthusiastic ones) create the first impression and could (or could not) reduce any dissatisfaction with the service.

- *Assurance in the Service Quality of Physical Therapists*: The top five quality signals which consumers emphasize are the capability and skills of the physical therapists. This essentially refers to their ability to explain symptoms and their causes and provide recommendations for treatment. They are also expected to answer questions with confidence, recommend self-care tips, explain how to use therapy equipment and explain the expected results from the physical therapy equipment and treatment. Besides, physical therapists should be able to diagnose a medical problem after interviewing and examining consumers thoroughly. Other signals include service year and education. For example, consumers prefer those with at least two years of experience and those who graduated from leading medical institute. These quality signals can be found prior to the treatment. If consumers have positive experience during the diagnosis and treatment, the positive effect will negate the negative signals regarding short service years and institute's fame.

- *Assurance in the Service Quality of Physical Therapy Clinics*: Interestingly, consumers view the display of the professional license of physical therapists as the top quality signal in terms of assurance regarding the clinic. This is followed by the display of the clinic registration certificates. In contrast, service providers do not put much emphasis on these quality signals. They display the license and clinic registration certificate simply to comply with regulation. On the other end of the spectrum, displaying the training certificates of physical therapists is the quality signal on which consumers put most emphasis. It assures consumers that the clinic has knowledgeable personnel to help them, especially in the case of serious injuries or rare diseases. It gives consumers peace of mind to know that they can seek help from therapists who are qualified.

- *Empathy*: Service providers and consumers view the empathy dimension differently. Service providers emphasize the aspect of empathy that concerns their duties. Meanwhile, each consumer has different needs regarding this dimension. When discussing the empathy dimension during the qualitative sessions, service providers did not mention individual care for each consumer. However, consumers rated individual care highly when completing the survey. This suggests that if a physical therapist has to attend to too many consumers at the same time, this will potentially reduce the quality perception. Finally, policy makers could use the findings from this study to raise awareness about the quality signals that have the most impact on consumer perception in addition to the actual service. They could also use them to promote health tourism.

#### - *Recommendations for Future Studies*

First, since this is a cross-sectional study, it is recommended that further longitudinal studies be conducted to determine whether there is any change in the quality signal perception in the course of the treatment. Second, this research only covers musculoskeletal system. Future studies on quality signals in other health service domains would help generalize the results of this study. Third, to the authors' knowledge, this research is one of the few attempts to study the integrated perspectives of health service providers and consumers. The research design and objective are exploratory in nature. Future studies in this area should confirm and extend the knowledge frontier.

## References

- Akerlof, G. A. (1970). The Market for 'lemons': Qualitative uncertainty and the market mechanism. *Quarterly Journal Economics*, 84(3), 488-500.
- Allen, S. (2019). Global health care outlook: Shaping the future. 2019. Retrieved August 10, 2019, from <https://www2.deloitte.com/global/en/pages/life-sciences-and-healthcare/articles/global-health-care-sector-outlook.html#report>

- Appleton, J. V. (1995). Analysing qualitative interview data: Addressing issues of validity and reliability. *Journal of Advanced Nursing*, 22(5), 993-997.
- Berry, L. L., Zeithaml, V. A., & Parasuraman, A. (1985). Quality counts in services, too. *Business Horizon*, May-June, 44-47.
- Choi, B., & Ishii, J. (2009). Consumer perception of warranty as signal of quality: An empirical study of powertrain warranties. Retrieved June 15, 2019, from <http://economics.yale.edu/sites/default/files/files/Workshops-Seminars/Industrial-Organization/ishii-091001.pdf>
- Connelly, B. L., Certo, S. T., Ireland, R. D., & Reutzel, C. R. (2011). Signaling theory: A review and assessment. *Journal of Management*, 37(1), 39-67.
- Dean, D. H., & Lang, J. M. (2008). Comparing three signals of service quality. *Journal of Services Marketing*, 22(1), 48-58.
- Destination Thailand (2018). Medical devices ASEAN 2018 drives Thailand's ambition to become the medical hub of Asia. Retrieved June 15, 2019, from <http://destinationthailandnews.com/news/headline-news/medical-devices-asean-2018-drives-thailands-ambition-to-become-the-medical-hub-of-asia.html>
- Dudley, R. A., Miller, R. H., Korenbrot, T. Y., & Luft, H. S. (1998). The impact of financial incentives on quality of health care. *The Milbank Quarterly*, 76(4), 649-686.
- Fesharaki, F. (2019). Nonverbal communication of pharmacists during counseling leading to patient satisfaction: Evidence from Iranian retail market. *Atlantic Journal of Communication*, 27(1), 62-73.
- Fontana, A., & Frey, J. H. (1994). Interviewing: The art of science. In N. Denzin & Y. Lincoln (Eds.), *Handbook of Qualitative Research* (pp. 361-376). London: SAGE Publications.
- Geertz, C. (1973). *The Interpretation of cultures*. New York: Basic Books.
- Haas-Wilson, D. (2001). Arrow and the information market failure in health care: The changing content and sources of health care information. *Journal of Health Politics, Policy and Law*, 26(5).
- Hartley, S., & Muhit, M. (2003). Using qualitative research methods for disability research in majority world countries. *Asia Pacific Disability Rehabilitation Journal*, 14(2), 103-114.
- Henze, B., Schuett, F., & Sluijs, J. P. (2015). Transparency in markets for experience goods: Experimental evidence. *Economic Inquiry*, 53(1), 640-659.
- Kalra, A., & Li, S. (2008). Signaling quality through specialization. *Marketing Science*, 27(2), 168-184.
- Kraiwong, R., Vongsirinavarat, M., Soonthornhdada, K. (2014). Physical therapy workforce shortage for aging and aged societies in Thailand. *Journal of the Medical Association of Thailand*, 97(Suppl. 7), S101-S106.
- Lincoln, Y. S., & Guba, E. G. (1985). *Naturalistic inquiry*. CA: SAGE Publications.
- Mayoux, L. Qualitative methods. 2000. Retrieved June 15, 2019, from <http://www.proveandimprove.org/documents/QualMethods.pdf>
- Meesala, A., & Paul, J. (2018). Service quality, consumer satisfaction and loyalty in hospitals: Thinking for the future. *Journal of Retailing and Consumer Services*, 40, 261-269.
- Millenson, M. L. (2000). Opinion: Medicine's next big opportunity. *The Industry Standard*.
- Ministry of Public Health (2014). Government performance report. Retrieved September 26, 2015, from [http://pmsn.hss.moph.go.th/uploadFiles/document/D00000001327\\_25781.pdf](http://pmsn.hss.moph.go.th/uploadFiles/document/D00000001327_25781.pdf).
- Ministry of Public Health (2015a). Hospitals statistic 2015. Retrieved September 26, 2015, from [http://mrd.hss.moph.go.th/display\\_document.jsp?id=D00000001605](http://mrd.hss.moph.go.th/display_document.jsp?id=D00000001605).
- Ministry of Public Health (2003). Ministry of Public Health Notification No.11 B.E. 2546 (2003). Retrieved June 15, 2019, from <http://law.longdo.com/law/620/sub43617>



- Ministry of Public Health (2015b). Private clinic statistic 2015. Retrieved September 26, 2015, from [http://mrd.hss.moph.go.th/uploadFiles/document/D00000001603\\_26713.pdf](http://mrd.hss.moph.go.th/uploadFiles/document/D00000001603_26713.pdf).
- Morris, M. (2015). Global health care outlook: Common goals, competing priorities. Retrieved June 15, 2019, from <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Life-Sciences-Health-Care/gx-lshc-2015-health-care-outlook-global.pdf>
- Mushkin, S. J. (1958). Toward a definition of health economics. *Public Health Reports*, 73(9), 785-793.
- Office of the Council of State (2004). Physiotherapy Professional Act, B.E. 2547. Retrieved September 26, 2015, from <http://web.krisdika.go.th/data/law/law2/%C766/%C766-20-2547-a0001.htm>
- Oh, J., & Veeraraghavan, S. (2009). Signaling service quality through advertising. Retrieved June 15, 2019, from [http://msom.technion.ac.il/conf\\_program/papers/TD/5/149.pdf](http://msom.technion.ac.il/conf_program/papers/TD/5/149.pdf)
- Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1985). SERVQUAL: A conceptual model of service quality and its implication. *Journal of Marketing*, 49(1), 41-50.
- Payne, A. (1993). *The essence of services marketing*. UK: Prentice Hall.
- Pietkiewicz, I., & Smith, J. A. (2014). A practical guide to using interpretative phenomenological analysis in qualitative research psychology. *Psychological journal*, 20(1), 7-14.
- Powell, A. E., Davies, H. T. O., & Thomson, R. G. (2003). Using routine comparative data to assess the quality of health care: Understanding and avoiding common pitfalls. *BMJ Quality & Safety*, 12(2), 122-128.
- Prasittivatechakoo, A. (2014). Alternative health and perspective to select without overlook. *Journal of The Royal Thai Army Nurses*, 15(3), 38-43.
- Rao, A. R., & Monroe, K. B. (1989). The effect of price, brand name, and store name on buyers' perceptions of product quality: An integrative review. *Journal of Marketing Research*, 26(3), 351-357.
- Rapport, F., Hibbert, P., Baysari, M., Long, J. C., Seah, R., Zheng, W. Y., ... & Braithwaite, J. (2019). What do patients really want? An in-depth examination of patient experience in four Australian hospitals. *BMC health services research*, 19(1), 38.
- Riessman, C. K. (1993). *Narrative analysis*. London: SAGE Publication.
- Robertson, J. (2013). Top travel destination of medical tourism. Retrieved June 15, 2019, from <http://www.bloomberg.com/slideshow/2013-06-25/top-travel-%20%20destinations-for-medical-tourism.html#slide9>
- Schultz, P. (2001) The fertility transition: Economic explanations, *Economic Growth Center Yale University*, Discussion paper no. 833.
- Setyawan, F. E. B., Supriyanto, S., Tunjungsari, F., Hanifaty, W. O. N., & Lestari, R. (2019). The influence of medical staff services quality on patients satisfaction based on SERVQUAL dimensions. *International Journal of Public Health*, 8(1), 52-58.
- Spradley, J. P. (1979). *The ethnographic interview*. New York: Holt, Rineehanrt & Winston.
- Srikarn, P. (2014). Health and social services. Retrieved September 26, 2015, from [http://www.thaifta.com/thaifta/portals/0/SecProfile\\_healthoct57.pdf](http://www.thaifta.com/thaifta/portals/0/SecProfile_healthoct57.pdf).
- Stiglitz, J. E. (2000). The contributions of the economics of information to twentieth century economics. *The Quarterly Journal of Economics*, 115(4), 1441-1478.
- Thai Gerontology Research and Development institute. (2014). *Situation of the Thai elderly*. Bangkok: Amarin Printing & Publishing Public Company Limited.
- The United Nations, Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat. World Population Aging 2017, New York, NY:

- United Nations*, 2015, p. 1. Retrieved February 14, 2018, from <http://esa.un.org/unpd/wpp/Excel-Data/population>
- Topaz, M., Bar-Bachar, O., Admi, H., Denekamp, Y., & Zimlichman, E. (2019). Patient-centered care via health information technology: A qualitative study with experts from Israel and the US. *Informatics for Health and Social Care*, 1-12.
- Turpin, G., Barley, V., Beail, N., Scaife, J., Slade, P., Smith, J.A., & Walsh, S. (1997). Standards for research projects and theses involving qualitative methods: Suggested guidelines for trainees and courses. *Clinical Psychology Forum*, 108, 3-7.
- Udomchalermpat, N. (2015). Service quality influencing customer loyalty toward physical therapy clinics in Bangkok. (Master of Business Administration Independent Study), Rangsit University.
- Wallendorf, M., & Belk, R. W. (1989). Assessing trustworthiness in naturalistic consumer research. In E. C. Hirschman (Ed.), *Interpretive Consumer Research* (pp. 69-84). UT: Association for Consumer Research.
- Wattanasuwan, K. (2007). Narrative: An alternative way to gain consumer insights, presented at the Oxford Business & Economic Conference, Oxford University, UK, 2007.
- Woraset, K. (2019). *The Liberalization of Thailand Medical Services Industry* (Doctoral dissertation, Seoul National University).
- Zeithaml, V. A., & Bitner, M. J. (1996). *Service marketing* (1 ed.). New York: Mcgraw-Hill.
- Zhang, X., Wall, W. P., & Hughes, K. (2018). Exploring the perceived success of a strategic medical tourism alliance from the consumers' perspective. *International Journal of Applied Business & International Management*, 3(1), 75-81.



**Table 1:** Summary of top three quality signals for five service quality dimensions

Signals	Mean	Standard Deviation	Tangibility	Assurance	Empathy	Reliability	Responsive-ness
Physical therapist's ability to diagnose correctly	4.79	0.43				✓	
Good treatment result	4.77	0.49				✓	
Physical therapist's ability to explain symptoms, causes, course of disease, and guideline for treatment	4.69	0.51		✓			
Physical therapist's ability to answer questions confidently	4.66	0.52		✓			
Physical therapist's ability to recommend and teach self-care to consumers	4.65	0.58		✓			
Physical therapist's ability to memorize consumer's symptom	4.61	0.52			✓		
Physical therapist's following up consumer's symptom	4.61	0.53			✓		
Physical therapist's taking time to give advice or discuss with the consumers	4.60	0.56			✓		
Specialized physical therapy equipment	4.60	0.57	✓				
Contemporary equipment	4.55	0.59	✓				
Clean place and equipment	4.55	0.64	✓				
Consumer gets better in a short period	4.47	0.72				✓	
Appropriate waiting time before receiving the treatment	4.35	0.62					✓
Receptionist being enthusiastic and is willing to help	4.29	0.68					✓
Receptionist's ability to answer the question of how long the consumer has to wait	4.15	0.71					✓

# Understanding Malaysian Consumers' Willingness to Buy Organic Personal Care Products: The Moderating Effect of Customer Characteristics

Yuanfeng Cai

Stamford International University, Thailand

yuanfeng.cai@stamford.edu

## Abstract

In a departure from previous studies, mainly based on a customer perspective, this research study is an early attempt to propose and empirically test a conceptual framework for understanding the buying behavior of Malaysian consumers of organic personal care products from a broader perspective that includes both product and customer factors. The respondents were Malaysians who had bought organic personal care products within the past six months. The results indicate that sensory appeals and natural content (two intrinsic cues) appear to be two salient quality cues that consumers use to apprehend the quality of organic personal care products and buy them. Contrary to prior studies, the results in this study reveal that these two intrinsic cues play a more important role in influencing consumers' organic purchase decision than do extrinsic cues (price premium and distinctive packaging). Moreover, consumers who have a stronger price-quality scheme are more likely to rely on price premium to infer product quality than those who have a weaker price-quality scheme. Unlike novice consumers, these expert consumers are less likely to rely on product quality in making their purchase decision. The findings provide organic marketers and manufacturers valuable insights into developing effective communication and formulating product development strategies.

**Keywords:** Organic Personal Care Products, Quality Cues, Perceived Quality, Willingness to Buy, Malaysia

## 1. Introduction

Due to rising concerns in the last decades with health and food safety and the steady development of a 'go green' consciousness among consumers worldwide, organic products has become the fastest growing segment in the global personal care industry (PR Newswire, 2013). Organic personal care products consist of skin care, hair care, oral care, color cosmetics, deodorants, toiletries, and feminine hygiene products (Ghazali, Soon, Mutum, & Nguyen, 2017). They are made from agricultural ingredients grown without the use of pesticides, synthetic fertilizers, sewage sludge, genetically modified organisms or ionizing radiation (Organic.org, 2016; Ghazali et al., 2017). Because of technical difficulties inherent in organic farming, the production costs of organically-grown products generally is higher than those of conventional products and the yield lower (Bonti-Ankomah & Yiridoe, 2006), which means that organic products are sold at a price premium over and above the "fair" price. (Van Doorn & Verhoef, 2015). This is justified by the "true" value of the product (Rao & Bergen, 1992). Given this price differential, how to persuade consumers to buy organic personal care products at a price premium has become a key challenge for marketers. Prior research, however, indicates that when consumers perceive significant differences between the quality of two brands, they are willing to pay a price premium for the one which they perceive to be a better quality product (Steenkamp, 1990; Steenkamp, Van Heerde, &

Geyskens, 2010). This conclusion has been confirmed by the findings of a meta-analysis of 150 papers conducted from 1991 to 2016 (Massey, O’Cass, & Otahal, 2018). They determined that consumers are quite willing to substitute conventional foods for organic alternatives when there are significant differences between them. In spite of the growing body of literature on organic products, a review of the existing studies reveals that several research gaps remain in our understanding of this market. They have yet to be addressed. First, there is a dearth of research on organic personal care products (Kim & Chung, 2011; Schleenbecker & Hamm, 2013; Ghazali et al., 2017; Hus, Chang, & Yansritakul, 2017). Extant research has mainly focused on food products (e.g., Gonçalves, Lourenço, & Silva, 2016; Singh & Verma, 2017; Wheeler, Gregg, & Singh, 2019). Second, a large portion of the research studies on organic product purchasing behavior relies on the Theory of Planned Behavior or the Theory of Consumption Values and examines the factors at play from a consumer side (Lin & Huang, 2012; Gonçalves et al., 2016; Yadav & Pathak, 2016; Ghazali et al., 2017; Hus et al., 2017).

Arguably, these studies may therefore provide limited perspective on our understanding of consumers’ organic buying behavior as they ignore the influence of the products. On the other hand, research based on a product perspective is likely to broaden our understanding of consumers’ organic purchasing behavior with additional insights and to help marketers and manufacturers tailor products that are most preferred by consumers. Third, conflicting results are found in the existing literature? According to some researchers, this may be due to isolation in examining the effects of consumer characteristics and product cues and attributes on purchase behavior (Steenkamp & Gielens, 2003; Van Doorn & Verhoef, 2015). Last but not least, while there is a wide body of current literature explaining consumers’ purchasing behavior in countries in which organic markets are already well developed (e.g., Gleim, Smith, Andrews, & Cronin, 2013; Lee & Yun, 2015; Van Doorn & Verhoef, 2015; Wheeler et al., 2019), consumer behavior in countries with a more recent organic history have been understudied. One such country is Malaysia.

In line with worldwide trends, the Malaysian market for organic personal care products is anticipated to grow at a compound annual growth rate (CAGR) of 9.7% during the forecast period 2014–2020, reaching a value of US\$ 533.3 million (FMI, 2015). Given global green consumption trends and Malaysia’s sizeable local market, a solid understanding of Malaysian consumers’ purchase decisions in relation to organic products is of increasing importance to marketing practitioners as well as scholars. Focusing on Malaysian consumers of organic personal care products, this study seeks to bridge this gap by investigating the underlying factors that influence them in their purchase decisions on these products. More specifically, it aims to address the following key research question: How do Malaysian consumers make purchase decisions about organic personal care products? It also aims to achieve the following objectives: (i) to identify underlying quality cues that contribute to consumers’ willingness to buy the organic personal care products; (ii) to investigate how consumers process various product cues to form perceptions of product quality; (iii) to examine the impact of consumer characteristics on consumers’ purchase decision; and (iv) to develop and empirically test a conceptual model based on the Malaysian context.

## **2. Literature Review and Hypothesis Development**

### **- *Perceived Quality***

Perceived quality can be defined as “quality judgments that are dependent on the perceptions, needs, and goals of the consumer” (Steenkamp, 1990, p. 310). Perceived quality is generally considered to be an overall, global concept that is hard to evaluate directly and one that needs to be inferred from a number of surrogates or indicators (Steenkamp, 1990; Ophuis & Van

Trijp, 1995). In other words, consumers cannot develop quality impressions of a product merely based on direct observation. This may be especially true of organic products. Given their credence nature, their true quality is difficult to verify not only before but also after the consumption (Ford, Smith, & Swasy, 1988; Anderson & Philipsen, 1998). Consumers may not be able to judge whether a product is truly organic, even after they consume it. The Cue Utilization Theory views products as an array of informational cues that serve as surrogate indicators of quality to consumers (Cox, 1967; Olson, 1972). Thus, in order to cope with uncertainty or with the asymmetry of information associated with the consumption of such products, consumers may rely on these cues to predict a product's performance (Cox, 1967). Consumers tend to rely on the predictive and confidence values of the product cues to determine whether a cue will be used. The predictive value (PV) of a cue is similar to the diagnosticity of the cue. It is the degree to which consumers associate a given cue with product quality. It indicates the reliability of a cue and the potential that using it would lead to a successful task (Dick, Chakravarti, & Biehal 1990). As to the confidence value (CV) of a cue, it is the degree to which consumers have confidence in their ability to use and judge that cue accurately (Cox 1967; Olson 1972). It is therefore assumed that cues characterized by high CV and high PV have the greatest weight in the quality assessment process. Quality cues will be further discussed in the next several paragraphs as part of hypothesis development.

#### **- Perceived Quality and Willingness to Buy**

There is ample empirical evidence on the positive effect of perceived quality on purchase intentions (e.g., Zeithaml, Berry, & Parasuraman, 1996; Sweeney, Soutar, & Johnson, 1999; Bonti-Ankomah & Yiridoe, 2006; Tsiotsou, 2005). In their recent study, Roselli et al. (2018) found that consumers who have formed a positive perception toward the quality of innovative traditional food products (e.g. extra-virgin olive oil extracted by ultrasound) are the most willing to buy the products. Additional support comes from Wang, Tao, and Chu (2020), who used the Theory of Planned Behavior to examine Chinese consumers' purchase intention toward certified bio food products. They concluded that adding perceived quality to the model enhances the overall predictive power of the theory. In light of all the studies that have confirmed the existence of a positive link between perceived quality and consumers' willingness to buy a product, the following hypothesis has been developed:

***H1:** Consumers' perceived quality will exert a positive influence on their willingness to buy organic personal care products.*

#### **- Product-Market Expertise**

Product-market expertise refers to consumers' ability to perform product and market related tasks successfully (Chiou & Droge, 2006). It comprises overall knowledge about a product market such as for example brands, product types, usage methods and purchase information. Given the differences in consumers' knowledge and consumption experience of a product, it is reasonable to assume that some of them may exhibit higher level of product-market expertise than others. Prior research has determined that novice and expert consumers differ in a number of ways Compared with novice consumers, expert consumers have greater knowledge of product and market and are better equipped to interpret new product information and sort out relevant information from irrelevant ones (Alba and Hutchinson, 1987, 2000; Johnson and Russo, 1984). Moreover, expert consumers tend to have lower risk perception and switching costs (Wirtz & Mattila, 2003); hence their lower level of loyalty (Wirtz & Mattila, 2003; Chiou & Droge, 2006; Jamal & Anastasiadou, 2009). Given the credence nature of organic products, information asymmetry has been a key challenge for consumers. This is especially true of novice consumers, as the costs of searching product information are much higher for them (Chiou & Droge, 2006). In addition, they have limited ability to comprehend and evaluate the product information that they obtain (Park & Lessig,

1981; Brucks, 1985). Therefore, in making purchase decisions, novice consumers are more likely than expert consumers to rely on easily understood short cuts such as product quality. On the other hand, given the lower costs they incur, searching product information and their greater level of knowledge about the product and market, expert consumers are more likely to rely on a broader range of information obtained from various sources (Evanschitzky & Wunderlich, 2006). Therefore, we posit that product-market expertise will moderate the link between perceived quality and willingness to buy in a negative way. Accordingly, the following hypothesis can be developed:

**H2:** *The impact of perceived quality on consumers' willingness to buy organic products will be weakened when consumers have high product market expertise.*

**- Drivers of Perceived Quality: Quality Cues**

Quality cues are drivers of perceived quality. Steenkamp (1990) defines quality cues as "informational stimuli that are, according to the consumer, related to the quality of the product, and can be ascertained by the consumer through the senses prior to consumption" (p. 312). While a wide array of quality cues is available to consumers, the latter cannot process all of them simultaneously. As a result, given their limited cognitive capacity, consumers tend to selectively process the cues that provide diagnostic value in order to save time and cognitive efforts (Petty & Caccioppo, 1986). According to the Cue Diagnosticity Theory, the relative importance of a product cue depends on its diagnosticity in differentiating between product alternatives (Skowronski & Carlston, 1987; Purohit & Srivastava, 2001). Cues with higher diagnosticity are viewed as more important and used more frequently in determining the purchase decision than less-diagnostic cues (Purohit & Srivastava, 2001).

Accordingly, this study focuses on four quality cues that have relatively high confidence and predictive value and are relevant to the organic personal care product setting. They include (i) price, (ii) distinctive packaging, (iii) natural content, and (iv) sensory appeals (Steenkamp et al., 2010; Gleim et al., 2013; van Doorn & Verhoef, 2015; Lee & Yun, 2015). Since price premium and distinctive packaging are related to the product but are not physically part of it, the relevant literature categorizes them as *extrinsic cues*. On the other hand, since natural content and sensory appeals are part of the physical product and cannot be changed without also changing the product itself, they have been categorized as *intrinsic cues* (Olson, 1972; Olson & Jacoby, 1972).

**- Extrinsic Cues**

**(i) Price Premium and Price-Quality Scheme**

Price is one of the most important indicators of product quality (Rao & Monroe, 1989; Dodds, Monroe, & Grewal, 1991). In this study, as one of the components of the marketing mix, price is labeled as a marketer side factor. A price premium, defined by Rao and Bergen (1992) as "the excess price paid, over and above the 'fair' price that is justified by the 'true' value of the product" (p. 412), can signal differences in product attributes (Bonti-Ankomah & Yiridoe, 2006). The notion that high-priced products are often perceived to be of higher quality has been well established (Blattberg & Winniewski, 1989; Rao & Monroe, 1989; Dodds et al., 1991; Kamakura & Russell, 1993; Yoo, Donthu, & Lee, 2000). Price not only signal quality but also reflects the value of inputs used in the production of the items sold (Rosen, 1974). A widely accepted notion is that in general, organic products are more expensive than their conventional counterparts. Thus, consumers are likely to rely on price to judge if a product is truly organic or not. Accordingly, the following hypothesis has been developed:

**H3:** *The price premium of organic personal care product will exert a positive influence on consumers' perceived quality on organic personal care products.*



As we just saw, consumers tend to have limited cognitive and processing abilities, which means that they have to develop some “schemes” to help them process information in a more efficient way (Lichtenstein & Burton 1989). A price-quality scheme can be defined as a shortcut that consumers use in their decision making when they believe that quality is strongly associated with price (Peterson & Wilson, 1985). The expectation is that when consumers have a strong price-quality scheme, they are more likely to believe that a price premium will be a good indicator of product quality. Conversely, when consumers have a weak price-quality scheme, they are less likely to use price premium to infer product quality. The following hypothesis can thus be developed:

**H4:** *The impact of price premium on perceived quality will be strengthened when consumers have strong price-quality scheme.*

*(ii) Distinctive packaging*

Another critical extrinsic cue used by consumers to evaluate a product is packaging. In this study, the focus is on the holistic packaging design rather than on individual elements such as the shape or the color of the packaging. Since, like price, it is a product cue that can be easily controlled by marketers, it is also labelled as a marketer side factor in the present study. The significant impact of packaging on influencing consumer behavior has been well documented (Kotler & Rath, 1984; Berkowitz, 1987; Nussbaum & Port, 1988; Bloch, 1995). For instance, when given the choice between two products with the same price and functions, consumers tend to choose the one with a more attractive packaging (Kotler & Rath, 1984). As is the case with price, packaging can help consumers form initial impressions of the product quality and also can be used as an indicator of other product attributes (Berkowitz, 1987). Packaging design is especially important for organic products, as they are relatively new in the market (Underwood & Klein 2002). A distinctive packaging that distinguishes organic products from their conventional alternatives is generally expected to make organic products successfully stand out and evoke favorable quality impressions (Steenkamp et al., 2010).

The perception and usage of products with an attractive packaging may result in sensory pleasure and stimulation (Bloch, 1995). Prior studies indicate that in helping them differentiate organic from conventional products, consumers consider a distinctive packaging important (Latacz-Lohmann & Foster, 1997; Hill & Lynchhaun, 2002). A common way to pack organic products is to use sustainable/green designs that will signal naturalness, health and sustainability (Hoogland, de Boer, & Boersema, 2007; Magnier & Schoormans, 2015; Lindh, Williams, Olsson, & Wikström, 2016; Pancer, McShane, & Noseworthy, 2017). Sustainable packaging has been found to link positively with naturalness, healthiness and environmental friendliness of the products (Magnier & Crié, 2015; Magnier, Schoormans, & Mugge, 2016; Van Rompay, Deterink, & Fenko, 2016; Binnering, 2017). Since organic consumers are more likely than conventional consumers to value healthiness, environmental friendliness and the naturalness of the product, firms should find distinctive packaging designs that convey these values and increase the perceived quality gap between organic personal care products and conventionally produced alternatives. This can be hypothesized that:

**H5:** *The distinctive packaging of organic personal care products will exert a positive influence on consumers' perceived quality of these products.*

**- Intrinsic Cues**

*(i) Natural Content*

In this study, natural content refers to the ingredients found in organic products that are totally natural-based and free from any chemical substance (Lee & Yun, 2015). This makes this cue a manufacturer side factor since it is fully under control of the manufacturers. Natural content has been determined to be one of the key factors driving consumers to buy natural



personal care products (Johri & Sahasakmontri, 1998). Despite inconclusive findings regarding whether organic products are in general healthier and safer than their conventional counterparts (Bonti-Ankomah & Yiridoe, 2006), consumers still believe in the health and safety benefits derived from organic products. This is evidenced by the fact that a great number of consumers were willing to pay more for organic food products (e.g. Krystallis et al., 2006; Urena et al., 2008; Langen, 2011). Likewise, empirical evidence suggests that products with natural and/or organic claims (e.g. “all natural”, “100% natural”) tend to have a strong and positive influence on consumers’ perceived product healthfulness, hedonism, environmental friendliness, and safety (Bauer, Heinrich, & Shafer, 2013; Apaolaza, et al., 2014; Chrysochou & Grunert, 2014; Berry, Burton, & Howlett, 2017). Since natural content can be expected to have a positive effect on consumers’ perception toward the quality of organic personal care products, it can be hypothesized as:

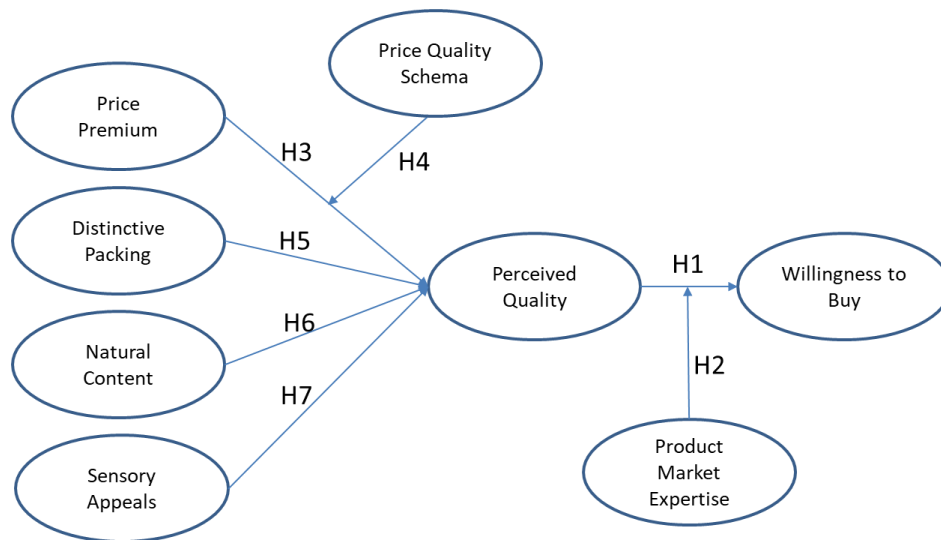
**H6:** *The natural content of organic personal care products will exert a positive influence on consumers’ perceived quality of these products.*

#### (ii) Sensory Appeals

In the context of the present study, sensory appeals refer to the appearance, smell, and texture of organic personal care products (Lee & Yun, 2015). This is another manufacturer side factor as it is one of the features of the products manufactured. Sensory appeals induce consumers to buy organic personal care products (Johri & Sahasakmontri, 1998). Given the credence nature of organic products, their true product quality can be difficult to evaluate, which may cause consumers to rely on sensory experience to infer product quality. In a recent study, Helme Falk and Hultén (2017) found that multiple-sensory cues (i.e., visual, auditory, and olfactory sensory cues), which are congruent with store design, product categories, and store image have a positive effect on consumers’ emotions and purchase behavior in retail stores. Similar evidence has also been found in organic food settings and indicates that the sensory attributes of organic food link positively with pleasure, hedonism, enjoyment, and happiness (Zanoli & Naspetti, 2002; Fotopoulos, Krystallis, & Ness, 2003; Padel & Foster, 2005). Following this logic, this study take the view that sensory cues, in congruence with the greenness of organic personal care products, should help consumers form a positive perception toward the quality of these products, which can hypothesized as follows:

**H7:** *The sensory appeals of organic personal care products will exert a positive influence on consumers’ perceived quality of these products.*

Figure 1 shows the conceptual framework developed for this study. The expectation is that consumers will rely on underlying quality cues (i.e., price premium, distinctive packaging, natural content, and sensory appeal) to form their perception toward the quality of organic personal care products, which in turn, will lead to a willingness to buy the products. It is also expected that consumers’ price-quality scheme will moderate the link between price premium and perceived quality and their product-market expertise the link between perceived quality and willingness to buy.



**Figure 1: Conceptual Model**

### 3. Research Methodology

#### - Data collection

A web-based online survey was used to collect the data. The questionnaire was developed based on the comprehensive literature review. To ensure current or recent usage of the products, the study includes only respondents with a shopping experience with organic personal care products within the past six months. In keeping with previous studies, this research study targets organic skin care and hair care products only as they are the most available personal care product categories in the market (Kim & Chung, 2011). In order to fit the bilingual background of the local respondents, the questionnaire was written in both English and Chinese. It was first written in English and translated into Chinese and then back translated into English by three independent, professional, bilingual translators to ensure consistency and translation equivalence (Douglas & Craig, 1983; Hui & Triandis, 1985).

All the measurement items used in this study are adopted from previous research studies. Table 1 summarizes statistics for all measures. Except for social desirability, the reliability of other variables is close to or above the cutoff value of .70 recommended by Voss et al. (2003). Since the target respondents in this study belong to relatively hard-to-reach populations in Malaysia, after a pilot test with 30 respondents, the snowball sampling technique was used to collect the data. The link of the online survey was first sent to a group of college students from a local university. As noted earlier, only those who have purchased organic personal care products within the past six months qualified as respondents. After completing the survey, they were asked to share the link with family members or with friends who met the requirements. In turn, those family members and friends were asked to share the link with those whom they knew qualified for the survey.

706 questionnaires were returned. After removing all the responses with invalid answers (e.g. giving the same answers to all questions) and data cleaning, 220 of these were deemed usable. The low usable survey obtained is most likely partially due to the fact that many respondents did not fully understand the meaning of 'organic products,' even though a definition of the term was shown at the beginning of the survey to guide respondents. As part of further verifying their understanding of the term 'organic', the respondents were also asked to list out at least one brand of organic personal care products that they bought within the past

six months. All the surveys of those who named brand(s) associated with non-organic products were considered invalid.

**Table 1:** Correlations and Measurement Information

Constructs	Mean	SD	PP	DP	NC	SA	CK	PQ	Q
PP	5.21	0.91							
DP	3.80	1.25	-0.10						
NC	4.80	1.10	-0.16*	-0.16*					
SA	5.36	0.80	-0.02	0.09	0.24**				
PE	3.97	1.08	-0.14*	0.16*	0.35**	0.41**			
PQ	4.55	1.30	0.16*	-0.18**	0.22**	0.30**	0.23**		
Q	5.40	0.74	-0.06	-0.05	0.48**	0.64**	0.45**	0.40**	
WTB	5.22	1.00	-0.16*	0.08	0.30**	0.53**	0.46**	0.15*	0.67**

Note: PP indicates Price Premium; DP indicates Distinctive Packaging; NC indicates Natural Content; SA indicates Sensory Appeal; PE indicates Product Market Expertise; PQ indicates Price-Quality Schema; Q indicates Perceive Quality; WTB indicates Willingness to Buy.

\*Correlation is significant at the .05 level (two-tailed). \*\*Correlation is significant at the .01 level (two-tailed)

Consistent with previous studies (e.g. Yiridoe et al., 2005; Winterich, Mittal, & Ross, 2009; Ghazali et al., 2017), a majority of the respondents was females. This is most likely due to the fact that generally women care more about their appearance than men (or at least in different ways) and therefore tend to be the main users of personal care products. As Table 2 shows, the majority of the respondents is single, relatively young and has low levels of income. In order to avoid bias, all the demographic characteristics have been included as control variables.

**Table 2:** Subjects' Profile

Variable	N=220
<b>Gender</b>	
Male	35%
Female	65%
<b>Age (years)</b>	
<18	3%
18-25	60%
26-30	14%
31-40	9%
41-50	11%
51-60	4%
<b>Marital Status</b>	
Single	77%
Married without children	4%
Married with children	16%
Divorced	1%
Others	2%

**Education**

< high school	1%
High school	14%
Diploma	16%
Bachelor	61%
Master	7%
Phd& Post-doc	1%

**Income**

<2,000 MYR	62%
2,000-4,000 MYR	16%
4,001-6,000 MYR	11%
6,001-10,000 MYR	4%
10,001- 15,000 MYR	3%
>15,000 MYR	4%

**Occupation**

Student	59%
Blue collar	4%
White collar	24%
Self-employed	6%
Retired	1%
Unemployed	3%
Others	4%

**Buying frequency**

Once per year	16%
Once per six months	37%
Once per three months	27%
Once per two months	15%
Once per month	6%
Once per week	1%

**Product Type**

Skin care	61%
Hair care	39%

**- Data Analysis**

Since data was collected from a single source, common method bias might be a concern for internal validity (Podsakoff, MacKenzie, & Lee, 2003). Several steps were taken to prevent such bias. During the data collection, the order of the questions was randomly organized to avoid a priming effect and to guarantee the anonymity of the respondents. After the data collection, Harman's single-factor test, one of the most widely used techniques was employed to assess common method variance. According to this method, common method variance exists if a single factor accounts for the majority of the covariance among the variables. The results of the factor analysis indicates that no single factor accounts for the majority of the covariance, suggesting that the common method variance is not a serious problem in this study. Brand name, product type and social desirability were also included as control variables to further minimize the potential bias. A confirmatory factor analysis (CFA) was conducted first to validate the constructs. Two items (sensor4, quali03) were removed due to low standardized factor loadings and cross loading. After running the CFA, the model fit showed:  $\chi^2 = 139.830(80)$ ,  $p < .001$ ,  $\chi^2/df = 1.748$ ,  $IFI = .94$ ,  $CFI = .94$ ,  $RMSEA = .058$ , which is deemed acceptable. The factor loadings for all items are above .5 and all ttests are significant, indicating convergent validity. In addition, except for sensory appeals, the values for composite reliability of the rest variables are acceptable (i.e.,  $> .60$ ) (Bagozzi & Yi, 1998). We

then used a hierarchical regression analysis to test the hypotheses. Brand name, product type and social desirability were also included as control variables to further minimize the potential bias.

#### 4. Study Results

As Table 3 shows, consumers' perceived quality gap had a significant positive effect on their willingness to buy organic products ( $\beta = .67, p < .001$ ), which means that H1 is fully supported. The moderating effect of consumers' product-market expertise was also confirmed. In line with our hypothesis, product-market expertise was found to moderate the link between perceived quality and willingness to pay in a negative way ( $\beta = -.18, p < .001$ ). Thus, H2 was fully supported.

**Table 3:** Results of Hierarchical Regression Analyses with 'Willingness to Buy' as the Dependent Variable

Constructs <sup>a</sup>	Model 1	Model 2	Model 3	Model 4
<b>Control Variables</b>				
Gender	-.067	-.014	-.028	-.026
Age	-.059	-.071	-.054	-.055
Marital status	-.097	-.083	-.044	-.048
Education	.076	.077	.060	.058
Income	.177	.145	.154	.152
Product type	.014	-.036	-.060	-.067
Brand	-.048	.039	.041	.029
Social desirability	-.041	-.079	-.086	-.066
<b>Independent Variable</b>				
Perceived Quality		.67***	.57***	.55***
<b>Moderator</b>				
PM-Expertise			.23***	.22***
<b>Interactions</b>				
Perceived Quality x PM-Expertise				-.18***
R <sup>2</sup>	.05	.48	.52	.55
Adjusted R <sup>2</sup>	.01	.46	.50	.53

Note: N = 220. DV: Willingness to buy

<sup>a</sup>Standardized coefficients are reported.

\*p < .05; \*\*p < .01; \*\*\*p < .001.

As can be seen in Table 4, contrary to H3, price premium did not have any significant effect on consumers' perception toward product quality ( $\beta = .02, p > .05$ ). Similarly, a distinctive packaging was also found to generate an insignificant effect on the perceived quality ( $\beta = -.07, p > .05$ ). Thus, H3 and H5 failed to be supported. Consistent with H4, price-quality scheme was found to moderate the link between price premium and perceived quality in a positive way ( $\beta = .10, p < .01$ ). Therefore, H4 was fully supported. In supporting H6 and H7, the impact of two of the intrinsic cues (natural content and sensory appeals) had a positive effect on consumers' perceived quality (Natural content:  $\beta = .33, p < .001$ ; Sensory appeal:  $\beta = .56, p < .001$ ), which means that H6 and H7 were fully supported.

**Table 4:** Results of Hierarchical Regression Analyses with 'Perceived Quality' as the Dependent Variable

Constructs <sup>a</sup>	Model 1	Model 2	Model 3	Model 4
<b>Control Variables</b>				
Gender	-.07	-.04	-.03	-.03
Age	-.06	-.02	-.02	-.02
Marital status	-.10	.07	.08	.07
	.08	.01	.01	.00



Education	.18	.02	.04	.04
Income	.01	.02	-.00	.01
Product type	-.05	-.10	-.09	-.08
Brand	-.04	.04	.06	.06
Social desirability	-.07	-.04	-.03	-.03
<b>Product Cues</b>				
Price Premium		.02	-.01	.00
Distinctive Packaging		-.07	-.03	-.02
Natural Content		.33***	.31***	.30***
Sensory Appeal		.56***	.51***	.51***
<b>Moderator</b>				
Price-Quality Schema			.19***	.18**
<b>Interactions</b>				
Price x Price-Quality Schema				.10*
R <sup>2</sup>	.04	.54	.57	.58
Adjusted R <sup>2</sup>	.00	.51	.54	.55

Note: N = 220. DV: Perceived quality

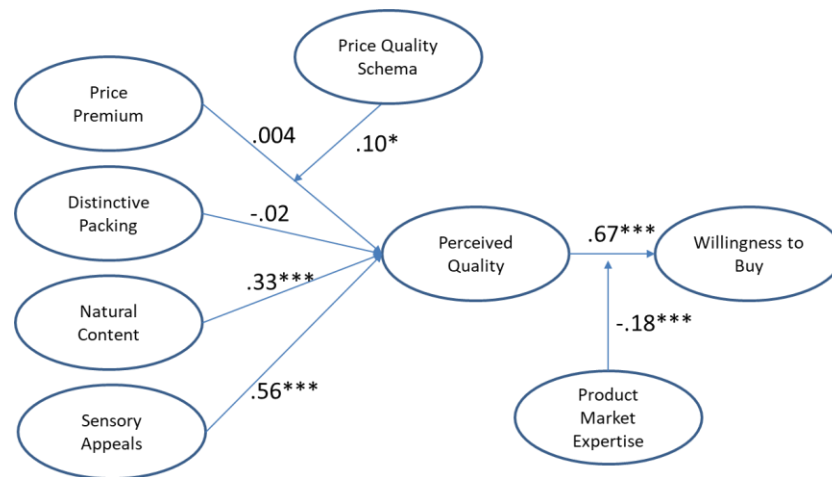
<sup>a</sup> Standardized coefficients are reported.

\*p < .05; \*\*p < .01; \*\*\*p < .001.

## 5. Discussion and Conclusions

This study is an early attempt to investigate how Malaysian consumers make purchase decisions in respect of organic personal care products from a quality standpoint and how the purchase decision-making process varies based on consumer characteristics. Figure 2 summarizes the results of this analysis. A number of prior studies determined that there is a positive relationship between price and product quality (Blattberg & Winniewski, 1989; Rao & Monroe, 1989; Dodds et al., 1991; Kamakura & Russell, 1993; Yoo, et al., 2000). These findings, however, contradict the result of the present study on this issue, which indicates that there is no such strong relationship. Since all these previous studies are premised on different product categories and general price, they may not be relied upon to cast light on Malaysian consumers' organic buying behavior. Although this current research study shows that price premium does have any effect on consumers' quality perception, it is important to note that consumers' perception toward price premium is nonetheless subject to variations that are based on some individual characteristics of these consumers.

Specifically, consumers who believe that paying more will bring better quality (price-quality schema) tend to view price premium as an indicator of product quality than those who don't believe so. Prior research proposes that distinctive packaging can be used to broaden the quality gap between two brands (Latacz-Lohmann & Foster, 1997; Hill & Lynchhaun, 2002; Steenkamp et al., 2010), which implies that there is a positive relationship between the distinctive packaging cue and perceived quality. Unexpectedly, such relationship was not found in this study. A plausible explanation may be that Malaysian consumers perceive the distinctive/green packaging of organic personal care products as merely a way for marketers to differentiate organic products from conventional alternatives. A link between the green image and the quality of organic personal care products has yet to be established. In addition, packaging is an easy-to-process cue, which tends to be used to infer product quality with low involvement (Mueller, Lockshin, & Louviere, 2010; Rao, 2005). However, given the relatively higher price of organic personal care products as compared to conventional alternatives, Malaysian consumers may consider the buying of such items a high-involvement activity.



**Figure 2: Results of Analysis**

A number of prior researchers argue that for credence goods, such as organic products, consumers should rely more on extrinsic cues as quality indicators as they are simpler to access and evaluate (Zeithaml, 1988, Bonti-Ankomah & Yiridoe, 2006). Contrary to this prior determination, though, the findings in this study reveal that Malaysian consumers actually place significantly more importance on intrinsic cues, such as sensory appeals and natural content, to arrive at a conclusion with regard to product quality. More specifically, in the surveys, sensory appeals is regarded as the most important factor used by consumers to infer quality. A possible reason may be that consumers can get first-hand physical experience through seeing, smelling, touching and testing the product. This direct experience with the product may enhance their confidence with the quality of the product. Interestingly enough, in this study, natural content was ranked as the second most important factor helping consumers to make quality evaluation. Yet, no such result was found in previous studies on its impact on consumers' attitude toward organic food products (e.g. Lee & Yun, 2015).

This discrepancy in the findings suggests that the intrinsic product cues which consumers use to infer the quality of organic personal care products are different from those they use in relation to organic food products. It also points out that in seeking to apprehend the subtleties of the organic market and learn about consumer behavior, it is very important not to lump it as one market and instead subdivide it by categories of products so as to capture some of its more intrinsic aspects. Consistent with previous studies, the findings in this research study confirm that perceived quality can be a powerful predictor of consumers' willingness to buy the organic personal care products (Roselli et al., 2018; Wang et al., 2020). They also show that the predictive power of perceived quality diminishes as consumers' product-market expertise increases. Specifically, they reveal that the impact of perceived quality on willingness to buy is stronger for novices than for experts. A plausible explanation may be that, given the asymmetry of expertise between novices and experts, the former tends to have a lower level of product knowledge and experience about what to rely upon to make an educated purchase decision. In addition, the cost of searching new product information is higher for novices. They also have limited ability to process the product information which they obtain (Park & Lessig, 1981; Brucks, 1985; Chiou & Droge, 2006). In determining their purchase decision, they are herefore more likely to rely on some easy-to-process factors such as product quality. Conversely, given their greater level of product knowledge and richer experience, expert consumers tend to have more confidence in obtaining and processing

product information from various sources (Evanschitzky & Wunderlich, 2006). This is because, in addition to product quality, they are able to rely on additional factors such as, for example, organic certificate, past experience) in making their purchase decision.

### ***Theoretical and Practical Implications***

The results in this study carry several important theoretical and practical implications. In terms of theoretical contribution, as an early attempt to articulate a conceptual framework that explains consumers' organic buying behavior from both a product and customer perspective in a non-food setting, it adds to the body of literature on organic products. The framework conceptualized for this study is a reliable tool for determining how and to which extent underlying product cues influence Malaysian consumers' willingness to buy organic personal care products. It also provides a fresh angle from which to explore how product cues and consumer characteristics work jointly to better predict consumers' purchase decisions. In addition to this significant theoretical contribution, this study also offers valuable practical insights.

First, by showing that perceived quality can be a powerful predictor of novice consumers' willingness to buy organic personal care products, it enables marketers to position these products in a more effective way consistent with this finding when targeting novice consumers. This can be achieved by placing an even higher emphasis on quality in a reader-friendly manner when differentiating organic personal care products from their conventional alternatives. Rather than seeking to create a high-end image to match the unavoidably high price of organic personal care products (due to more expensive raw materials) and trying to convince consumers that a price premium equates high quality ("high price therefore high quality"), it might be more effective to position the product as "high quality therefore high price" product. Marketers should also notice that for all the reasons aforementioned, product quality is not a powerful predictor of expert consumers' purchase decision.

Second, knowledge of the product cues utilization and evaluation can provide organic marketers valuable insights into how to adjust product quality to the wants and needs of consumers (Ophuis & Van Trijp, 1995). For example, given that sensory appeals appears to be the most important extrinsic quality cues, in order to help consumers to gain better personal experience with the product, marketers should provide more opportunities for consumers to try out the products through free trial and/or product demonstration. The feedback will enable manufacturers to make products that are more attractive to consumers by concentrating on the most potent cues and omitting the weakest ones. For instance, marketers and manufacturers can better allocate their limited resources by avoiding investing on product packaging in the Malaysian market. Meanwhile, the importance of natural content may imply that consumers still fail to trust organic claims. Marketers should provide organic certification verified by various important indicators of quality, including international certifications. The price-quality scheme could thus serve as a basis to segment the organic market in Malaysia.

### ***Limitations and Suggestions for Further Research***

As with any other research, this study has several limitations. First, the data are limited to personal care product purchases. Additional research should thus consider the possible drivers of organic purchases in different categories of products. Second, in terms of demographics, the sample is somewhat skewed toward female respondents of a relatively young age as more young female respondents accepted the author's invitation to the online survey. Therefore, caution should be exercised when generalizing the findings of this study to male consumers. Third, this study is further limited by its focus on Malaysian consumers, who could either be Malays, ethnic Chinese or Indians. Further research could therefore

determine whether the theoretical relationships identified in this study can be generalized to all Malaysians and also to consumers from other cultures, religions, and geographic locations. In addition, some researchers argue that isolation in examining the effect of consumer characteristics and product cues and attributes on purchase behavior may be the main cause of the conflicting results in the existing literature (Steenkamp & Gielens, 2003; Van Doorn & Verhoef, 2015). A number of researchers have already found that consumer response to organic product marketing varies from one consumer segment to another (e.g., Pino, Peluso, & Guido, 2012; Bezawada & Pauwels, 2013). It would therefore be worthwhile for further studies to test the moderating effect of more consumer characteristics.

## References

- Andersen, E. S., & Philipsen, K. (1998). The evolution of credence goods in customer markets: Exchanging “pigs in pokes”. In *DRUID Winter Seminar*, Middelfart (Vol. 10).
- Apaolaza, V., Hartmann, P., López, C., Barrutia, J. M., & Echebarria, C. (2014). Natural ingredients claim’s halo effect on hedonic sensory experiences of perfumes. *Food Quality and Preference*, 36, 81-86.
- Bagozzi, R. P., & Yi, Y. (1998). On the evaluation of structural equation models. *Journal of the Academy of Marketing Science*, 16(1), 74-94.
- Bauer, H. H., Heinrich, D., & Schäfer, D. B. (2013). The effects of organic labels on global, local, and private brands: More hype than substance? *Journal of Business Research*, 66(8), 1035-1043.
- Berkowitz, M. (1987). Product shape as a design innovation strategy. *Journal of Product Innovation Management*, 4(4), 274-283.
- Berry, C., Burton, S., & Howlett, E. (2017). It’s only natural: The mediating impact of consumers’ attribute inferences on the relationships between product claims, perceived product healthfulness, and purchase intentions. *Journal of the Academy of Marketing Science*, 45(5), 698-719.
- Bezawada, R., & Pauwels, K. (2013). What is special about marketing organic products? How organic assortment, price, and promotions drive retailer performance. *Journal of Marketing*, 77(1), 31-51.
- Binninger, A. S. (2017). Perception of naturalness of food packaging and its role in consumer product evaluation. *Journal of Food Products Marketing*, 23(3), 251-266.
- Blattberg, R. C., & Wisniewski, K. J. (1989). Price-induced patterns of competition. *Marketing Science*, 8(4), 291-309.
- Bloch, P. H. (1995). Seeking the ideal form: Product design and consumer response. *Journal of Marketing*, 59(3), 16-29.
- Bonti-Ankomah, S., & Yiridoe, E. K. (2006). Organic and conventional food: A literature review of the economics of consumer perceptions and preferences. *Organic Agriculture Centre of Canada*, 59, 1-40.
- Brucks, M. (1985). The effects of product class knowledge on search behavior. *Journal of Consumer Research*, 12(1), 1-16.
- Chiou, J., & Droge, C. (2006). Service quality, trust, specific asset investment, and expertise: direct and indirect effects in a satisfaction-loyalty framework. *Journal of the Academy of Marketing Science*, 34(4), 613-627.
- Chrysochou, P., & Grunert, K. G. (2014). Health-related ad information and health motivation effects on product evaluations. *Journal of Business Research*, 67(6), 1209-1217.
- Cox, D. F. (1967). The sorting rule model of the consumer product evaluation process. In *Risk Taking and Information Handling in Consumer Behavior* (pp. 324-369). Boston, MA: Graduate School of Business Administration. Harvard University.

- Dick, A., Chakravarti, D., & Biehal, G. (1990). Memory based inferences during consumer choice. *Journal of Consumer Research*, 17 (June), 82-93.
- Dodds, W. B., Monroe, K. B., & Grewal, D. (1991). Effects of price, brand, and store information on buyers' product evaluations. *Journal of Marketing Research*, 28(3), 307-319.
- Douglas, S.P., & Craig, C.S., (1983). Examining performance of US multinationals in foreign markets. *Journal of International Business Studies*, 14(3), 51-63.
- Evanschitzky, H., & Wunderlich, M. (2006). An examination of moderator effects in the four-stage loyalty model. *Journal of Service Research*, 8(4), 330-45.
- FMI (2015). Malaysia Organic Cosmetics Market: Franchise Outlets and Beauty Salons Account for 53% of Sales. Retrieved January 12, 2018, from <https://www.futuremarketinsights.com/press-release/malaysia-organic-cosmetics-market>
- Ford, G. T., Smith, D. B., & Swasy, J. L. (1988). An empirical test of the search, experience and credence attributes framework. *ACR North American Advances*.
- Fotopoulos, C., Krystallis, A., & Ness, M. (2003). Wine produced by organic grapes in Greece: using means—end chains analysis to reveal organic buyers' purchasing motives in comparison to the non-buyers. *Food Quality and Preference*, 14(7), 549-566.
- Ghazali, E., Soon, P. C., Mutum, D. S., & Nguyen, B. (2017). Health and cosmetics: Investigating consumers' values for buying organic personal care products. *Journal of Retailing and Consumer Services*, 39, 154–163.
- Gleim, M. R., Smith, J. S., Andrews, D., & Cronin, J. J. (2013). Against the green: A multi-method examination of the barriers to green consumption. *Journal of Retailing*, 89(1), 44-61.
- Gonçalves, H. M., Lourenço, T. F., & Silva, G. M. (2016). Green buying behavior and the theory of consumption values: A fuzzy-set approach. *Journal of Business Research*, 69(4), 1484-1491.
- Helmefalk, M., & Hultén, B. (2017). Multi-sensory congruent cues in designing retail store atmosphere: Effects on shoppers' emotions and purchase behavior. *Journal of Retailing and Consumer Services*, 38, 1-11.
- Hill, H., & Lynchehaun, F. (2002). Organic milk: attitudes and consumption patterns. *British Food Journal*, 104(7), 526-542.
- Hoogland, C. T., de Boer, J., & Boersema, J. J. (2007). Food and sustainability: Do consumers recognize, understand and value on-package information on production standards? *Appetite*, 49(1), 47-57.
- Hui, C.H., & Triandis, H.C. (1985). Measurement in cross-cultural psychology: a review and comparison of strategies. *Journal of Cross-Cultural Psychology*, 16 (6), 131–152.
- Hus, C., Chang, C., & Yansritakul, C. (2017). Exploring purchase intention of green skincare products using the theory of planned behavior: Testing the moderating effects of country of origin and price sensitivity. *Journal of Retailing and Consumer Services*, 34(1), 145-152.
- Jamal, A., & Anastasiadou, K. (2009). Investigating the effects of service quality dimensions and expertise on loyalty. *European Journal of Marketing*, 43(3/4), 398-420.
- Johri, L. M., & Sahasakmontri, K. (1998). Green marketing of cosmetics and toiletries in Thailand. *Journal of Consumer Marketing*, 15(3), 265-281.
- Kamakura, W. A., & Russell, G. J. (1993). Measuring brand value with scanner data. *International Journal of Research in Marketing*, 10(1), 9-22.
- Kim, H.Y., & Chung, J. E. (2011). Consumer purchase intention for organic personal care products. *Journal of Consumer Marketing*, 28(1), 40-47.
- Kotler, P., & Rath, G. A. (1984). Design: A powerful but neglected strategic tool. *Journal of Business Strategy*, 5(2), 16-21.



- Krystallis, A., Fotopoulos, C., & Zotos, Y. (2006). Organic consumers' profile and their willingness to pay (WTP) for selected organic food products in Greece. *Journal of International Consumer Marketing*, 19, 81-106.
- Langen, N. (2011). Are ethical consumption and charitable giving substitutes or not? Insights into consumers' coffee choice. *Food Quality and Preference*, 22, 412-421.
- Latacz-Lohmann, U., & Foster, C. (1997). From "niche" to "mainstream"-strategies for marketing organic food in Germany and the UK. *British Food Journal*, 99(8), 275-282.
- Lee, H. J., & Yun, Z. S. (2015). Consumers' perceptions of organic food attributes and cognitive and affective attitudes as determinants of their purchase intentions toward organic food. *Food Quality and Preference*, 39(1), 259-267.
- Lichtenstein, D.R., & Burton, S. (1989). The relationship between perceived and objective price-quality. *Journal of Marketing Research*, 26 (11), 429-43.
- Lin, Y. C., & Chang, C. C. A. (2012). Double standard: the role of environmental consciousness in green product usage. *Journal of Marketing*, 76(5), 125-134.
- Lindh, H., Williams, H., Olsson, A., & Wikström, F. (2016). Elucidating the indirect contributions of packaging to sustainable development: A terminology of packaging functions and features. *Packaging Technology and Science*, 29(4-5), 225-246.
- Magnier, L., & Schoormans, J. (2015). Consumer reactions to sustainable packaging: The interplay of visual appearance, verbal claim and environmental concern. *Journal of Environmental Psychology*, 44(12), 53-62
- Magnier, L., & Crié, D. (2015). Communicating packaging eco-friendliness: An exploration of consumers' perceptions of eco-designed packaging. *International Journal of Retail & Distribution Management*, 43(4/5), 350-366.
- Magnier, L., Schoormans, J., & Mugge, R. (2016). Judging a product by its cover: Packaging sustainability and perceptions of quality in food products. *Food Quality and Preference*, 53, 132-142.
- Massey, M., O'Cass, A., & Otahal, P. (2018). A meta-analytic study of the factors driving the purchase of organic food. *Appetite*, 125(1), 418-427.
- Mueller, S., Lockshin, L., & Louviere, J. J. (2010). What you see may not be what you get: Asking consumers what matters may not reflect what they choose. *Marketing Letters*, 21(4), 335-350.
- Nelson, P. (1970). Information and consumer behavior. *Journal of Political Economy*, 78(2), 311-329.
- Nussbaum, B., & Port, O. (1988). Smart design. *Business Week* (1).
- Olsen, J. C. (1972). Cue utilization in the quality perception process: A cognitive model and an empirical test. Unpublished Ph. D. thesis. Purdue University. Lafayette, IN.
- Olson, J. C., & Jacoby, J. (1972). Cue utilization in the quality perception process. *ACR Special Volumes*.
- Ophuis, P. A. O., & Van Trijp, H. C. (1995). Perceived quality: A market driven and consumer-oriented approach. *Food quality and Preference*, 6(3), 177-183.
- Organic.org, (2016). What is organic? Retrieved March 9, 2017, from at: <http://www.organic.org/education/faqs>
- Padel, S., & Foster, C. (2005). Exploring the gap between attitudes and behaviour: Understanding why consumers buy or do not buy organic food. *British Food Journal*, 107(8), 606-625.
- Pancer, E., McShane, L., & Noseworthy, T. J. (2017). Isolated environmental cues and product efficacy penalties: The color green and eco-labels. *Journal of Business Ethics*, 143(1), 159-177.

- Park, W.C., & Lessig, V.P. (1981). Familiarity and its impact on consumer biases and heuristics. *Journal of Consumer Research*, 8(2), 223-30.
- Peterson, R. A., & Wilson, W.R. (1985). *Perceived risk and price-reliance scheme in perceived quality*. Jacob, Jacoby and Jerry C. Olson, eds. Lexington, MA: Heath, 247-68.
- Petty, R. E., & Cacioppo, J. T. (1986). *Message elaboration versus peripheral cues*. In *Communication and Persuasion*. New York: Springer.
- Pino, G., Peluso, A. M., & Guido, G. (2012). Determinants of regular and occasional consumers' intentions to buy organic food. *Journal of Consumer Affairs*, 46(1), 157-169.
- Podsakoff, P. M., MacKenzie, S. B., Lee, J. Y., & Podsakoff, N. P. (2003). Common method biases in behavioral research: A critical review of the literature and recommended remedies. *Journal of Applied Psychology*, 88(5), 879.
- PR Newswire (2013). Global Organic Personal Care Products Market is Expected to Reach USD 13.2 Billion by 2018: Transparency Market Research. Retrieved January 12, 2018 from <https://www.prnewswire.com/news-releases/global-organic-personal-care-products-market-is-expected-to-reach-usd-132-billion-by-2018-transparency-market-research-213109341.html>
- Purohit, D., & Srivastava, J. (2001). Effect of manufacturer reputation, retailer reputation, and product warranty on consumer judgments of product quality: A cue diagnosticity framework. *Journal of Consumer Psychology*, 10(3), 123-134.
- Rao, A. R., & Monroe, K. B. (1989). The effect of price, brand name, and store name on buyers' perceptions of product quality: An integrative review. *Journal of Marketing Research*, 26(3), 351-357.
- Rao, A. R., & Bergen, M. E. (1992). Price premium variations as a consequence of buyers' lack of information. *Journal of Consumer Research*, 19(3), 412-423.
- Rao, A. R. (2005). The quality of price as a quality cue. *Journal of Marketing Research*, 42(4), 401-405.
- Roselli, L., Cicia, G., Cavallo, C., Giudice, T.D., Carlucci, D., Clodoveo, M.L., & De Gennaro, B.C. (2018). Consumers' willingness to buy innovative traditional food products: The case of extra-virgin olive oil extracted by ultrasound. *Food Research International*, 108 (6), 482-490.
- Rosen, S. (1974). Hedonic prices and implicit markets: Product differentiation in pure competition. *Journal of Political Economy*, 82(1), 34-55.
- Schleenbecker, R., & Hamm, U. (2013). Consumers' perception of organic product characteristics. A review. *Appetite*, 71, 420-429.
- Singh, A., & Verma, P. (2017). Factors influencing Indian consumers' actual buying behaviour towards organic food products. *Journal of Cleaner Production*, 167(11), 473-483.
- Skowronski, J. J., & Carlston, D. E. (1987). Social judgment and social memory: The role of cue diagnosticity in negativity, positivity, and extremity biases. *Journal of Personality and Social Psychology*, 52(4), 689.
- Steenkamp, J. B. E. M. (1990). Conceptual model of the quality perception process. *Journal of Business Research*, 21(4), 309-333.
- Steenkamp, J. B. E. M., Van Heerde, H. J., & Geyskens, I. (2010). What makes consumers willing to pay a price premium for national brands over private labels? *Journal of Marketing Research*, 47(6), 1011-1024.
- Steenkamp, J. B. E. M., & Gielens, K. (2003). Consumer and market drivers of the trial probability of new consumer packaged goods. *Journal of Consumer Research*, 29(12), 368-384.

- Sweeney, J. C., Soutar, G. N., & Johnson, L. W. (1999). The role of perceived risk in the quality-value relationship: a study in a retail environment. *Journal of Retailing*, 75(1), 77-105.
- Tsiotsou, R. (2005). Perceived quality levels and their relation to involvement, satisfaction, and purchase intentions. *Marketing Bulletin*, 16(4), 1-10.
- Underwood, R. L., & Klein, N. M. (2002). Packaging as brand communication: Effects of product pictures on consumer responses to the package and brand. *Journal of Marketing Theory and Practice*, 10(4), 58-68.
- Urena, F., Bernabeu, R., & Olmeda, M. (2008). Women, men and organic food: differences in their attitudes and willingness to pay. A Spanish case study. *International Journal of Consumer Studies*, 32, 18-26.
- Van Doorn, J., & Verhoef, P. C. (2015). Drivers of and barriers to organic purchase behavior. *Journal of Retailing*, 91(3), 436-450.
- van Rompay, T. J., Deterink, F., & Fenko, A. (2016). Healthy package, healthy product? Effects of packaging design as a function of purchase setting. *Food Quality and Preference*, 53(10), 84-89.
- Voss, K. E., Spangenberg, E. R., & Grohmann, B. (2003). Measuring the hedonic and utilitarian dimensions of consumer attitude. *Journal of Marketing Research*, 40(3), 310-320.
- Wang, J., Tao J., & Chu, M. (2020). Behind the label: Chinese consumers' trust in food certification and the effect of perceived quality on purchase intention. *Food Control*, 108(2), 106825.
- Wheeler, S., Gregg, D., & Singh, M. (2019). Understanding the role of social desirability bias and environmental attitudes and behavior on South Australians' stated purchase of organic foods. *Food Quality and Preference*, 74(6), 125-134.
- Winterich, K. P., Mittal, V., & Ross Jr, W. T. (2009). Donation behavior toward in-groups and out-groups: The role of gender and moral identity. *Journal of Consumer Research*, 36(2), 199-214.
- Wirtz, J., & Mattila, S.A. (2003). The effects of consumer expertise on evoked set size and service loyalty. *Journal of Services Marketing*, 17(7), 649-65.
- Yadav, R., & Pathak, G. S. (2016). Young consumers' intention towards buying green products in a developing nation: Extending the theory of planned behavior. *Journal of Cleaner Production*, 135(1), 732-739.
- Yiridoe, E. K., Bonti-Ankomah, S., & Martin, R. C. (2005). Comparison of consumer perceptions and preference toward organic versus conventionally produced foods: A review and update of the literature. *Renewable Agriculture and Food Systems*, 20(4), 193-205.
- Yoo, B., Donthu, N., & Lee, S. (2000). An examination of selected marketing mix elements and brand equity. *Journal of the Academy of Marketing Science*, 28(2), 195-211.
- Zanoli, R., & Naspetti, S. (2002). Consumer motivations in the purchase of organic food: A means-end approach. *British Food Journal*, 104(8), 643-653.
- Zeithaml, V. A. (1988). Consumer perceptions of price, quality, and value: a means-end model and synthesis of evidence. *Journal of Marketing*, 52(3), 2-22.
- Zeithaml, V. A., Berry, L. L., & Parasuraman, A. (1996). The behavioral consequences of service quality. *Journal of Marketing*, 60(2), 31-46.

# Mergers and Acquisitions and Success Factors in Thailand

Jiraporn Popairoj

Assumption University, Thailand.

pjirapon1@yahoo.com

## Abstract

This paper studies the impact of completed M&A deals in Thailand from January 1, 2000 to December 31, 2014 on target's financial performance proxied by cumulative abnormal returns (CAR). Specifically, as part of the research questions, it first tests whether there is a statistical CAR difference before and after the announcement of the completion of the deals. Secondly, it examines the six main factors that explain the target's financial performance (proxied by CAR), one year, two years, and three years after the announcement. These factors include cultural differences, corporate governance, payment method, contagion and capacity effect, institutional ownership, and inside ownership. The results show that there is a statistical difference between the standardized CAR 120 days before and after the announcement date. Furthermore, the contagion effect on efficiency (proxied by the ROE and ROA), inside ownership in targets, and target's size are significant factors for the higher CAR after completion of the M&A for all years. The other factors are statistically insignificant as all listed companies in Thailand are required to have good governance and most M&A deals use cash payments. Moreover, since cross-border M&As in Thailand during that period were a rare occurrence and still at an initial stage, cultural differences are also not a factor. Future research studies should be conducted when more recent M&A data becomes available.

**Keywords:** Mergers, Acquisitions, Contagion Efficiency, Inside Ownership

## 1. Introduction

There is a large body of literature on domestic and international M&As, which first started approximately 120 years. Yet, in spite of all the research studies and their steady increase and the fact that M&As go back a long way, their success rate is below 50% (Calipha, Tarba, & Brock, 2010) and has failed been to improve significantly (Marks & Mirvis, 2011). But even though many of them will end up failing, the rate of acquisitions remains high. This is the case in Southeast Asian, where the progressive establishment of the ASEAN Economic Community (AEC), which aims to integrate the ten economies that are part of the Association of Southeast Asian Nations (ASEAN), raises the needs for companies to grow through inorganic growth so as to become more competitive and be better equipped to face rivals. According to ASEAN Investment Report 2018, in 2017 alone, net cross-border M&As in ASEAN increased by 124 percent. But while acquisitions are a quick way for companies to expand, they are also a response to the rapid change in business platforms that require technology acquisitions for more innovation.

This empirical research study focuses on M&As in Thailand. It raises two main issues. The first research question tests the extent to which Thai M&As impact the targets' financial performance. In particular, it seeks to test whether there is a statistical difference in the cumulative abnormal returns (CAR) before and after the announcement that a M&A deal is completed. 'CAR' in this case can be defined as the summation of abnormal returns for one year, two years and three years after the announcement date. As to abnormal returns, they refer to the difference between actual and expected returns. The second research question examines six main success factors that explain financial performance improvement (proxied by CAR),

one year, two years, and three years after the announcement. Two of them, corporate governance and institutional and inside ownership, are success factors related to the empire-building theory and a third one, method of payment for M&A deals, relates to the valuation theory. The efficiency theory explains the contagion and capacity effect success factors. A sixth success factor, cultural differences, is linked to cross-border risk. To test the differences in firms' performance before and after the announcement (proxied by the CAR of the targets) and examine M&As' success factors, the study looks at M&As in Thailand completed during the period between January 1, 2001 and December 31, 2014. A total of 541 M&A deals were completed during that period with Thai firms as targets, with a deal value equal to or greater than USD 10 million (54% were in the same industries and 46% cross-industries). This study has academic and practical applications. The empirical results could help acquirers when making M&A decisions, i.e., target screening, in order to have more efficient and effective M&A deals.

## 2. Literature Review

This section provides background to this research study and discusses the key operating concepts at its core.

### *-M&A Waves*

As noted earlier, M&As have a very long history. Their evolution has been broken down into seven waves based on the main reasons for their use over time. The first wave (1890-1905) concentrated on horizontal mergers, the second one (1910-1920) on vertical mergers, the third one (1950-1970) on diversified conglomerate mergers, and the fourth one (1980-1989) on concentric mergers, hostile takeovers and corporate raiding s to the fifth wave (1992-2000), it focused on cross-border mergers. The sixth wave (2003-2007) had shareholder activism and private equity as its main focus (Gugler, Mueller, Weichselbaumer, & Yurtoglu, 2012) The seventh wave, which started in 2007, initially saw a sharp decline in M&A activities in the wake of the financial crisis but has since regained the 2005 volume of deals while in the meantime the M&A value has grown. From 35.2 billion USD in 2005 it reached 41.6 billion USD in 2016; a 18.2% increase (E.S. Frankel & Forman, 2017). During the first two waves, most of the M&As aimed to consolidate industrial production and reduce competition among firms, thereby creating monopolies. This changed, however, after the stock market crashed in 1905 and the enacting of antitrust regulations in 1910. The third wave began with conglomerate M&As and focused on economies of scale and diversification. During the fourth wave, change in antitrust policy and financial service deregulation together with new financial instruments created high value M&A deals, which refocused on core business to improve efficiency and maximize shareholders' value. The fifth M&A wave occurred against a background of cross-border expansion and globalization for cost cutting purposes as a means of growth. During the sixth wave, cross-border M&As, which sought more markets and greater access supply, accelerated (Gregoriou & Renneboog, 2007)

### *-M&A Theories*

A number of theories have added to the body of literature on M&As. Some are relevant to this study. They include: (i) the empire-building theory, (ii) the process theory, (iii) the disturbance theory, (iv) the efficiency theory, (v) the monopoly theory, (vi) the raider theory, and (vii) the valuation theory.

#### *(i) The Empire-Building Theory*

The focal point of this theory introduced by Berle and Means (1933) is managers' benefits – not shareholders' value as one might expect. A manager maximizes his/her own utility instead of shareholders' value. The concept is based on the separation of ownership and control in a



company (Jensen & Meckling, 1976). Overpayment for the target could happen because a manager does not consider shareholders' value (Stigler & Friedland, 1983; Trautwein, 1990). Deals initiated by target firms rather than outside bidders have higher CEO ownership. CEOs are motivated to offer their firms for sale by higher golden parachutes, stock, and stock option granted to them before the M&A process (Fidrmuc & Xia, 2017).

*(ii) The Process Theory*

This theory proposed by Simon (1957) centers on the acquisition process. Mergers are performed without good planning. Some mergers involve political influences, no prior consensus on acquisition criteria, and non-rational decision making (Trautwein, 1990). Also part of this theory is the hubris hypothesis according to which acquirers paid too much for the targets (Roll, 1986). Another is the strong-form efficient market hypothesis. Managers do not act against shareholders' interests. They are overconfident and incorrectly value the target. Management ignores negative acquirers' returns. Acquirers in unsuccessful acquisitions have higher levels of estimated free cash flow than acquirers in successful acquisitions (Kaplan & Weibach, 1992).

*(iii) The Disturbance Theory*

This theory expounded by Gort (1969) is based on the assumption that mergers are caused by economic disturbances, which cause changes in individual expectations and increase uncertainty. The theory focuses on macro-economics and individual expectations instead of institutional or sector level. Moreover, it cannot explain premium on target price. Managers of acquirers would like to manage larger firms and control over the target. Differences in expected income and associated risks create valuation discrepancy. Mergers occur when non-owners estimate higher value of assets than owners and buyers can give; this higher amount is investors' surplus (the difference between market price and asset value). Economic shocks that alter the structure of expectations, such as rapid changes in technology and security prices, can impact merger activity (Gort, 1969).

*(iv) The Efficiency Theory*

The focus of this theory from Porter (1985) is synergy (financial, operational, and managerial) which should be the objective of mergers. Financial synergy arises from mergers and reduces the costs of capital. Firstly, company can reduce systematic risk from unrelated business investment. Secondly, mergers increase company's size providing opportunity to obtain cheaper capital. Thirdly, mergers allow better and efficient allocation of capital (Trautwein, 1990). Operational synergy arising from business combination creates cost reduction and gain from knowledge transferred (Porter, 1985). Managerial synergy incurs when management from acquiring companies plan and monitor the better target performance. However, pay-performance and incentives for CEOs and top management have been found to have a small impact on increasing value that would create wealth to shareholders (Jensen & Murphy, 1990). There is no evidence from research to prove there is a lower systematic risk (Montgomery & Singh, 1984). Operational and managerial synergies are usually found in mergers but seldom realized. Sometimes managers decide to have mergers without thinking of shareholders' value, which does not square with the efficiency theory. As suggested by Alchian (1950), profit maximization should not be the sole guide to specific action. Cross-border merger waves facilitate the efficient reallocation of assets (Xu, 2017).

*(v) The Monopoly Theory*

This theory advanced by Mueller (1969) focuses on the market power to be derived from mergers. In conglomerate acquisitions, profits from one product can subsidize losses from others. Firms can sustain a fight to obtain market share through cross-subsidized products. They can acquire competitors for more market share and anti-competitive strategy (Trautwein,

1990). According to Mueller (1969), mergers occur when firms maximize profit and they need to increase market power and technological economy of scale.

*(vi) The Raider Theory*

Central to this theory from Holderness and Sheehan (1985) is the person who causes wealth transfers from target's shareholders to acquirer after mergers. The acquirer pays higher price to other shareholders for the control of company (Trautwein, 1990). However, as Holderness and Sheehan (1985) argued, corporate raiders reduce the wealth transfer of other shareholders.

*(vii) The Valuation Theory*

According to this theory proposed by Steiner (1975), mergers are planned by acquirers who have more information about the target's value and the advantages of having the firms combined. This creates private information and therefore uncertainty for the merger decision. The problem of the valuation theory is validity since merger results cannot be evaluated with confidence. The owner of private information usually proposes higher value of assets compared to the current owner due to the expectations and evaluation on market reaction (Trautwein, 1990; Wensley, 1982).

**-M&As and Success Factors**

Previous literature on the relationship between M&As and success factors has identified a number of forces at the origin of the success of M&As. For example, cultural differences can be an obstacle to M&A success (Bjorkman, Stahl, & Vaara, 2007), whereby some research studies find that cultural differences can facilitate M&A success (Morosini, Shane, & Singh, 1998; Sarala & Vaara, 2010). The critical factor for M&A achievement is the quality of due diligence (Sarda & Rimner, 2013). They include (i) cultural differences, (ii) corporate governance, (iii) synergy effects (contagion and capacity), (iv) M&A payment method, (v) institutional ownership, and (vi) inside ownership. The relationship between M&As and success factors, however, is not conclusive.

*(i) Cultural Differences*

Cross-border acquisitions have significantly increased. They grew from 23% in 1998 to 45% in 2007 (Erel, Liao, & Weisbach, 2012). As an entry into foreign market, cross-border M&As are a dynamic learning process and a value-creating practice (Shimizu, Hitt, Vaiyanath, & Pisano, 2004). They are, however, inherently risky and lead to essentially negative post-M&A results for the acquirer. A poor culture-fit or a lack of cultural compatibility can be reasons for M&A failure (Cartwright, 2006). Cultural differences can also be an obstacle to the success of M&A (Bjorkman, Stahl, & Vaara, 2007) even though some studies indicate that they can facilitate M&A success (Morosini, Shane, & Singh, 1998; Sarala & Vaara, 2010). Cultural differences affect post-acquisition capability transfer through their impact on social integration, potential absorptive capacity, and capability complementary (Bjorkman, 2007). Cultural differences in international M&As impact knowledge transfer (Sarala & Vaara, 2010). Studies on cultural distance suggest that difficulties, costs, and risks associated with cross-cultural contact increase with growing cultural differences between two individuals, groups, or organizations. Human factors contribute to the success or failure of M&As (Mirvis, 2011; Sayan & Yaakov, 1992).

*(ii) Corporate Governance*

Good corporate governance can help mitigate agency problems. The acquisition of firms with poor governance by firms with good governance generates higher total gains (Wang & Fei, 2009). Synergy effects of good governance could be shared among firms making better returns for both acquirers and targets. M&As that are related to executive's personal portfolio will not reduce firm risk but will create agency problems (Lewellen, Loderer, & Rosenfeld, 1989; Huiller, 2014). Investment in firm by executives is an agency conflict and the decision to

acquire business by executives increases cost and reduces value to shareholder's wealth. M&As with poor corporate governance destroy firm value (Mueller & Yurtoglu, 2007; Masulis, Wang, & Xie, 2007). CEOs with low equity ownership and CEOs serving as board members have significantly negative impacts on operating performance (Fung, Jo, & Tsai, 2009).

*(iii) Contagion and Capacity Effect*

The combination between two businesses results in higher value when compared to the sum of their standalone values (Tanriverdi & Venkatraman, 2005). Synergies arise from sharing common factors of production which leads to economies of scale. Two aspects of synergy are contagion effect and capacity effect. Contagion effect arises from changes in the environment or actions by competitors when firms are combined. As to capacity effect, it arises from an increase in capacity utilization of underlying resources when firms are combined (Shaver, 2006). There is an expected increase in profit from average cost reductions or enhancement of revenues after mergers and acquisitions. Increasing asset utilization and sharing of managerial systems and expertise help to enhance efficiency. M&As help to reduce excess capacity. However, limited excess capacity may not be enough to meet increase demand from the merged firm. Managers or management system may not be able to serve the growth from the merged firm. Capacity constraint may not respond to business growth from the merged firm. Evidence from prior research shows the benefits of change in control from M&As. The stronger the acquirer's shareholder rights relative to the target, the higher the synergy created from acquisition (Wang & Fei, 2009). Synergies obtained from combining innovation capabilities are important drivers of acquisitions (Bena & Li, 2014). Mergers from synergy create gain (Chari, Chen, & M.E.Dominquez, 2012; Devos, Kadapakkam, & Krishnamurthy, 2009).

*(iv) Method of Payment*

Payments for M&A deals can be made by cash or by shares. Cash payments do not change controlling level in acquirer as shareholders of target firms do not take possession in a proportion of acquiring firm's voting rights (Ghosh & Ruland, 1995). Payment by share is good since it involves no cash outflow from company. However, acquirers should consider the change in their capital structure. There is a merger arbitrage that makes premium in abnormal returns and method of payment in M&A deal could impact differences in arbitrage returns. Cash payments tend to generate more gains than payment by shares. Arbitrage returns derive from the difference between the offered price and the market price of target. The risk arbitrageur simply buys target stocks and sells then when the deal is completed with increased market price and enjoys profit. Risk arbitrage involves taking long position in a target following M&A announcement (Baker & Savasoglu, 2002). Signaling hypotheses provide the reason why financing a takeover through common stock conveys negative information that the bidding firm is overvalued. Overvalued acquirers are more likely to take less overvalued targets and pay with equity (Ismail, 2011). Stock payment is a less preferred choice in cross-border deals than in domestic ones. Target country risk is a significant factor when considering whether the acquirer uses greater equity in financing the cross-border deals (Huang, Officer, & Powell, 2016).

*(v) Institutional Ownership*

A study by Brooks, Chen, and Zeng (2007) on the role of externality of institutional cross-holdings for corporate strategies through M&As concludes that acquirers with higher institutional cross-ownership pay lower premium for targets and use stock as payment method which results in higher value for acquirers. Cross-ownership helps to diminish bad deal completion, enhance deal synergies and generate positive long-run performance for the merged entities. Cross-ownership improves mergers quality due to monitoring role and strong negotiating power compared to those who operate only one side of the deal. Ferreira, Massa,

and Matos (2010) determined that institutional ownership on cross-border M&A increases the probability of success since bidder can take full control of the target firm. This is consistent with a study by Goranova, Dharwadkar, and Brandes (2010) which concludes that monitoring role of institutional ownership mitigates agency problem and creates mergers value.

*(vi) Inside Ownership*

Robinson (2009) explains how concentration ownership in target firm affects the returns from M&As. Outside ownership creates more monitoring costs that reduce target returns. Whereas outside ownership accepts share returns with suitable bidders for good and synergy motivated M&A deals, inside ownership raises target returns from self-dealing. Ghosh and Ruland (1998) concluded that acquisitions with stocks are associated with high managerial ownership of targets and job retentions. Conflict of interest is involved in decision making when managerial ownership in target is high.

*- Empirical Studies on M&As in Thailand*

Most empirical research studies on M&As in Thailand focus on the cumulative abnormal returns surrounding M&A announcements. Some studies, however, have investigated the characteristics of Thai outward foreign direct investment (OFDI). Significantly under-valued listed companies or unlisted companies with weak management are both potentially cheap targets for M&A (The Stock Exchange of Thailand, 2005). Post-acquisition income is derived from: revenue synergies (including effective cross-selling, increased productivity); cost synergies that often came from increased economies of scale, (e.g., lower production cost); and financial synergies from improved capital, financial structure such as tax benefits or losses, larger debt capacity, or higher excess cash that can be invested in new projects. Five qualitative domestic case studies conducted in Thailand are used in this research. They include interviews of fifty senior executives, middle managers, and staff.

Termariyabuit (2006) studied the gains from acquiring shareholders in cash acquisitions in Thailand during the period 1992-2001 and found that low-valuation acquirers perform better than high-valuation ones due mainly to the overpayment in acquisition premium. The findings also indicate that stock market valuation at the time of acquisition has a significant impact on acquiring shareholders both in the short-run and in the long-run. The impact is positive in the short-run but negative in the long-run. This is the opposite of low-valuation acquirers. The research concludes that carrying out the acquisition during the high valuation period destroys shareholders' value in the long-run whereby low-valuation acquisition is a profitable strategy. The researcher also mentioned the financial crisis in Southeast Asia in 1997. Thailand's merger wave is positively correlated to economic prosperity before 1997. After 1997, Thailand faced difficulties because of the financial crisis and the need for more M&As during economic downturn. Some firms had to be restructured and were forced to sell their non-core and non-performing assets in order to survive.

Soongswang's (2012) exploratory research with cumulative abnormal return (CAR) and buy-and-hold abnormal return (BHAR) determined that target firm's shareholders have positive abnormal returns whereby bidding firm's shareholders have more positive than negative abnormal returns. Samples were selected from listed targets and bidding firms during 1992-2002. The research uses event study to test on (-12, +12) months surrounding the M&A announcement period.

Ayawongs (2014) studied the cause of M&A failures and concluded that the rate of M&A failures remains high and that the main causes are inadequate strategic deal, excessive high purchase prices, poor pre- and post- integration management, and human and cultural factors. Pananond (2007) focused on the dynamics of Thai multinationals by analyzing foreign direct investment (FDI) statistics and determined that there was a change in the strategy for

international expansion. It shifted from networking capabilities before the 1997 financial crisis to industry-specific technological capabilities.

Finally, Subhanij and Annonjarn (2016) investigated the distribution of Thai OFDI and found that there is mainly horizontal investment for market share increase whereby OFDI for conglomerate investment strategy is driven by financial motives. The research also determined that most OFDI are in developed and developing countries.

### 3. Research Framework

The mean difference between M&As and target's stock returns is tested by way of an Event study and a multiple regression model is used to test the relationship between the six success factors identified for this study (cultural differences corporate governance, methods of payment, contagion and capacity effect, institutional ownership, and inside ownership). The model also includes natural logarithms of total assets proxied for firm size as control variable. The dependent variable is cumulative abnormal returns of stock price of the targets upon completion of the M&A deals one year, two years, and three years after the announcement date. Table 1 summarizes all the variables used in this multiple regression model. For the first research question, the following hypotheses are tested at a 5% level of significance:

**H01:** *There is no statistical difference between CARs before and after the announcement of the completed M&A deal.*

**Ha1:** *There is statistical difference between CARs before and after the announcement of the completed M&A deal.*

- *Cultural Differences (CD)*: As recommended by House et al.'s (2004), GLOBE practice scores are used to measure cultural differences. GLOBE practices scores are defined by Kogut and Singh (1988) as follows:

$$CD_j = ((I_{ij} - I_{if})^2 / N_i) / 9$$

where  $CD_j$  = Cultural difference for  $j^{th}$  country

$I_{ij}$  = GLOBE score for  $i^{th}$  cultural dimension and  $j^{th}$  country

$I_{if}$  =  $f^{th}$  Country's GLOBE score on  $i^{th}$  cultural dimension

$V_i$  = Variance of GLOBE score for  $i^{th}$  cultural dimension

- *Corporate Governance (CG)*: The corporate governance score is calculated based on assessment criteria developed by the Thai Institute of Directors Association (IOD). They include rights of shareholders, equitable treatment of shareholders, role of stakeholders, disclosure and transparency, and board responsibilities (Thai Institute of Directors Association, 2016).

- *M&A Payment Method (PMT)*: A dummy variable is used, where PMT=1 for M&A with cash payment and 0 for M&A with stock payment.

- *Contagion and Capacity Effect*: Three variables are defined for contagion and capacity effect – (1) total revenue divided by total assets (TR/TA), (2) return on assets (ROA), and (3) return on equity (ROE). Each of these variables is calculated based on financial data each year over three years following the year of announcement.

- *Institutional Ownership (INST)*: INST is the percentage of institutional shareholding in the target firm in the first, second, and third year following the year of announcement.

- *Inside Ownership (INSIDE)*: INSIDE is the percentage of inside shareholding by CEO in the target firm in the first, second, and third year following the year of announcement.



### - Data Collections / Sample Selection

Information on M&A deals and financial data were collected from Thomson Financial Database. During the period January 1, 2001-December 31, 2014, a total of 541 M&A deals were completed with Thai firms as targets (both listed and non-listed) and with a deal value equal to or greater than USD 10 million. Due to data availability of listed companies on Stock Exchange of Thailand (SET), the samples were reduced from 541 to:

- 212 deals, used to test the first research question regarding the mean difference between the CARs of target firms before and after the M&A announcement.
- 187 deals, used for the test in the multiple regression model for the second research question regarding the relationship between abnormal returns and success factors.

### - Multiple Regression Model

The multiple regression model is as follows (Equation 1):

$$CAR_i = \beta_0 + \beta_1 CD_i + \beta_2 CG_i + \beta_3 PMT_i + \beta_4 TRTA_i + \beta_5 ROE_i + \beta_6 ROA_i + \beta_7 INST_i + \beta_8 INSIDE_i + \beta_9 LnTA_i + \epsilon_i$$

The variables and their postulated signs are explained in Table 1. Recall from above that the first research question aims to test the extent to which Thai M&As impact the targets' financial performance and whether there is a statistical difference in the cumulative abnormal returns (CAR) before and after the announcement that a M&A deal is completed. The second research question examines the six main success factors discussed above that explain financial performance improvement (proxied by CAR), one year, two years, and three years after the announcement.

**Table 1:** Variables Used in the Multiple Regression Model for Research Question Two

Variables	Theory	Definition	Type of variable	Hypothesis *	Sign
CAR	-	Cumulative abnormal return (CAR) is the summation of abnormal returns (AR) for one year, two years and three years after the announcement date where abnormal return (AR) is the difference between actual return and expected return using Capital Asset Pricing Model.	Dependent Variable	-	-
Cultural Differences (CD)	-	The study uses GLOBE practices scores which comprise nine-culture dimensions including Assertiveness, Institutional collectivism, In-group collectivism, Future orientation, Gender egalitarianism, Human orientation, Performance orientation, Power distance and Uncertainty avoidance.	Independent Variable	H2	-
Corporate Governance (CG)	Empire Building theory	The author collected firm-level corporate governance scores based on assessment criteria set up by the Thai Institute of Directors Association (IOD) including Rights of shareholders, Equitable treatment of shareholders, Role of stakeholders, Disclosure and transparency, and Board responsibilities.	Independent Variable	H3	+
M&A Payment Method (PMT)	Valuation theory	Payment methods for M&A can be cash or share. Cash payment does not change the controlling level in the acquirer whereas payment by share is good for firm since there is no cash out flow from the business. However, acquirers need to consider the change in their capital structure when using share as a payment method.	Independent Variable	H4	+

Variables	Theory	Definition	Type of variable	Hypothesis*	Sign
Contagion and Capacity Effect ( <i>TRTA</i> , <i>ROE</i> , <i>ROA</i> )	Efficiency theory	Two aspects from synergy are contagion effect and capacity effect. Contagion-capacity effect 1 refers to an increase in market share measured by total revenue to total assets ( <i>TRTA</i> ). Contagion-capacity effect 2 refers to efficiency obtained from M&A measured by <i>ROA</i> and <i>ROE</i> .	Independent Variable	H5 H6	+
Institutional Ownership ( <i>INST</i> )	Empire Building theory	Percentage of institutional ownership in the target firm.	Independent Variable	H7	+
Inside Ownership ( <i>INSIDE</i> )	Empire Building theory	Percentage of inside ownership by CEO in the target firm.	Independent Variable	H8	-
Firm Size ( <i>LnTA</i> )	-	Natural logarithm of total assets in the target firm as a proxy for target firm size.	Control variable	H9	+

Table 2 displays information on the number of completed M&A deals used in the study and the total value of these deals. A total of 212 M&A deals were completed during the period running from January 1, 2001 to December 31, 2014 for a total value of USD 39,876. This includes Thai firms as targets with a deal value equal to or greater than USD 10 million. The reason the most recent samples selected are from December 2014 is because the study needs as much financial and stock return data as possible for measuring three years of performance after M&A announcements. The highest volume and amount of M&A data cover the period 2001-2014. As indicated by the Central Bank and various financial Institutions, out of the 212. M&A deals completed, 115 (54%) are in the same industries and 97 (46%) are cross-industries. The event window used in prior studies varies from one research paper to another. Some use three days, others two weeks, fifty days or two hundred days before and after the announcement of the M&A completion (Chatterjee, Lubatkin, & Weber, 1992; Devos, Kadapakkam, & Krishnamurthy, 2009; Fraser & Zhang, 2009; Trautwein, 1990). According to MacKinlay (1997), 120 trading days is the most event window frequently used in event studies. Therefore, in this study, a 120-day event window is used.

**Table 2:** Descriptive Data on Sample M&A Deals

Industry	Number of M&A		Payment type		Year of M&A							Total M&A Deal Amount
	Acquirers	Targets	Cash	Share	2001 2002	2003 2004	2005 2006	2007 2008	2009 2010	2011 2012	2013 2014	
Bank and Financial Institution	108	59	53	6	38	936	944	2,512	3,546	928	7,259	16,163
Food & Beverage	9	19	19	-	-	-	183	221	1,393	413	5,957	8,167
Power & Energy	16	17	16	1	-	256	383	281	53	5,817	51	6,841
Real Estate	15	27	27	-	40	109	196	21	431	155	1,308	2,260
Telecommunications Services	5	7	6	1	388	-	-	-	330	-	882	1,600
Metals, Machinery & Mining	11	21	18	3	156	24	312	376	183	62	173	1,286
Chemicals & Pharmaceuticals	5	12	12	-	-	107	250	15	157	431	-	960
Construction & Materials	11	7	7	-	-	-	-	75	25	484	-	584
Others	6	4	4	-	-	40	101	-	-	297	-	438
Hotel and Travel Services	3	11	11	-	57	55	15	32	112	-	99	370
Computer, IT and Electronics	6	6	6	-	-	25	34	-	108	-	119	286
Hospital	3	4	2	2	-	-	55	-	-	172	-	227
Household & Personal Products	-	1	1	-	-	-	-	-	-	179	-	179
Automobiles & Components	3	6	6	-	-	50	49	-	24	-	47	170
Transportation & Infrastructure	4	2	2	-	-	-	-	-	-	21	135	156
Media & Broadcasting	6	6	6	-	19	-	15	-	-	11	54	99
Textiles & Apparel	1	2	2	-	-	-	-	-	-	-	72	72
Retail and Department Store	-	1	1	-	-	-	-	-	18	-	-	18
<b>Grand Total</b>	<b>212</b>	<b>212</b>	<b>199</b>	<b>13</b>	<b>698</b>	<b>1,602</b>	<b>2,537</b>	<b>3,533</b>	<b>6,380</b>	<b>8,970</b>	<b>16,156</b>	<b>39,876</b>

As Table 3 shows, the standardized CAR (SCAR) 120 days before and after the announcement date is significantly different. Thus, there is a difference in the financial performance of target firms in Thailand.

**Table 3:** Test of Mean Difference between SCARs 120 days Before and After Announcement Date

Paired Samples Statistics								
	Mean	N	Std. Deviation	Std. Error Mean				
Pair 1 <u>SCAR_Before</u>	1.6837	212	8.0831	0.5551				
<u>&amp; After</u>	(1.2532)	212	8.7118	0.5983				
Paired Samples Correlations								
	N	Correlations	Sig.					
Pair 1 <u>SCAR_Before &amp; After</u>	212	0.131	0.056					
Paired Samples Test								
	Mean	Std. Deviation	Std. Error Mean	5% level of the Difference		<i>t</i>	df	Sig. (2 tailed)
				Lower	Upper			
Pair 1 <u>SCAR_Before &amp; After</u>	2.9368	11.0787	0.7609	1.4369	4.4368	3.860	211	0.000

As indicated in Table 4, the mean CAR appears with a minus sign for all three years. In terms of cultural differences (CD), scores on the GLOBE dimension range from 1 (very low) to 7 (very high). A zero score means that there is no cultural difference as both the target and the acquirer are located in the same country. The CG mean (corporate governance) is 6.11-6.55; which is quite high when compared to the minimum of 2.75-3.25 and maximum of 9-9.25. This is in line with our samples that are selected from listed companies, which as such are required to have good governance (they have fiduciary duties). The PMT mean (payment methods) is 0.95. This is due to the fact that most M&As in Thailand are made with cash payments. The TR/TA mean (Contagion and Capacity Effect) is 0.70-0.71 and is positive for all three years. The ROE Mean is 1.35-9.49% while the ROA Mean is 3.84%-4.31%. On average, the ROE and ROA are diminishing year by year. The INST Mean (institutional ownership) is 26.4%-33.7% and the Max INST 98.6%-99.8%. The percentage is increasing year by year. The INSIDE mean is 3.6%-14.8%. The second year is the highest.

**Table 4:** Descriptive Statistics of Variables in Multiple Regression Model

Variable	N	Minimum			Maximum			Mean			Std. Deviation		
		One-year	Two-year	Three-year	One-year	Two-year	Three-year	One-year	Two-year	Three-year	One-year	Two-year	Three-year
CAR	187	(35.2953)	(81.0913)	(94.8619)	27.2082	42.7378	54.5108	(0.7416)	(2.5630)	(3.4048)	11.9139	19.4776	23.6242
CD	187	-	-	-	5.8808	5.8808	5.8808	0.6062	0.6062	0.6062	1.4100	1.4100	1.4100
CG	187	2.7500	2.7500	3.2500	9.0000	9.2500	9.2500	6.1136	6.3329	6.5455	1.5839	1.5011	1.4847
PMT	187	-	-	-	1.0000	1.0000	1.0000	0.9519	0.9519	0.9519	0.2146	0.2146	0.2146
TR/TA	187	0.0116	0.0111	(0.0040)	2.9771	3.2370	4.9469	0.7017	0.7036	0.7083	0.6554	0.6549	0.6972
ROE	187	-106.44%	-103.26%	-974.48%	47.30%	37.72%	49.52%	9.49%	9.06%	1.35%	17.73%	17.50%	75.20%
ROA	187	-27.16%	-32.24%	-25.67%	40.99%	28.88%	35.82%	4.31%	4.29%	3.83%	7.50%	6.66%	6.58%
INST	187	0.00%	0.00%	0.00%	99.75%	98.59%	98.85%	26.40%	27.49%	33.71%	26.18%	26.01%	87.21%
INSIDE	187	0.00%	0.00%	0.00%	59.17%	50.13%	50.13%	3.58%	14.85%	3.64%	9.02%	157.02%	8.96%
LnTA	187	18.1175	18.1444	18.1197	28.6661	28.6204	28.6798	24.3318	24.4029	24.4899	2.1911	2.1990	2.1951

Table 5 shows the results of the multiple regression model of Equation (1) to test the impact of success factors on cumulative abnormal returns. Panel A in Table 5 shows the results for the first year after the announcement. The coefficient of ROE (+0.1623) proxied for efficiency is significant at 5% level while the coefficients of INSIDE (-0.1804) and LnTA (+0.9792) are significant at 10% level. In panel B (the second year after the announcement), only the coefficient of LnTA (+2.1231) is significant at 5% level. In panel C (the third year after the announcement), the coefficient of ROA (+67.0316) is significant at the 5% level while the coefficient of LnTA (+1.8786) is significant at 10% level. The coefficient of ROA in the third year after the announcement is the highest among other significant factors. Synergy incurring in the third year of the M&A results in a positive ROA in the long run.

**Table 5:** Multiple Regression Results

Independent variable	Panel A One-year after announcement		Panel B Two-year after announcement		Panel C Three-year after announcement	
	Coefficient (Std. Error)	Sig	Coefficient (Std. Error)	Sig	Coefficient (Std. Error)	Sig
<i>Constant</i>	(25.9638) (11.7678)	0.0286**	(59.0841) (19.8143)	0.0033***	(58.7648) (23.4842)	0.0132**
<i>CD</i>	(0.0415) (0.0685)	0.5451	(0.0072) (0.1145)	0.9498	0.0839 (0.1383)	0.5448
<i>CG</i>	0.0986 (0.6180)	0.8734	0.2355 (1.1403)	0.8367	1.3681 (1.3772)	0.3219
<i>PMT</i>	1.1981 (3.9726)	0.7633	1.6288 (6.6480)	0.8067	(3.4775) (7.9590)	0.6627
<i>TRTA</i>	0.9293 (1.5722)	0.5552	1.9508 (2.4789)	0.4323	1.3261 (2.7281)	0.6275
<i>ROE</i>	0.1623 (0.0782)	0.0393**	0.0873 (0.1360)	0.5216	0.3059 (2.3611)	0.8971
<i>ROA</i>	(0.1309) (0.1980)	0.5094	0.0427 (0.3720)	0.9088	67.0316 (28.1408)	0.0183**
<i>INST</i>	(0.0469) (0.0371)	0.2075	(0.0263) (0.0623)	0.6733	0.0042 (0.0197)	0.8322
<i>INSIDE</i>	(0.1804) (0.0996)	0.0719*	0.0041 (0.0091)	0.6513	(0.0334) (0.2002)	0.8677
<i>LnTA</i>	0.9792 (0.5030)	0.0532*	2.1231 (0.8631)	0.0149**	1.8786 (1.0044)	0.0631*
Total population	541		541		541	
Total samples	187		187		187	
R <sup>2</sup>	0.1062		0.0650		0.0787	
Adjusted R <sup>2</sup>	0.0607		0.0174		0.0319	

\* Coefficient significant at the 0.10 level

\*\* Coefficient significant at the 0.05 level

\*\*\* Coefficient significant at the 0.01 level

#### 4. Conclusions and Research Applications

With regard to the first research question, there is enough evidence to suggest that the financial performance of the target firm before and after the M&A is different. The standardized CAR (SCAR) 120 days before and after the announcement was used for testing the hypotheses. As



Table 3 shows, the mean SCAR 120 days before the announcement date is 1.6837 while the mean SCAR 120 days after the announcement date is -1.2532. The difference of means is 2.9368, which means that M&A results in worse performance in the short run. However, 120 days are not long enough to conclude that the M&A is not successful. M&A achievements should be measured over the long run. This is consistent with the efficiency theory under which it is argued that while negative results can be found in the short run, they can be positive in the long run (Savor & Lu, 2009).

As to the second research question, Table 5 shows that the most significant success factors of Thai M&As are inside ownership, and synergy or contagion effect, proxied by efficiency ratios (ROA and ROE). The target's size is significant over three years after the announcement. In prior studies, firm size had a positive significance for every year (Shubita & Alsawalhah, 2012). It was also determined that large size firms benefit more from M&As. A plausible reason for the positive significance of contagion effect on efficiency, proxied by ROA, in the third year could derive from the timing needed in assets utilization for more efficiency after the M&A is completed. The result in this study is consistent with the efficiency theory, which claims that synergy is the main motive for M&As (Berkovitch & Narayanan, 1993; Becher, 2000; Maksimovic & Phillips, 2001; Kiymaz & Baker, 2008).

The negative significance of inside ownership in the first year can be explained by the existence of conflicts of interest. Incumbent CEOs and the management teams may partially agree or may be reluctant to change some policies after the M&A deal is completed. Such conflicts could be mitigated as time passes. This explanation is consistent with the empire building theory according to which, agency is the primary motive in M&As with negative results (Berkovitch & Narayanan, 1993; Fidrmuc & Xia, 2017).

As to cultural differences, another success factor analyzed in this study, the data from firms included in the study do not vary much since most of the acquirers and targets are Thai companies (no foreign involvement and therefore no cultural gap). Corporate governance is not shown as a significant success factor since the samples included in the study are listed companies which already have good governance practices due to regulatory requirements from the Thai SEC. Methods of payment are not a significant factor either since most M&A deals in Thailand are performed with cash payment.

In conclusion, this study provides empirical support that there is a mean difference between Thai M&As and target's post M&As' financial performances as measured by cumulative abnormal returns. Further, contagion effect on efficiency, inside ownership, and firm size are the most significant factors leading to a better financial performance of targets after completion of the M&A. Clearly, M&As must be achieved with care so that a positive financial performance can be generated in the coming years. Moreover, once the M&A is completed, target firms with higher synergy benefit more even though inside ownership could have a negative impact on the improvement of their financial performance due to conflicts of interest from CEO ownership. On the other hand, unsuccessful M&A deal could turn out to generate losses for the company.

#### *-Research Limitations and Recommendations for Future Studies*

Although in theory M&As require long-term studies, data accessibility is limited. This study uses three years after M&A announcement. Should more information become available, future studies should focus on the long term. Moreover, the factors included in the research may not be the whole determinants. Therefore, the results may not be generalized. Even though M&A deals in Thailand essentially focus on the target side, which is why this study concentrates on the target's perspective, there are some deals where the Thai company is an acquirer. Future studies could therefore adopt an acquirer perspective. In addition, information for this study

comes from targets listed on the Stock Exchange of Thailand (SET), which may influence some variables such as regulatory requirements in terms of good governance. Finally, while there is not at the time being a high volume of cross-border M&As in Thailand, the cultural differences variable could become significant if their number grew. There is much evidence in previous research studies that it is a significant factor for M&A success. In short, future research could focus on longer terms after M&A announcement, an acquirer perspective, cross-border M&As, and independent variables not considered in this study.

## References

- Alchian, A. A. (1950). Evolution, and economic theory. *Journal of Political Economy*, 58(3), 211-221.
- Association of Southeast Asian Nations. (2018). *ASEAN Investment Report 2018 - Foreign Direct Investment and the Digital Economy in ASEAN*. Association of Southeast Asian Nations.
- Ayawongs, A. (2014). A model for moderating the effects of corporate cultural differences in mergers and acquisitions Exploratory research of M&A cases in Thailand. *National Research Libraries*, 1-261.
- Baker, M., & Savasoglu, S. (2002). Limited arbitrage in mergers and acquisitions. *Journal of Financial Economics*, 91-115.
- Becher, D. A. (2000). The valuation effects of bank mergers. *Journal of Corporate Finance*, 6, 189-214.
- Bena, J., & Li, K. (2014). Corporate innovations and mergers and acquisitions. (C. Harvey, Ed.) *The Journal of Finance*, 1923-1960.
- Berkovitch, E., & Narayanan, M. (1993). Motives for takeovers: An empirical investigation. *The Journal of Financial and Quantitative Analysis*, 28(3), 347-362.
- Bjorkman I. (2007). Cultural Differences and Capability Transfer in Cross-Border Acquisitions. *Journal of International Business Studies*, 38(4), 658-672.
- Bjorkman, I., Stahl, G. K., & Vaara, E. (2007). Cultural differences and capability transfer in cross-border acquisitions: The mediating roles of capability complementarity, absorptive capacity, and social integration. *Journal of International Business Studies*, 658-672.
- Brooks, C., Chen, Z., & Zeng, Y. (2017). Institutional cross-ownership and corporate strategy: The case of mergers and acquisitions. *Journal of Corporate Finance*, 1-61.
- Calipha, R., Tarba, S., & Brock, D. (2010). Mergers and acquisitions: A review of phrases, motives, and success factors. *Advance in Mergers and Acquisitions*, 1-24.
- Cartwright, S. (2006). 30 Years of mergers and acquisitions research: Recent Advances and Future Opportunities. *British Journal of Management*, 17(S1), S1-S5.
- Chari, A., Chen, W., & M.E.Dominquez, K. (2012). Foreign Ownership and Firm Performance Emerging Market Acquisitions in the United States. *IMF Economic Review*, 1-42.
- Chatterjee, S., Lubatkin, M. H., & Weber, D. M. (1992). Cultural Differences and Shareholder Value in Related Mergers: Linking Equity and Human Capital. *Strategic Management Journal*, 319-334.
- Devos, E., Kadapakkam, P. R., & Krishnamurthy, S. (2009). How do Mergers Create Value? A Comparison of Taxes, Market Power, and Efficiency Improvements as Explanations for Synergies. *The Review of Financial Studies*, 22(3), 1179-1211.
- E.S.Frankel, M., & Forman, L. H. (2017). *Mergers and acquisitions basics*. New Jersey: Wiley.
- Erel, I., Liao, R. C., & Weisbach, M. S. (2012). Determinants of Cross-Border Mergers and Acquisitions. *The Journal of Finance*, 67(3), 1045-1082.

- Ferreira, M. A., Massa, M., & Matos, P. (2010). Shareholders at the Gate? Institutional Investors and Cross-Border Mergers and Acquisitions. *The Review of Financial Studies*, 23(2), 601-644.
- Fidrmuc, J. P., & Xia, C. (2017). M&A Deal Initiation and Management Motivation. *Journal of Corporate Finance*, 1-23.
- Fraser, D. R., & Zhang, H. (2009). Mergers and Long-Term Corporate Performance: Evidence from Cross-Border Bank Acquisitions. *Journal of Money, Credit and Banking*, 41(7), 1503-1513.
- Fung, S., Jo, H., & Tsai, S.-C. (2009). Agency Problems in Stock Market-Driven Acquisitions. *Review of Accounting and Finance*, 8(4), 388-430.
- Ghosh, A., & Ruland, W. (1995). Managerial ownership, the method of payment for acquisitions, and executive job retention. *The Journal of Finance*, 53(2), 785-798.
- Goranova, M., Dharwadkar, R., & Brandes, P. (2010). Owners on Both Sides of the Deal: Mergers and Acquisitions and Overlapping Institutional Ownership. *Strategic Management Journal*, 1114-1135.
- Gort, M. (1969). An Economic Disturbance Theory of Mergers. *The Quarterly Journal of Economics*, 83(4), 624-642.
- Gregoriou, G. N., & Renneboog, L. (2007). *International Merger Acquisitions Activity Since 1990*. Cambridge: Academic Press
- Gugler, K., Mueller, D. C., Weichselbaumer, M., & Yurtoglu, B. (2012). Market Optimism and Merger Waves. *Managerial and Design Economics*, 33(3), 159-175.
- Holderness, C. G., & Sheehan, D. P. (1985). Why Corporate Raiders Are Good News for Stockholders? *Midland Corporate Finance Journal*, 3, 6-19.
- House R.J. et al. (Eds.2004). *Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies*. Thousand Oaks, CA: Sage.
- Huang, P., Officer, M. S., & Powell, R. (2016). Method of Payment and Risk Mitigation in Cross-Border Mergers and Acquisitions. *Journal of Corporate Finance*, 40, 216-234.
- Huiller, B. M. (2014). What Does "Corporate Governance" Actually Mean? *The International Journal of Business in Society*, 300-319.
- Ismail, A. (2011). Does the Management's Forecast of Merger Synergies Explain the Premium Paid, the Method of Payment. *Financial Management*, 40(4), 879-910.
- Jensen, M. C., & Murphy, K. J. (1990). Performance Pay and Top-Management Incentives. *Journal of Political Economy*, 98(2), 225-264.
- Kaplan, S. N., & Weibach, M. S. (1992). The Success of Acquisitions: Evidence from Divestitures. *The Journal of Finance*, 47(1), 107-138.
- Kiymaz, H., & Baker, H. K. (2008). Short-Term Performance, Industry Effects, and Motives: Evidence from Large M&As. *Quarterly Joynral of Finance and Accounting*, 47(2), 17-44.
- Kogut, B., Singh, H. 1988. The Effect of National Culture on the Choice of Entry Mode. *Journal of International Business Studies*, 19(3), 411-432.
- Lewellen, W., Loderer, C., & Rosenfeld, A. (1989). Mergers, Executive Risk Reduction, and Stockholder Wealth. *The Journal of Financial and Quantitative Analysis*, 24(4), 459-472.
- MacKinlay, A. C. (1997). Event Studies in Economics and Finance. *Journal of Economic Literature*, 35, 13-39.
- Maksimovic, V., & Phillips, G. (2001). The Market for Corporate Assets: Who Engages in Mergers ans Asset Sales and Are There Efficiency Gains? *The Journal of Finance*, 56(6), 2019-2065.
- Marks, M. L., & Mirvis, P. H. (2011). A research Agenda to increase merger and acquisition success. *Journal of Business and Psychology*, 26, 161-168.
- Martin (1996). The method of payment in corporate acquisitions, investment opportunities, and management ownership. *The Journal of Finance*, 51(4), 1227-1246.

- Masulis, R. W., Wang, C., & Xie, F. (2007). Corporate Governance and Acquirer Returns. *The Journal of Finance*, 1851-1889.
- Michael C. Jensen, & William H. Meckling. (1976). Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure. *Journal of Financial Economics*, 3(4), 305-360a
- Mirvis, M. L. (2011). A research Agenda to Increase Merger and Acquisition Success. *Journal of Business and Psychology in Organizations*, 26(2), 161-168.
- Montgomery, C. A., & Singh, H. (1984). Diversification Strategy and Systematic Risk. *Strategic Management Journal*, 5, 181-191.
- Morosini, P., Shane, S., & Singh, H. (1998). National Cultural Distance and Cross-Border Acquisition Performance. *Journal of International Business Studies*, 29(1), 137-158.
- Mueller, D. C. (1969). A Theory of Conglomerate Mergers. *The Quarterly Journal of Economics*, 643-659.
- Mueller, D. C., & Yurtoglu, B. B. (2007). Corporate Governance and the Returns to Acquiring Firms' Shareholders. *Managerial and Decision Economics*, 879-896.
- Pananond, P. (2007). The Changing dynamics of Thai Multinationals after the Asian economic crisis. *Journal of International Management*, 13, 356-375.
- Porter, M. E. (1985). *Competitive Advantage Creating and Sustaining Superior Performance*. New York: The Free Press.
- Robinson, D. T. (2009). Size, Ownership and the Market for Corporate Control. *Journal of Corporate Finance*, 15, 80-84.
- Roll, R. (1986). The Hubris Hypothesis of Corporate Takeovers. *The Journal of Business*, 59(2), 197-216.
- Sarala, R. M., & Vaara, E. (2010). Cultural Differences, Coverage, and Crossvergence as explanations of Knowledge. *Journal of International Business Studies*, 41(8), 1365-1390.
- Sarda, D., & Rimner, M. (2013). M&A Due Diligence What Corporate Can Learn from Private Equity. Retrieved November 8, 2017, from [https://kipdf.com/ma-due-diligence-what-corporates-can-learn-from-private-equity\\_5ada5c797f8b9a547a8b45a4.html](https://kipdf.com/ma-due-diligence-what-corporates-can-learn-from-private-equity_5ada5c797f8b9a547a8b45a4.html)
- Savor, P. G., & Lu, Q. (2009). Do Stock Mergers Create Value for Acquirers? *The Journal of Finance*, 64(3), 1061-1097.
- Sayan, C., H. L. M., & Yaakov, D. M. (1992). Cultural Differences and Shareholder Value in Related Mergers: Linking Equity and Human Capital. *Strategic Management Journal*, 319-334.
- Shimizu, K., Hitt, M. A., Vaiyanath, D., & Pisano, V. (2004). Theoretical foundations of cross-border mergers and acquisitions: A review of current research and recommendations for the future. *Journal of International Management*, 10, 307-353.
- Shubita, M. F., & Alsawalhah, J. M. (2012). The relationship between capital structure and profitability. *International Journal of Business and Social Science*. 3(16). pp. 104-112.
- Soongswang, A. (2012). Do M&A Enhance Values? Mixed Methods and Evidence. *Journal of Applied Economic Sciences*, 7(3(21)), 312-325.
- Stigler, G. J., & Friedland, C. (1983). The Literature of Economics: The Case of Berle and Means. *The Journal of Law & Economics*, 26(2), 237-268.
- Stock Exchange of Thailand. (2005). M&A Strategies and Process. Retrieved May 10, 2017, from [https://www.set.or.th/th/news/download/files/2550/MA\\_MLChayotid.pdf](https://www.set.or.th/th/news/download/files/2550/MA_MLChayotid.pdf)
- Subhanij, T., & Annonjarn, C. (2016). Horizontal, Vertical and Conglomerate OFDI: Evidence from Thailand. *The Journal of Applied Business Research*, 32(3), 747-764.
- Tanriverdi, H., & N.Venkatraman. (2005). Knowledge Relatedness and the Performance of Multibusiness Firms. *Strategic Management Journal*, 97-119.
- Termariyabuit, N. (2006, May). Stock Market-Driven Acquisitions and Toehold Acquisitions in Thailand. *London School of Economics and Political Science*, 1-222.

- Thai Institute of Directors Association. (2016). *Corporate Governance Report of Thai Listed Companies 2016*. Bangkok: Thai Institute of Directors Association.
- Trautwein, F. (1990). Merger Motives and Merger Prescriptions. *Strategic Management Journal*, 283-295.
- Wang, C., & Fei, X. (2009). Corporate Governance Transfer and Synergistic Gains from Mergers and Acquisitions. *Oxford Journals*, 22(2), 829-858.
- Wensley, R. (1982). PIMS and BCG: New Horizons or False Dawn? *Strategic Management Journal*, 3(2), 147-158.
- Xu, E. Q. (2017). Cross-border Merger Waves. *Journal of Corporate Finance*, 46, 207-231



# Maintenance and Performance-Oriented HR Systems, Parents' Expectations, Perceived Behavioral Control, and Career Intention of College Graduates: An Example from China

**Liang Zhao**

Southwest University, Chongqing, China.

International College, National Institute of Development and Administration,

Bangkok, Thailand

326889002@qq.com

**Sid Suntrayuth**

International College, National Institute of Development and Administration,

Bangkok, Thailand

sidsuntrayuth@hotmail.com

## Abstract

Career choice is one of the most important and difficult decisions for college graduating students to make. This study sought to examine the relationships between perceived maintenance- or performance-oriented HR systems, parents' expectations, perceived behavioral control and graduating students' career intention of working at state-owned or private-owned enterprises using the theory of planned behavior. The snowball sampling technique was employed to collect data. 477 questionnaires were collected from graduating students from two universities in Chongqing, China. Partial least squares regression was used to analyze the data, which showed positive relationships between perceived maintenance-oriented HR system and career intention of working at state-owned enterprises, parents' expectations, perceived behavioral control and graduating students career intention of working at state-owned or private-owned enterprises. This study offers insights for enterprise managers in the design of human resource systems and college guidance programs as well.

**Keywords:** Maintenance-Oriented HR System, Performance-Oriented HR System, State-Owned Enterprises, Private-Owned Enterprises, Career Intention, Parents' Expectations

## 1. Introduction

There has been a huge increase in the last decades in the number of Chinese graduating from university. According to the Chinese College Graduates Employment Annual Report (MyCOS, 2018), the number of students graduating each year has increased from 1 to 7 million over the period 2002-2017 as college enrollment keeps expanding. Graduation is a significant turning point in the life of students as it ushers them into the working world and launches their careers. Making the proper career choice is important as it brings a sense of pleasure and satisfaction (Yue & Tian, 2016), ensures higher dedication to the job and leads to greater occupational achievement (Zhang, Ma, & Ma, 2018). A career can not only change

people's lifestyle but also affect their mental health (Song, 2017). Many graduating Chinese college students are typically torn between the following two choices: working at state-owned enterprises (SOE) or at private-owned enterprises (POE) (Jiang, 2014). Over time, the proportion of graduates joining SOEs or POEs has changed. During the period 2009-2017, the percentage of students opting to work at POEs increased from 40% to 60% and in the meantime, that of SOEs decreased from 25% to 19%. There has also been a rise in the percentage of students starting their own business from 1.6% to about 3% during the period 2011-2017. Student career intention toward starting one's own business after completing one's studies has been extensively researched and is well understood (Kolvereid, 1996b; Souitaris et al., 2007; Zellweger, Seiger, & Halter, 2010; Lee et al., 2011; Wang, 2017; Huo, 2018; Wang, 2019). However, while a number of research studies have also been carried out to explore the factors affecting organizational employment (Kolvereid, 1996a; Chapman et al., 2005; Warmerdam, A., Lewis, I., & Banks, T., 2015) far less is known about some of the factors influencing the career intention of college graduates in relation to salary-based SOEs or POEs. This is in spite of the fact that about 80% of the graduates in China choose a job that provides a steady monthly income as opposed to self-employment.

One of the factors little investigated relates to human resource (HR) systems. Yet human resource (HR) systems can play a critical role in employees' work. Given the paucity of knowledge in this area in the context of China, this study seeks to fill the gap. More specifically, it aims to investigate the career intention of graduates on the basis of a dual-concern HR model (a maintenance-oriented HR system and a performance-oriented HR system) together with parents' expectations and perceived behavioral control. Given that, as mentioned earlier, a majority of students graduating in China chooses a job that provides a steady monthly income, the career intention of students is investigated with regard to salaried occupations at SOEs or at POEs. The respondents in this study are graduating students from Chongqing University and Southwest University of China, whose major is management (1,350 and 2,550 students, respectively). It is the author's expectations that the results from this study will contribute to the lore of empirical evidence with regard the career intention of Chinese college graduates.

## **2. Literature Review and Hypothesis Development**

Starting with SOEs and POEs, this section discusses the key operational concepts in this research study and the hypotheses developed as a result.

### **- SOEs and POEs**

A SOE can be defined as a legal entity established to shoulder social functions and undertake commercial activities on behalf of an owner; the government (Zhang, 2001). SOEs are either centrally owned or owned by provincial or local governments (Szamosszegi & Kyle, 2011). Since SOEs enjoy the protection of the government, they may not have full autonomy to hire and fire employees (Chen & Lau, 2000). SOEs used to dominate every aspect of China's economy. In the late 1978, when reforms started in China, the industrial output of SOEs was 77.6%. By 1996, it had decreased to 28.8% (Lin, Cai, & Li, 1998). Although the performance of SOEs is not comparable to early periods, their GDP share remain fairly constant and they continue to play a critical role in the Chinese economy (Shi, 2019). As to POEs, they refer to legal entities that are owned by private investors either collectively or individually (National

Bureau of Statistics, 1998). Compared with SOEs, POEs have less institutional limitations and enjoy full autonomy. SOEs and POEs also differ in a number of other ways. First, since SOEs have been in existence for much longer than POEs and have vast resources and a huge number of employees, they tend to be more attractive to those who are talented (Yu, 2013). But given that they place more emphasis on the educational background and diplomas of the talents recruited, this may lead to some unreasonable job allocations (Zhang, 2019). POEs, on the other hand, pay more attention to the real capacity of graduates (Shao, 2009). Therefore, the allocation of talents tends to be more reasonable. Second, SOEs are more prone to egalitarianism and stable compensation packages than POEs (Yao, 2013), where more emphasis is placed on the value of those with talents who are entitled to higher compensation. This may result in a serious brain drain from SOEs (Zhang, 2019). Third, due to the emphasis placed on egalitarianism, SOEs' salaries and promotions are often arranged in order of seniority with less consideration given to an individual's capacity and skills whereas at POEs, effectiveness and personal ability are given top priority (Zhang, 2014). Fourth, whereas conservative mechanisms may hinder the development of SOEs, POEs focus on efficiency as they have fewer limitations (Zhang, 2014). Fifth, whereas SOEs have access to a large number of financing channels, only a limited number of POEs can get support from local financing institutions (Wu, Tian & Wang, 2000).

Moreover, while SOEs can easily get favorable long-term loans from banks, POEs have a more limited access. SOEs can also turn to the stock market to raise capital but POEs cannot. SOEs, however, have more opportunities to attract foreign investments than POEs (Wu, Tian, & Wang, 2000). In addition, the capital allocation of POEs is generally much better than that of SOEs but social relationships are weighing more in the case SOEs (Yu, 2013). Finally, due to institutional inertia, a number of SOEs continue to adhere a more traditional management style dominated by the maintenance-oriented HR system (Liang, Marler, & Cui, 2012). POEs, on the other hand, have adopted the performance-oriented HR system and can benefit from their emphasis on this system (Wei & Lau, 2005). Having said that, the relationship between HR system adoption and firm ownership types is not as strong as it used to be (Wei & Lau, 2005). All these considerations weigh on graduating students' career intentions.

#### **- Theory of Planned Behavior (TPB)**

As one of the extensions of the theory of reasoned action (TRA) introduced by Fishbein and Ajzen (1975), the theory of planned behavior (TPB) is an influential conceptual model to study and predict the action of human beings (Ajzen, 2015). The TPB theorizes that attitude, subjective norms, and perceived behavioral control influence intention, which in turn influences behavior (Ajzen, 1985). According to Ajzen (2002), the behavior of an individual is guided by three considerations. One is behavioral beliefs, beliefs about the possible consequences of the behavior. They produce a positive or negative attitude toward the behavior. A second one is normative beliefs, beliefs about the social expectations of people important to an individual. They lead to perceived social pressure, named 'subjective norms.' The third one is control beliefs; beliefs about factors that may be barriers or obstacles to performing the behavior, which result in perceived behavioral control. There has been a number of applications of the TPB in the vocational field. For instance, the employment status choice intention of Russian students and undergraduate students was explored with the help of the TPB by Tkachev and Kolvereid (1999).

In another study, the TPB was applied as a predictor of entrepreneurial intention among senior students (Solesvik, Westhead, Kolvereid, & Matlay, 2012). The study determined that 55% of the variance in students' intention to become self-employed could be explained. The TPB was also used to predict the entrepreneurial career intention of business undergraduates in Malaysia (Chou, Kuppusamy, & Jusoh, 2005). Moreover, the TPB has also served as the basis for various research studies about students' career intention in salary-based enterprises, such as for instance, the intent of students to find a part-time job (Creed, Doherty, & O'Callaghan, 2008), Taiwan college students' intention to engage in contingent employment (Huang, 2011), and the intention of Generation Y to work in ideal organization (Warmerdam, Lewis, & Banks, 2015). The TPB theorizes the positive relationship between attitude and intention. Significant positive relationships are also predicted between attitude and the intention of graduating college students to seek long term or temporary jobs (Caska, 1998; Huang, 2011; Song et al., 2006), though different variances exist in different contexts.

#### ***- Attitude toward Behavior: Maintenance- and Performance-Oriented HR Systems***

The dual-concern model used in Human resource (HR) management was developed by Gong, Law, Chang, and Xin (2009) and is based on a seminal study from Katz and Kahn (1978), who believe that maintenance and production subsystems exist in all open systems. It consists of the maintenance-oriented HR system and the performance-oriented HR system. Literature suggests that the nature of an enterprise's exchanges with employees can be shaped by HR practices systems (Morrison, 1996). The performance-oriented HR system has been defined as a series of HR practices that mainly focus on the development of HR and offer motivations and opportunities for the use of their productivity (Gong et al., 2009). As to the maintenance-oriented HR system, it is defined as a series of HR practices that mainly ensure the well-being and quality of employees and is determined in terms of values that are not related to input-output ratios (Gong et al., 2009). According to Cohen (1992), resources provided in the maintenance-oriented HR system (e.g. stability and security) may be at a lower employee preference order than those provided in the performance-oriented HR system (e.g., skill development and personal promotion) which may satisfy the primary needs of employees.

#### ***- Subjective Norms: Parents' Expectations***

As a social predictor, perceived subjective norms refer to an individual's perception of social expectations to perform a given behavior (Godin & Kok, 1996). In Asian cultures, parent expectations, which can be defined as the level that parents realistically hope their children will attain, is extremely important (Goldenberg et al., 2001). Due to the deep influence of Confucian philosophy, Chinese parents often sacrifice their own interests and invest huge amount of time, energy, and money on their children. In return, children are educated to obey and fulfill the expectations of their parents (Shek & Chan, 1999). Even though finding a job is a big step toward independence, graduates still view their parents as authority figures (Youniss & Smollar, 1985) and due to their strong attachment to them try to meet their expectations (Greenberg, Siegel, & Leitch, 1983). Even at present, parents' expectations are still regarded as one of the key social factors influencing college students' career intention (Ding, 2004; Miao & Dong, 2005; Huang & Zhou, 2016). However, it has been noticed that more empirical studies are needed on the topic of relationships between career choice upon graduation and family (Leung et al., 2011) as well, most notably on the linkage between

parental behavior and the career development of young adolescence (Whiston & Keller, 2004). When parental expectations match the attitude of a student toward the maintenance-oriented HR system, there will be a positive relationship with the career intention to work at an SOE. Conversely, if they contradict the attitude of the graduating student toward the maintenance-oriented HR system, a negative influence on a student's career intention to work at an SOE will emerge.

#### ***- Perceived Behavioral Control: Self-Efficacy and Controllability***

Perceived behavioral control refers to an individual's perception of his/her ability to perform a behavior of interest (Ajzen & Madden, 1986). It has been theorized as the degree to which an individual perceives the ease or difficulty to enact the behavior. It includes two dimensions: (i) perceived self-efficacy and (ii) controllability. Perceived self-efficacy can be defined as an individual's understanding of whether it is easy or difficult to perform a given behavior. It is rooted in the social learning theory (Bandura, 1982). It is about people's strong beliefs about their skills and competencies to initiate "control over their own level of functioning and over events that affect their lives" (Bandura, 1982). Perceived self-efficacy influences the way people choose activities (Bandura & Adams, 1997) and has become a critical variable in understanding career development among different people (Bounds, 2013). Hackett and Betz' (1981) study was the first to incorporate self-efficacy as a variable in career choice process. Since self-efficacy is domain specific and will change with the tasks and situations considered (Wilson, Kickul, & Marlino, 2007), career decision-making self-efficacy is adopted in this study with regard to career exploration (Betz & Vuyten, 1997).

As to controllability, it refers to the degree to which performance is up to the individual (Ajzen, 2002). It is about the belief of individuals as to whether they have control over the behavior of interest or not (Ajzen, 2002). This is theorized as the belief that career outcomes are mainly dependent on one's own actions or on factors outside of one's control (Woodbury, 1999). As higher-order concepts of perceived behavioral control, both perceived self-efficacy and controllability are used in this study to measure the perceived behavioral control of college students in terms of career intention as was the case in previous studies (Conner & Armitage, 1998; Cheung & Chan, 2000). A high level of perceived behavioral control can strengthen persistent efforts to achieve the aim, even under pressure (Bandura, 1977). Therefore, individuals with high level of behavioral control are more likely to intend to work at POEs since POE employees need to have strong personal skills, will power, commitment, and task focus (Norman & Hoyle, 2004). Compared to POEs, SOEs may seem more attractive to individuals with lower perceived behavioral control, since uncertainty is lower due to the support from and protection of the government (Lee, 2009). Therefore, the career intention of individuals with lower perceived behavioral control may be expected to be at SOEs.

#### ***- Behavioral Intention: Career Intention***

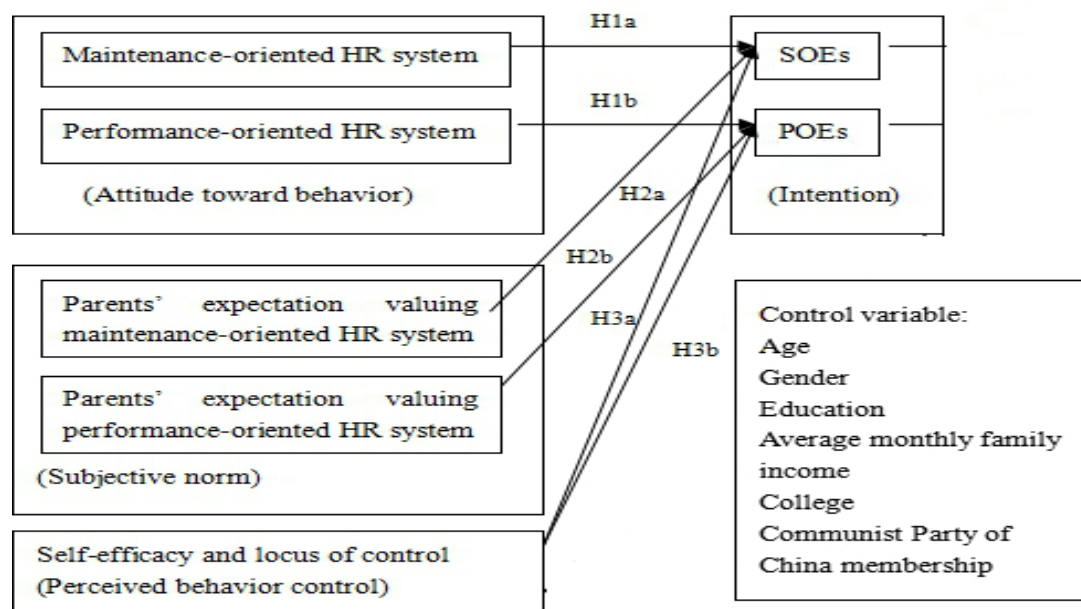
Behavioral intention is theorized as the effort that a person plans to exert in order to stick to the behavior (Fishbein, 1980). As mentioned earlier, this study adopts a two-dimensional career intention: SOEs and POEs. Song (2017) determined that the factors affecting college graduates' career intention and career choices can be divided into two groups: subjective and objective. Subjective factors essentially include inner personal factors, such as for instance,



personal interest, hobbies, personal specialties, ability display, career preparation, and so on. Objective factors on the other hand include social factors such as parents' expectations, the living environment, public opinion on the career, income, opportunities, social relations, location, and stability. One of the factors influencing Chinese college graduates' decision to work at SOEs or POEs is the education level. According to Zhu and Ye (2019), the higher the education level, the more likely students will elect to work at SOEs. Another important factor is social relations. They have always been a key element influencing the jobhunting process of college graduating students (Wang & Chang, 2019). Of course, family is also a significant factor that college students have to take into consideration as parents' career type and career position have been shown to have a significant positive relationship with college students' job intention (Huang & Zhou, 2016). Due to their concerns about the pressure and instability of POEs, more than 49% of parents hope their children could work at SOEs. Parents' expectations have a significant positive relationship with college students' career intention (Huang & Zhou, 2016). So does the frequency of parent-child communication (Han & Xu, 2019).

### - Perceived Behavioral Control

Perceived behavioral control can be theorized as the degree to which an individual perceives the ease or difficulty to enact the behavior. Under the TPB, the attitude, subjective norms, and perceived behavioral control constructs have a positive relationship with behavioral intention. Sutton (1998) found that attitudes, subjective norms, and perceived behavioral control can account for 40% to 50% of the variance in behavioral intentions.



**Figure 1: Conceptual Framework**

Based on the above operative concepts and the conceptual framework, the following hypotheses have been developed:

Hypothesis One:

**H1:** *The more positive the attitude graduates have toward the maintenance-oriented HR system as compared to the performance-oriented HR system, the more likely their intention to work at SOEs as opposed to POEs.*

**H1a:** *Graduates' perceived maintenance-oriented HR system will have a positive relationship with the intention to work at SOEs.*

**H1b:** *Graduates' perceived performance-oriented HR system will have a positive relationship with the intention to work at POEs.*

Hypothesis Two:

**H2:** *The more parents' expectations value SOEs and the maintenance-oriented HR system, as compared to POEs and the performance-oriented HR system, the more influence parents' expectations will have on graduates' career intention to work at SOEs rather than at POEs.*

**H2a:** *There is a positive relationship between parents' expectations valuing SOEs based on the maintenance-oriented HR system and graduates' intention to work at SOEs.*

**H2b:** *There is a positive relationship between parents' expectations valuing POEs based on the performance-oriented HR system and graduates' intention to work at POEs.*

Hypothesis Three:

**H3:** *Perceived behavioral control is significantly positively related to graduates' career intention to work at POEs and SOEs and, the higher the graduates' level of perceived behavioral control, the stronger their career intention to work at POEs rather than SOEs.*

**H3a:** *The perceived behavioral control of graduates will be positively related to their career intention to work at SOEs.*

**H3b:** *The perceived behavioral control of graduates will be positively related to their career intention to work at POEs.*

**H3c:** *The higher the level of perceived behavioral control of graduates, the stronger their intention to work at POEs rather than at SOEs.*

### 3. Methodology

#### - Samples and Data Collection

The respondents in this study are graduating students from Chongqing University and Southwest University of China, majoring in management (1,350 and 2,550 students, respectively). Based on the sample size tables presented by Glenn (1992) and the size of the population of this study, the planned number of responses to be obtained is 400, where the confidence level is 95% and  $P=0.5$ . To obtain a diverse sample, the snowball sampling technique was used and data collected through an online questionnaire collecting platform, Questionnaire Star. Questionnaires were edited online and a QR code sent to students at different colleges, who further uploaded the QR code to QQ or WeChat groups, and distributed the questionnaires to their classmates and friends. In total 680 questionnaires were distributed to the respondents who were also informed that participation to this study is voluntary and anonymous. Out of this amount, 477 surveys were completely filled and

collected (3 were invalid), yielding a 70.15% response rate. The questionnaire was developed in English and translated into Chinese by an English lecturer at one of China's key universities with training in English-Chinese translation. In addition, a colleague of the translator performed back translation to check the original translation's accuracy. The three versions of the questionnaire are attached as appendix.

### **- Measures**

The scales used to measure all the variables in the questionnaire are from previous research studies and have been validated. Some minor wording changes though were made to adapt the scales to the vocational context. The performance-oriented HR system was measured with a modified version of the 36-item performance-oriented HR system scale originally developed by Gong et al. (2009). The original scale was specifically designed to measure the perceptions of managers regarding their personal experience with the performance-oriented HR system. In this study, "manager" has been replaced with "employee" and "my firm" with "my future firm". The sample item reads as follows: "Employees' career aspirations with the future firm are known by their superiors". All items used a five-point rating scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

The maintenance-oriented HR system was also measured with a modified version of the scale of the 12-item maintenance-oriented HR system originally developed by Gong et al. (2009). Since the original scale was designed to measure the perceptions of managers regarding their personal experience with the maintenance-oriented HR system, a change was made by the author for this study and "manager" has been replaced with "employee" as well as "my firm" with "my future firm". So, the sample item is as follows: "My future firm will offer me a pledge of employment security". All items were arranged using a five-point rating scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

Parental expectations (a subjective norm) were assessed with a slightly modified version of the scale developed by Arnold et al. (1998), which was originally two dimensional in order to measure whether parents or people who matter to the respondents agree with the students' decision to working for the National Health Service (NHS) as a nurse. The author replaced NHS with the maintenance- or performance-oriented HR system dimension. The sample items read as follows: "My parent expect me to work in a firm with a maintenance-oriented HR system" and "My parent would feel proud if I worked in a firm with a maintenance-oriented HR system". Moreover, the two items were expanded to four items, each using a five-point rating scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

Perceived behavioral control was measured using a combination of self-efficacy and controllability. Betz, Klein, and Taylor (1983) developed the CDMSE Scale to measure the concept of self-efficacy and further proposed a CDMSE-SF (short form) with a total scale of 0.94. However, when the CDMSE-SF was tested in the context of Chinese college students, the model did not fit but a modified 13-item three-factor model was determined to have a reliability coefficient of 0.85 (Hampton, 2005). Therefore, the modified version was adopted in this study. A sample item reads as follows: "Define the type of lifestyle you would like". All items were arranged using a five-point rating scale, ranging from 1 (no confidence at all) to 5 (complete confidence).

Controllability was measured using the Career Locus of Control Scale (CLCS) from Millar and Shevlin (2007), initially designed to assess adolescences' engagement in career development and decision-making process. The 20-item scale was arranged using a five-point rating scale, ranging from 1 (strongly disagree) to 5 (strongly agree) and comprise aspects of internality, luck, helplessness, and powerful others. A sample item is: "If get the job I want, I will have to do well and try hard". Career intention was measured with the modified version of Huang's (2011) three-item scale. Whereas the original scale was designed to measure college students' intention to engage in contingent employment after graduation, "contingent employment" was replaced with "SOE employment" or "POE". A sample item reads as follows: "I intend to engage in SOE employment after graduating;" Moreover, the three-item scale was expanded into six and all of them were arranged used a five-point rating scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The demographic factors were included in the conceptual model as control variables. These factors include gender, age, education, college, the Communist Party of China (CPC) membership, and average family monthly income.

#### **- Data Analysis**

The hypotheses were tested with the partial least square regression (PLS), for comparison between multiple response and multiple explanatory variables. PLS is a multivariate statistical method which uses a number of covariance-based statistical technique (Tennenhaus, 1998).

#### **4. Results**

Before conducting a PLS analysis, the reliability and validity of the questionnaire were tested. Construct reliability, using Cronbach's alpha and composite reliability coefficients, was employed to ensure that the scale yielded the same response consistently. Nunnally (1978) recommends that Cronbach's alpha should be more than 0.70 and the composite reliability coefficients greater than 0.70 as well (Hair et al., 2009). The results shown in Table 1 indicate that both the Cronbach's alpha and composite reliability coefficient are greater than 0.70.

**Table 1:** Latent Variable Reliability Indicators

	<b>MOHR</b>	<b>POHR</b>	<b>PEM</b>	<b>PEP</b>	<b>PBC</b>	<b>SOES</b>	<b>POES</b>
Composite reliability	0.85	0.96	0.90	0.91	0.91	0.95	0.95
Cronbach's alpha	0,80	0.96	0.77	0.81	0.91	0.92	0.92

As to validity, two types of construct validity were examined: convergent and discriminant. Convergent validity is designed to ensure a high proportion of variance of each indicator of a given construct, which can be evaluated by using factor loading. It should be greater than 0.50 (Hair et al., 2009). The results of factor loadings indicate that the latent variables meet the standard. Discriminant validity is applied to ensure the differentiation of a latent variable from others, which is evaluated by the average variance extracted (AVE). The square root of the AVE of each construct should be more than that of the other correlations. As indicated in Table 2, the square roots of the AVE of each latent variable are significantly greater than those of the other correlations, which is satisfactory.

**Table 2:** Correlation of Variables

	MOHR	POHR	PEM	PEP	PBC	SOES	POES	AGE	GEN	EDU	FI	COL	CPC
MOHR	(0.57)												
POHR	0.56***	(0.64)											
PEM	0.32***	0.40***	(0.90)										
PEP	0.18***	0.36***	0.38***	(0.91)									
PBC	-0.04	0.06	0.04	0.28	(0.54)								
SOES	0.31***	0.25***	0.31***	0.18***	0.15	(0.93)							
POES	-0.05	0.05	-0.11	0.14**	0.32***	-0.15**	(0.93)						
AGE	0.01	0.14**	-0.01	0.06	0.08	0.09	0.03	1					
GEN	-0.14**	-0.05	0.01	0.07	0.14	0.03	0.07	0.17***	1				
EDU	-0.08	-0.03	-0.06	-0.03	0.05	0.03	-0.05	0.58***	0.04***	1			
FI	-0.12**	-0.03	0.01	0.13	0.10*	-0.03	-0.01	0.14	-0.04	0.01	1		
COL	-0.06	-0.22***	-0.02	-0.01	0.07	0.04	-0.05	-0.24***	-0.05	-0.27***	0.01	1	
CPC	-0.02	-0.13**	-0.04	-0.10*	-0.05	-0.06	0.03	-0.54***	-0.01	-0.40***	-0.06	0.16***	1

Notes: PEM=Parents' expectation valuing maintenance-oriented HR system; PEP=Parents' expectation valuing performance-oriented HR system; PBC=Perceived behavior control (Self-efficacy and locus of control); SOES=Career intention of working at state-owned enterprises; POES=Career intention of working at private-owned enterprises; GEN=Gender; EDU=Education level; FI=Average monthly family income; COL=College; CPC=Communist Party of China membership.

The square roots of AVEs are reported in parentheses.

\*\*\*, \*\*, \*: significant level at 0.1 percent, 1 percent, and 5 percent, respectively.

In addition, the full variance inflation factor (VIF) needed to be measured to ensure that multi-collinearity was not a major concern in the analysis. Multi-collinearity will lead to very high inter-correlations or inter-associations among independent variables that will result in bias. According to Petter et al., (2007), VIFs should be less than 5 and ideally less than 3.30. The PLS analysis shown in Table 3 indicates that all VIFs are less than 2, signaling that multi-collinearity is not a concern.

**Table 3:** Variance Inflation Factors

	MOHR	POHR	PEM	PEP	PBC	SOES	POES	AGE	GEN	EDU	FI	COL	CPC
VIF	1.62	1.85	1.41	1.41	1.28	1.27	1.22	1.98	1.10	1.60	1.08	1.20	1.47

Various indicators determine the goodness of fit in PLS estimations. They include the average path coefficient (APC), average  $R^2$ , average full collinearity, Simpson's paradox ratio,  $R^2$  contribution ratio, and statistical suppression ratio (Kock, 2012). They were all tested as well and reach the standards.

Hypothesis 1 predicts that the more positive the attitude graduating students have toward the maintenance-oriented HR system as opposed to the performance-oriented HR system, the more likely they will have the intention to work at SOEs rather than at POEs. For clarification purposes, the hypothesis is divided into two sub-hypotheses: hypothesis 1a

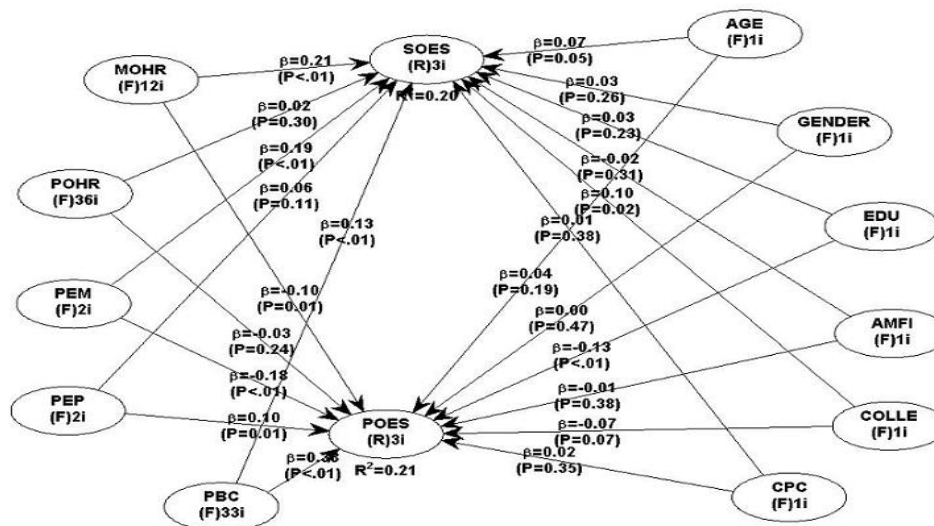


predicts a positive relationship between perceived maintenance-oriented HR system and intention to work at SOEs. The results show a positive and significant relation between the two ( $\beta=0.21$ ,  $p<0.01$ ), Hypothesis 1a is supported. As to Hypothesis 1b, it predicts a positive relationship between the perceived performance-oriented HR system and intention to work at POEs. The results show a negative relationship between the two, which, however, is not statistically significant ( $\beta=-0.03$ ,  $p=0.24$ ). In addition, there is a significant negative relationship between the perceived maintenance-oriented HR system and intention to work at POEs ( $\beta=-0.10$ ,  $p=0.01$ ), and a positive relationship between the perceived performance-oriented HR system and intention to work at SOEs ( $\beta=0.02$ ,  $p=0.30$ ), but they are not statistically significant. This means that Hypothesis 1a is supported, Hypothesis 1b not supported, and Hypothesis 1 partially supported.

Hypothesis 2 predicts that the more parents' expectations value SOEs with maintenance-oriented HR system, as opposed to POEs with performance-oriented HR system, the more positive the influence parents' expectations will have on graduate students' career intention of working at SOEs rather than at POEs. Hypothesis 2 is divided into two sub-hypotheses. Hypothesis 2a predicts a positive relationship between parents' expectations valuing SOEs with maintenance-oriented HR system and graduates' intention of working at SOEs. The results demonstrate a significant positive relationship between the two ( $\beta=0.19$ ,  $p<0.01$ ). Hypothesis 2b predicts a positive relationship between parents' expectations valuing POEs with performance-oriented HR system and graduates' intention of working at POEs. The results show a significant positive relationship between the two ( $\beta=0.10$ ,  $p=0.01$ ). In addition, there is a significantly negative relationship between parents' expectations valuing SOEs with maintenance-oriented HR system and intention of working at POEs ( $\beta=-0.18$ ,  $p<0.01$ ), and a positive relationship between parents' expectations valuing POEs with maintenance-oriented HR system and intention of working at SOEs ( $\beta=0.03$ ,  $p=0.24$ ), but not statistically significant. Thus, Hypotheses 2a and 2b are supported and so is Hypothesis 2.

Hypothesis 3 predicts perceived behavioral control will be significantly positively related to the career intention of working at POEs and SOEs, and the higher the level of perceived behavioral control of the individual, the stronger their career intention to work at POEs rather than at SOEs. Hypothesis 3 is divided into three sub-hypotheses: Hypothesis 3a predicts a positive relationship between perceived behavioral control of graduates and career intention of graduates working at SOEs. The results show a significant positive relationship between the two ( $\beta=0.13$ ,  $p<0.01$ ). Hypothesis 3b predicts a positive relationship between the perceived behavioral control of graduates and the career intention of graduates working at POEs. The results show a significant positive relationship between the two ( $\beta=0.30$ ,  $p<0.01$ ). Hypothesis 3c predicts that the higher the level of perceived behavioral control of the individual, the stronger the intention to work at POEs as opposed to SOEs. The results demonstrate a higher intention of working at POEs ( $\beta=0.30>\beta=0.13$ ). Therefore, Hypotheses 3a, 3b, and 3c are supported as well as Hypothesis 3.

As to the control variables, the results show that there is a significant positive relationship between college and career intention of working at SOEs ( $\beta=0.10$ ,  $p=0.02$ ), and a significantly negative relationship between education level and career intention of working at POEs ( $\beta=-0.13$ ,  $p<0.01$ ). The results from the PLS analysis are reported in Figure 2.



**Figure 2: PLS Analysis Results**

Notes: AMFI=Average monthly family income; COLLE=College

## 5. Discussion and Conclusions

This study explores the relationships between HR systems, parents' expectations, self-efficacy and career locus of control on the one hand and graduating students' career intention of working at SOEs or at POEs on the other. Applying the Theory of Planned Behavior, it provides empirical contribution to the current understanding of HR research, especially the relationship between the dual-concern model of HR systems (maintenance- and performance-oriented HR systems) and graduates' career intention. Unlike most of the existing literature on HR management, which focuses on organizations in Western cultures (Jackson, et al., 2014), this study pays attention to HR management in Eastern cultures, contributing to a greater understanding of the functioning of HR systems with respect to career intention in emerging economies. This is an important departure from the research trend on this issue and perhaps a harbinger of things to come.

As the findings in this study show, an important dimension of graduates' career intention is parent expectations. Whereas most of the studies on parent expectations pertain to their children's performance and achievements and to various related psychological issues (Kean, 2005; Agliata & Renk, 2009; Guo, 2015), this study cast light on the direct link between parental expectations in terms of whether their children should work at SOEs or at POEs upon graduation and these children's own career intention. As made clear in this study, the role of parental expectations on the career intention of their graduating sons or daughters remains significant. As noted earlier, much of it has to do with Chinese culture and the perception of parenting. Understandably, parents want the best for their children and overall job security and steady income and they want to be obeyed as they believe they have the wisdom to make key choices which their children may not have yet.

This is why they value SOEs with maintenance-oriented HR system and are far less inclined to recommend that their progeny find employment with POEs and their performance-oriented HR system, which they view as a source of pressure. Graduating

students may disagree with their parents' choice but it seems that at this point, few are willing to go against their mother and father's will. Cultures are not static though. They evolve and there may come a time when, if graduates' intentions conflict with their parents', they may resist their parents' wishes and do it their way. While it is unclear at this point whether such an outcome is likely to occur in the near future, this is clearly an area that warrants further research. This study also offers empirical contribution to perceived behavioral control and the link which this construct has with graduating students' career intentions. As explained earlier, prior studies typically rely on a single scale to measure perceived behavioral control (Arnold et al., 2006; Linan & Chen, 2009; Tsang, Wang, & Ku, 2015).

However, as Gerhart et al. (2000) noted, this may result in significant measurement errors. Consequently, in a departure from this approach, this study uses two different scales to rate perceived behavioral control – CDMSE-SF and CLOC, which it combines together. The mixing self-efficacy and controllability demonstrate considerable internal consistency (Cheung & Chan, 2000), making the results more reliable. If graduating students prefer the stable and secured HR system, they will choose to work at SOEs. But if they wish to have more challenges, more capability improvement, and more performance enhancement, they will most likely opt to work at POEs, assuming of course that this choice fits with their parents' expectations (unless they manage to convince them that POEs are best for them). Recall from above that, while the variable 'attitude' is mainly individually-based, the subjective norm, on the other hand, is more other-based and concerned with what others, for instance, parents, think what the individual should do (Song et al., 2006).

More than 70% of all the respondents majoring in management indicated they would choose to work at SOEs. It thus can be inferred that most of the students who opted for SOEs still regard stability and security as their top concerns when choosing a job. One possible explanation is that they may lack courage or confidence, something which universities can develop by encouraging students to challenge themselves more, in which case, training sessions could also be offered to improve those graduating students' career skills. Another plausible explanation (one that ties up with the above discussion) is that this choice may reflect parents' expectations more than their genuine sentiments. As obedient well-behaved children and in line with the prevalent social norms, they just follow the dictates of their parents. But of course, this may just also be the case that parents and their progeny feel the same way about what matters in a career and that stability and security dwarf any other considerations, including income levels and company location (traffic can be a major issue in China).

Finally, this study offers some valuable managerial insights for colleges as well. For one, it shows that the age of college graduates is positively related to their career intention toward working at SOEs. The older they are at the time they graduate, the more likely they are to choose SOEs for a career. Therefore, when providing career guidance to graduating students, colleges can take this criterion into consideration and then to better target their future job and career prospects. Valuable career related information and robust career guidance programs should be set up on campus to make sure students better understand their true needs and wants in relation to their future jobs and enhance their ability to think for themselves.

### ***Limitations and Recommendations***

This study is not without limitations. First, the snowball sampling technique may result in bias due to the non-adoption of probability sampling, which made it difficult to generalize the results to the large population of interest. Therefore, probability sampling technique is recommended in future research to generalize the results to a large population of interest. Second, a self-reported questionnaire may result in social desirability bias. In addition, the relatively low  $R^2$  indicates that more variables could be added to explore the relationships, for instance, the salary and bonus, the location of the enterprise, the prospects of personal and enterprise development. Finally, it would be valuable to examine the samples from different countries and to compare the similarities and differences of college graduating students' career intentions.

This research study also provides some practical suggestions for both students and parents. Graduating students should not simply follow their parents' expectations but look inside and find out more about their true needs; a high order given the traditional emphasis in Chinese culture on child obedience, as we just saw. In addition, students should place more emphasis on self-actualization, independence, and self-improvement and enhance their capacity to comprehensive themselves. With professional knowledge and skills, right judgment, amazing resilience, the college graduating students could set up right employment outlook, choose the most suitable jobs rationally, and develop their own career path in a way consistent with their true needs.

For parents, as one of the most influential forces for graduating students, more communication about their children's career intentions is strongly encouraged, not only between parents and students, but also between parents and colleges. Some parents lack information about career status and policy and end up placing more emphasis on the comparatively comfortable, stable, and decent jobs, thereby discouraging students' personal development and stifling their personalities (Huang & Zhou, 2016). Parents should therefore advance their education on employment outlook and find out more about majors, career prospects and societal demands. Furthermore, when offering practical and well-meant suggestions, parents should respect the needs and wishes of their children and avoid making graduates' career decisions too dependent on their parents' prerogatives and perceptions.

### **References**

- Agliata, A., & Renk, K. (2008). College students' affective distress: The role of expectation discrepancies and communication. *Journal of Child & Family Studies*, 18(4), 1341-1352.
- Ajzen, I. (Ed.). (1985). *From intentions to actions: A theory of planned behavior*. Heidelberg, Germany: Springer.
- Ajzen, I. (2002). Perceived behavioral control, self-efficacy, locus of control, and the theory of planned behavior. *Journal of Applied Social Psychology*, 32(4), 665-683.
- Ajzen, I., & Madden, T. J. (1986). Prediction of goal directed behavior: Attitudes, intentions and perceived behavioral control. *Journal of Experimental Social Psychology*, 22(5), 453-474.

- Arnold, J., Clarke, J. L., Coombs, C., Wilkinson, A., Park, J., & Preston, D. (2006). How well can the theory of planned behavior account for occupational intentions? *Journal of Vocational Behavior*, 69(3), 374-390.
- Bandura, A. (1977). Self-efficacy: Toward a unifying theory of behavioral change. *Psychological Review*, 84(2), 191-215.
- Bandura, A. (1982). Self-efficacy mechanism in human agency. *American Psychologist*, 37(2), 122-147.
- Bandura, A., & Adams, N. E. (1997). Analysis of self-efficacy theory of behavioral change.. *Cognitive therapy and research*, 1(4), 287-310.
- Betz, N. E., Klein, K. L., & Taylor, K. M. (1996). Evaluation of a short form of the career decision-making self-efficacy scale. *Journal of Career Assessment*, 4(1), 47-57.
- Betz, N. E., & Voyten, K., K. (1997). Efficacy and outcome expectations influence career exploration and decidedness. *The Career Development Quarterly*, 46(2), 179-189.
- Bounds, P. S. R. (2013). *Examining the relationship between career decision self-efficacy, ethnic identity, and academic self-concept and achievement of African American high school students* (PhD (Doctor of Philosophy)), University of Iowa. , July 18, 2018 from <https://ir.uiowa.edu/etd/4948/>
- Caska, B. A. (1998). The search for employment: Motivations to engage in coping behavior. *Journal of Applied Psychology*, 28(3), 206-224.
- Chapman, D. S., Uggerslev, K. L., Carroll, S. A., Piasentin, K. A. & Jones, D. A. (2005), Applicant attraction to organizations and job choice: A meta-analytic review of the correlates of recruiting outcomes. *Journal of Applied Psychology*, 90(5), 928-944.
- Chen, X. H., & Lau, C. (2000). *Enterprise reform: A focus on state-owned enterprises*. Hong Kong: Chinese University Press.
- Cheng, H. H., & Huang, S. W. (2013). Exploring antecedents and consequence of online group-buying intention: An extended perspective on theory of planned behavior. *International Journal of Information Management*, 33(1), 185-198.
- Cheung, S. F., & Chan, D. K. S. (2000). *The role of perceived behavioral control in predicting human behavior: A meta-analytic review of studies on the theory of planned behavior*. Hong Kong: Chinese University Press
- Chou, C. S., Kuppasamy, J., & Jusoh, M. (2005). Entrepreneurial career among business graduates: Match-making using theory of planned behavior. *International Journal of Entrepreneurship*, 9(1), 67-90.
- Cohen, A. (1992). Antecedents of organizational commitment across occupational groups: A meta-analysis. *Journal of Organizational Behavior*, 13, 539-558.
- Conner, M., & Armitage, C. J. (1998). Extending the theory of planned behavior: A review and avenues for further research. *Journal of Applied Social Psychology*, 28(15), 1429-1464.
- Creed, P., Doherty, F., & O'Callaghan, F. (2008). Job-seeking and job-acquisition in high school students. *Journal of Vocational Behavior*, 73(2), 195-202.
- Ding, G. (2004). Chinese college students' employment. *Journal of Chinese College Students' Employment*, 2, 116-118.
- Fishbein, M. (1980). *A theory of reasoned action: Some applications and implications*. Paper presented at the Nebraska Symposium on Motivation, Lincoln, NE.



- Fishbein, M., & Ajzen, I. (1975). *Belief, attitude, intention, and behavior: An introduction to theory and research*. Reading, MA: Addison-Wesley.
- Gerhart, B., Wright, P., McMahan, G., & Snell, S. (2000). Research on human resource decisions and firm performance: How much error is there, and how does it influence effect size estimates? *Personnel Psychology*, 53(4), 803–834.
- Glenn, D. I. (1992). *Sampling the evidence of extension program impact. Program valuation and organizational development*. IFAS, University of Florida.
- Godin, G., & Kok, G. (1996). The theory of planned behavior: A review of its applications to health-related behaviors. *American Journal of Health Promotion*, 11(2), 87-98.
- Goldenberg, C., Gallimore, R., Reese, L., & Garnier, H. (2001). Cause or effect? A longitudinal study of immigrant Latino Parents' aspirations and expectations, and their children's school performance. *American Educational Research Journal*, 38(3), 547-582.
- Gong, Y., Law, K. S., Chang, S., & Xin, K. R. (2009). Human resource management and firm performance: The differential role of managerial affective and continuance commitment. *Journal of Applied Psychology*, 94(1), 263-275.
- Greenberg, M. T., Siegel, J. M., & Leitch, C. J. (1983). The nature and importance of attachment relationships to parents and peers during adolescence. *Journal of Youth and Adolescence*, 12(5), 373-386.
- Guo, K. (2015). Teacher knowledge, child interest, and parent expectation: Factors influencing multicultural programs in early childhood setting. *Australasian Journal of Early Childhood*, 40(1), 326-339.
- Hackett, G., & Betz, N. E. (1981). A self-efficacy approach to the career development of women. *Journal of Vocational Behavior*, 18(3), 326-339.
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2009). *Multivariate Data Analysis* (7 ed.). New York: Pearson Prentice Hall Upper Saddle River.
- Hampton, N. Z. (2005). Testing for the structure of the career decision self-efficacy scale-short form among Chinese college students. *Journal of Career Assessment*, 13(1), 98-113.
- Han, Q., & Xu, L. (2019). The analysis of the post-90s college students' vocational value based on the data of CGSS2015. *Theory Frontier*, 12, 34-38.
- Huang, J. T. (2011). Application of planned behavior theory to account for intentions in contingent employment. *The Career Development Quarterly*, 59(5), 455-467.
- Huang, Z.X., & Zhou, L.F. (2016). Analysis of family factors in college students' employment choice. *Heilongjiang Researchers on Higher Education*, 261(1), 113-116.
- Huo, S. (2018). Discussion on the situation, dilemma, and cause of college students' self-employment. *Statistics and Management*, 1, 90-93.
- Jackson, S. E., Schuler, R. S., & Jiang, K. (2014). An aspirational framework for strategic human resource management. *The Academy of Management Annals*, 8(1), 1-56.
- Jiang, Z. (2014). Emotional intelligence and career decision-making self-efficacy: National and gender differences. *Journal of Employment Counseling*, 51(3), 112-124.
- Kean, P. E. D. (2005). The influence of parent education and family income on child achievement: The indirect role of parental expectations and the home environment. *American Psychological Association*, 19(2), 294-304.

- Katz, D., & Kahn, R. L. (1978). *The social psychology of organizations*. New York: Wiley.
- Kolvereid, L. (1996a). Organizational employment versus self-employment: Reasons for career choice intentions. *Entrepreneurship Theory and Practice*, 20 (3), 23-32.
- Kolvereid, L. (1996b). Prediction of employment status choice intentions. *Entrepreneurship Theory and Practice*, 21 (1), 47-58.
- Kock, Ned. (2012). *WarpPLS 5.0 User Manual*. Laredo, Texas: ScriptWarp Systems.
- Lee, J. (2009). State Owned Enterprises in China: Reviewing the Evidence. Paris, France: Retrieved August 20, 2018, from <http://www.oecd.org/dataoecd/14/30/42095493.pdf>.
- Lee, L., Wong, P. K., Foo, M.D., & Leung, A. (2011). Entrepreneurial Intentions: The Influence of Organizational and Individual Factors. *Journal of Business Venturing*, 26(1), 124-136.
- Leung, S. A., Hou, A. J., Gati, I., & Li, X. (2011). Effects of parental expectations and cultural-values orientation on career decision-making difficulties of Chinese university students. *Journal of Vocational Behavior*, 78(1), 11-20.
- Liang, X., Marler, J., & Cui, Z. (2012). Strategic human resource management in China: East meets west. *The Academy of Management Perspectives*, 26(2), 55-70.
- Lin, J. Y., Cai, F., & Li, Z. (1998). Competition, policy burdens, and state-owned enterprise reform. *The American Economic Review*, 88(2), 422-427.
- Linan, F., & Chen, Y. W. (2009). Development and cross-cultural application of a specific instrument to measure entrepreneurial intentions. *Entrepreneurship Theory and Practice*, 33(3), 593-617.
- Miao, X., & Dong, X. (2005). Career choice theory and college students career guidance. *Journal of Liaoning Higher Vocational College*, 3, 152-153.
- Millar, R., & Shevlin, M. (2007). The development and factor structure of a career locus of control scale for use with school pupils. *Journal of Career Development*, 33(3), 224-249.
- Morrison, E. F. (1996). Organizational citizenship behavior as a critical link between HRM practices and service quality. *Human Resource Management*, 35(4), 493-512.
- Norman, P., & Hoyle, S. (2004). The theory of planned behavior and breast self-examination: Distinguishing between perceived control and self-efficacy. *Journal of Applied Social Psychology*, 34(4), 694-708.
- MyCOS Institute. (2018). *Chinese College Graduates Employment Annual Report (2017)*. Beijing: Social Science Academic Press.
- National Bureau of Statistics. (1998). *Regulations about the enrollment and registration of the types of enterprises*. Retrieved July 7, 2018, from [http://www.stats.gov.cn/tjsj/tjbz/200610/t20061018\\_8657.html](http://www.stats.gov.cn/tjsj/tjbz/200610/t20061018_8657.html)
- Nunnally, J. C. (1978). *Psychometric theory*. New York: McGraw-Hill.
- Petter, S., DeLone, W., & McLean, E. R. (2013). Information systems success: The quest for the independent variables. *Journal of Management Information Systems*, 29(4), 7-62.
- Shao, X. (2009). Comparative study on the employment capacity among private, state-owned and foreign-funded enterprises. *Commercial Times*, 25, 48-49.
- Shek, D. T. L., & Chan, L. K. (1999). Hong Kong Chinese parents perceptions of the ideal child. *Journal of Psychology*, 133(3), 291-302.

- Shi, T. (2019). History and enlightenment of China's reform of state-owned enterprises in 70 years. *Huxiang Forum*, 188(5), 15-26.
- Solesvik, M., Westhead, P., Kolvereid, L., & Matlay, H. (2012). Student intentions to become self-employed: The Ukrainian context. *Journal of Small Business and Enterprise Development*, 19(3), 441-460.
- Song, J. X. (2017). Thoughts of theory and practice research on career choice of employment for college students. *Journal of Ningbo Polytechnic*, 21(2), 1-10.
- Song, Z., Wangberg, C., Niu, X., & Xie, Y. (2006). Action-state orientation and the theory of planned behavior: A study of job research in China. *Journal of Vocational Behavior*, 68(3), 490-503.
- Souitaris, V., Zerbinati, S., & Al-Laham, A. (2007). Do entrepreneurship programs raise entrepreneurial intention of science and engineering students? The effect of learning, inspiration and resources. *Journal of Business Venturing*, 22 (4), 566-591.
- Sutton, S. (1998). Predicting and explaining intentions and behavior: How well are we doing? *Journal of Applied Social Psychology*, 28(15), 1317-1338.
- Szamosszegi, A., & Kyle, C. (2011). An analysis of state-owned enterprise and state capitalism in China. U.S.-China Economic and Security Review Commission.  
Retrieved August 28, 2018, from [http://www.uscc.gov/sites/default/files/Research/10\\_26\\_11\\_CapitalTradeSOEStudy.pdf](http://www.uscc.gov/sites/default/files/Research/10_26_11_CapitalTradeSOEStudy.pdf)
- Tennenhaus, M. (1998). Pls regression methods. *Journal of Chemo metrics*, 2(3), 211-228.
- Tkachev, A., & Kolvereid, L. (1999). Self-employment intentions among Russian students. *Entrepreneurship & Regional Development*, 11(3), 269-280.
- Tsang, S., Wang, W., & Ku, H. (2015). The intention of job seekers to apply for jobs in small and medium-size coastal enterprises based on the theory of planned behavior. *Journal of Coastal Research*, 73(special issue), 665-675.
- Wang, P., & Chang, L. (2019). Research on Graduate Employment - Tracking Survey of 2005-2009 Graduates Based on Human Resource Management Major of Zhejiang Sci-Tech University, International Conference on Business, Economics, Management Science (BEMS 2019). Retrieved October 10, 2019, from <https://doi.org/10.2991/icmete-19.2019.76>
- Wang, X. (2019). Research on the current situation, psychological influencing factors and countermeasures of college students' self-employment. *Theory and Practice of Education*, 39(12), 41-43.
- Wang, Y. (2017). Innovation and value of vocational college students' self-employment. *Economic Research Guide*, 350(36), 143-144.
- Warmerdam, A., Lewis, I., & Banks, T. (2015). Gen Y recruitment: Understanding graduate intentions to join an organization using the theory of planned behavior. *Education + Training*, 57(5), 560-574.
- Wei, L. Q., & Lau, C. M. (2005). Market orientation, HRM importance and competency: Determinants of strategic HRM in Chinese firms. *International Journal of Human Resource Management*, 16(10), 1901-1918.
- Whiston, S. C., & Keller, B. K. (2004). The influences of family of origin on career development: A review and analysis. *The Counseling Psychologist*, 32(4), 493-568.

- Wilson, F., Kickul, J., & Marlino, D. (2007). Gender, entrepreneurial self-efficacy, and entrepreneurial career intentions: Implications for entrepreneurship education. *Entrepreneurship Theory and Practice*, 31(3), 387-401.
- Woodbury, C. A. J. (1999). The relationship of anxiety, locus of control and hope to career indecision of African American college students. *Dissertation Abstracts International*, 59(11A ), 4072.
- Wu, G. J., Tian, Z. L., & Wang, A. W. 2000. Comparative study between state-owned and private enterprises' financial environment. *Reform*, 2, 61-64.
- Xian, H. (2019). Guanxi and high performance work systems in China: Evidence from a state-owned enterprise. *The International Journal of Human Resource Management*, 30(19), 2685-2704.
- Yao, H.J. (2013). Investigation on employees' organizational public behavior between state-owned and private enterprises. *Management Observation*, 508(6), 31-32.
- Youniss, J., & Smollar, J. (1985). *Adolescent relations with mothers, fathers, and friends*. Chicago: The University of Chicago Press.
- Yu, X. Z. (2013). Comparative analysis on performance between state-owned and private enterprises: From the perspective of contractor. *Economic Research Guide*, 192 (10), 43-44.
- Yue, D., & Tian, Y. (2016). Human capital and college students' employment quality: The meditating role of career identity. *Journal of Jiangsu Higher Education*, 2016(1), 101-104.
- Zellweger, T., Sieger, P., & Halter, F. (2010). Should I stay or should I go? Career choice intentions of students with family business background. *Journal of Business Venturing*, 26(5), 521-536.
- Zhang, J. (2019). Analysis on the competitive advantages of talents introduction among state-owned, private and foreign-funded enterprises. *Human Resources*, 2, 2019.
- Zhang, J., Ma, H., & Ma, L. (2018). Study on the factors affecting college career choice and career identity--Based on the quality analysis of occupation names. *Journal of Educational Development*, 627(2), 30-35.
- Zhang, W. (2001). The define and features of state-owned enterprises. *Frontier*, 3, 36-39.
- Zhang, Y. Y. (2014). Study on the differences between state-owned and private enterprises. *China Management Informationization*, 17(20), 57-58.
- Zhu, Z., & Ye, Y. (2019) The influencing factors on high level college graduates' employment options. *China Higher Education*, 3(4), 61-63.

# Asianness in Hospitality: The Case of Luxury Hotels in Bangkok, Thailand

**Pipatpong Fakfare, D. HTM**

Bangkok University, School of Humanities and Tourism Management, Thailand.

pipatpong.f@bu.ac.th

**Suwadee Talawanich, D. HTM**

Mahidol University International College, Tourism and Hospitality Management, Thailand.

suwadee.tal@mahidol.edu

**Arunotai Pongwat, D. HTM**

Chiang Mai University, College of Arts, Media and Technology, Thailand.

arunotai.p@cmu.ac.th

**Professor Kaye Chon, Ph.D.**

The Hong Kong Polytechnic University, School of Hotel and Tourism Management, Hong Kong.

kaye.chon@polyu.edu.hk

## Abstract

This paper aims to explore the extent to which two Asian and two non-Asian luxury hotel brands operating in the business district of Bangkok, Thailand, incorporate 'Asianness' into their designs and their operations as part of signaling luxury. As a specific approach to design and service provision in the luxury segment of the hotel sector, Asianness relies on particular traits of Asian culture such as sincerity, love, forgiveness, balance, and attention to small details. Various qualitative research techniques were used to collect data: interviews with managers from the four hotel brands, observation at these hotels, documentation (their official websites, and netnography (an analysis of reviews on TripAdvisor). Findings indicate that the four hoteliers incorporate Asianness in various degrees and various ways in the design and style of their hotels as well as in their customized services and in the customer-centricity of their approach to luxury. The level of Asianness (and "Thainess" in one case) is more consistent in the case of Asian luxury brands. Different characteristics of Asianness are nonetheless found across the four hotel brands.

**Keywords:** Asianness, Thainess, Luxury Hotel, Custom-Centric Services, Design

## 1. Introduction

The tourism industry has been growing by leaps and bounds over the last decades. According to the United Nations World Tourism Organization (UNWTO), international arrivals worldwide have doubled between the years 2000 and 2017, reaching 1.33 billion by the end of 2017. This exponential growth has had a major impact on the strategy of major international hotel brands and also on the business plans of smaller and less known brands, i.e., smaller companies, which, while enjoying national or regional recognition, have yet to become household names beyond these confines. Among others, it has led a number of them to enter or step up their presence in well-known popular destinations outside of their native countries or regions (Cai & Hobson, 2004). One such investment destination is Thailand, which has witnessed a significant rise in the number of hotels, both indigenous and non-local, as well as a shift in focus from the economy segment to the luxury market (Wattanacharoensil, Kobkitpanichpol, & Chon, 2014).

Asian hotel brands, in particular, have gained a strong reputation for their high standard of service and emphasis on Asian cultures and values and won awards that recognize this specificity and the quality of the services provided (Hotels Magazine, 2019). For example, in 2019, the Mandarin Oriental, an iconic Hong Kong luxury hotel company, won the 13th Annual



World Luxury Hotel Awards (World Luxury Hotel Awards, 2019). Several other Asian hotel companies have established a strong presence in the luxury category in their home market or across the region (e.g., The Oberoi, Banyan Tree, and Shangri-La). They all have in common a rich Asian-based concept applied to practical contexts. Referred to as Asianness, this specific approach to design and service provision involves, as its name suggests, Asian culture, i.e., sincerity, love, forgiveness, balance, attention to small details, and initiative providing services (Chin, Pinthong, Kang, & Chon, 2016). This concept has drawn the attention of hospitality industry researchers (e.g. Chin, Pinthong, Kang, & Chon, 2016; Piuchan & Pang, 2015). Previous research, however, has failed to establish the relationship between the Asian cultural emphasis on hospitality and luxury hotel brands (Lam, Ho, & Law, 2015). The focus has essentially been on the definition of the concept of Asianness (Wan & Chon, 2010), the role of emotional intelligence and service culture in Asian hospitality (Wattanacharoensil et al., 2014), and the uniqueness and characteristics of Asian hospitality (Chin et al., 2016) with little attention, if any, paid to the influence of Asianness on luxury hotel brands.

This paper seeks to fill this gap. Specifically, it aims to explore the extent to which luxury hotel brands operating in Bangkok, incorporate Asianness into their designs and operations as part of signaling luxury. The hotels selected for this study includes two Asian and two non-Asian luxury hotel brands located in Bangkok business district (Silom and Sathorn). Their incorporation of Asianness is largely dictated by their location, Asian staff members and need to serve the Asian market and its demand for ‘things’ Asian. The selection of this location also reflects the high potential for the hospitality industry in this area (Kasikorn Bank, 2019). The study seeks to address the following two research questions:

- 1). How do Asian and non-Asian hotel brands located in the main business district of Bangkok define ‘luxury’?
- 2). Do these Asian and non-Asian hotel brands incorporate Asianness differently in their delivery of luxury to their guests?

Although this study is conducted in the context of Thailand, it has practical implications for other members of the Association of Southeast Asian Nations (ASEAN) as the hotels discussed serve ASEAN customers. There is also room for cooperation between Thailand and ASEAN business partners.

## **2. Key Operating Concepts and Study Framework**

### **- *Luxury Hotels***

In general, luxury goods refer to products with premium quality, recognizable style, reputation, and/or limited accessibility (Seo & Buchanan-Oliver, 2015). The concept of luxury involves a relationship between tangible and intangible features and price. The tangible function of luxury goods with regard to price is low and the proportion of intangible value in respect to price is high (Nueno & Quelch, 1998). Whereas ordinary customers typically assess a product or service in light of four value components – acquisition value, transaction value, in-use value, and redemption value (Grewal, Monroe, & Krishnan, 1998), luxury customers tend to focus on the luxury value and therefore evaluate the product’s prestigious image and quality (Jang & Moutinho, 2019). In the hotel industry context, luxury is conceptualized as an extravagantly furnished lodging that offers a complete range of high standard and highly tailored services (Tracey & Hinkin, 1996), which among others include fine dining facilities and well-trained staff. Hotel customers tend to hold different expectations and preferences, depending on the type of accommodation selected, e.g. economy vs. luxury (Qiu, Ye, Bai, & Wang, 2015). Unsurprisingly, whereas luxury hotel customers are concerned about the location and service quality (Zhang, Ye, & Law, 2011), economy hotel customers are considerably influenced by price and promotion (Qiu et al., 2015), Luxury elements play an important role in

increasing/decreasing customers' willingness to spend on hotel services and fulfilling customers' overall experiences (Maxwell, 2002). Given the intense competition among accommodation providers, including within the luxury segment, hotel companies are under pressure to maintain or increase their market shares. For small- and mid-scale hotel brands, this means competing with through pricing strategies. But for luxury hotel brands, this means constantly creating innovative products and services for their hotel guests (Patiar & Mia, 2009). Another challenge hoteliers face is to uphold the high standard of their services and products and consistently provide hotel guests with the finest experience that money can buy (Bernsteine, 1999). Therefore, luxury Asian and non-Asian hotel brands needs to carry out the brand's unique characteristics through the settings and products while delivering exclusive experience to their guests.

#### **- Asianness**

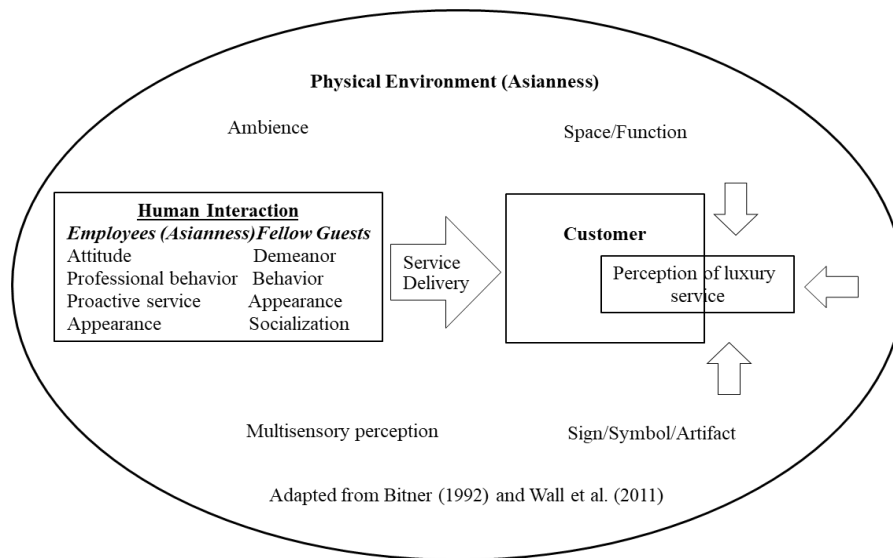
The concept of Asian hospitality was developed as a way for luxury hotels operating in the region to differentiate themselves from the Western context and signal the fulfilment of certain expectations with regard to the quality and style of service (Wan & Chon, 2010). Due to the high-end service standards associated with it, Asian hospitality has become popular, especially as the number of Asian hotel brands is expanding globally (Lam et al., 2015). It also stems from its uniqueness (Kolesnikov-Jessop, 2016; Wattanacharoensil et al., 2014). Asianness in hospitality practice involves sincerity, love, forgiveness, balance, a keen attention to small details, and the initiative to deliver services (Chin et al., 2016). Piuchan and Pang (2015) determined that Asian hospitality incorporates the cultural ideology of Feng Shui, which relates to the philosophy of landscape and Chinese beliefs in traditional principles. The setting and environment of numerous Asian hotels reflect this sense of Asianness, which has become a part of their guests' experience. The reputation of the Asian hospitality has attracted hotel guests and induced a yearning for experience (Chin et al., 2016). Wattanacharoensil et al. (2014) noted that Asian hospitality gears toward customer-centricity and guest satisfaction.

Asian employees are perceived to have the right attitude and an inclusive understanding of an Asian approach. Moreover, religion and culture also underlie the practice of Asian hospitality through staff members' kindness, tolerance, and attention to details (Chin et al., 2016; Wattanacharoensil et al., 2014). Whereas Western hospitality tends to be standardized in terms of operations and delivery process, Asian hospitality applies sociocultural concept to its practice (Wan & Chon, 2010). Several European hotels have embraced Asianness and adopted Asian hospitality into their practice to distinguish themselves from others (Chen & Chon, 2016; Kolesnikov-Jessop, 2016). This study seeks to identify the manifestation of Asianness in the four hotels selected and understand how the Asian paradigm has influenced these hotels' operating principles and their service and product delivery practice.

#### ***Study Framework***

As shown in Figure 1, the framework developed for this study is adapted from Walls, Okumus, Wang, and Kwun's (2011) Consumer Experience Model and Bitner's (1992) Servicescape concept. Customer experience can be influenced by both the tangible and intangible components of a product or service (Heo & Hyun, 2015). The key factors that affect customer experience therefore include the physical setting/environment and service features. Servicescape includes the ambience, multisensory perception, space, signage, service feature, and human interaction (Ritchie & Hudson, 2009). Bitner (1992) indicated that these dimensions can provide a holistic sense of perceived Servicescape to customers and service employees. Similar to a luxury hotel firm, a number of specific service environment dimensions can affect the luxury experience of hotel customers (Walls et al., 2011). Thus, Servicescape is considered an important concept that influences people's cognitive, emotional, and physiological responses to a service firm. Personality traits and situational factors (expectation, mood, plan,

and trip purpose) are also important features that affect the process of creating an internal response. For all these reasons, this paper adopts the research framework developed by Bitner (1992) and Walls et al. (2011) to examine the Asianness components and luxury features that influence service delivery and customer perception. This study applies the concept of Asianness as articulated by Chin et al. (2016) and Wattanacharoensil et al. (2014) to investigate identified research gaps. Figure 1 displays the proposed framework of luxury service delivery that incorporates the concept of Asianness.



**Figure 1:** Luxury Service Delivery Framework

Source: Adapted from Bitner (1992) and Walls et al. (2011).

### 3. Research Methodology

Gratton and Jones (2010) indicated that a qualitative approach to obtain data is suitable when constructing a model, theory, or explanation. Qualitative research consists of alternative methods that include interviews, observation, focused group discussions, and case studies as primary choices (Denzin & Lincoln, 1994). This study applied a multiple-case study approach to gather data from available through observation and in-depth interviews. Yin (1994) suggests that a multiple-case study method should be applied when more than one case is included in the same investigation. This is because “the evidence from multiple cases is often considered more compelling and the overall study is therefore regarded as being more robust.” (Yin, 1994, p. 45).

Primary and secondary data were collected from four luxury hotels in Bangkok using convenient and purposive sampling methods to select Asian and non-Asian hotel brands. The researchers selected two Asian and two non-Asian hotels located in central Bangkok’s main business district areas in Bangkok (Silom and Sathorn) due to the limited time and financial constraints in conducting field works. The selected hotels are listed as upscale/luxury types on their hotel websites and as 5-star hotel on TripAdvisor. With their 5-star rating, high-end amenities, and upscale branding, the four hotels meet Hotelanalyst (2018) criteria and can target customers who seek a luxurious experience. Owing to the accessibility to tourist attractions in the vicinity of those business districts, customers of three of these hotels are leisure and business guests. Hotel 4’s customers, however, are mostly business people.

### **- Primary Research**

To answer the two central questions in this research, interviewees (hotel representatives) were asked four open-ending questions. Recall from above that the two questions in this study read as follows. (i) How do the four hotels located define luxury? (ii) Do these four hotel brands incorporate 'Asianness' differently in their business model? Based on the operative concepts discussed earlier in this study, the following four open-ending questions were used for interviews:

1. How does your hotel brand define the term "luxury service"?
2. Which of the luxury services offered by your hotel are perceived as unique?
3. What is it different about providing luxury services to Asian and non-Asian guests?
4. What is the difference between Asian and non-Asian luxury services?

To reduce selection bias when selecting interviewees representatives of the target population (Alexander, Lopes, Ricchetti-Masterson, & Yeatts, 2015), the interviewees selected work in various capacities and hold managerial positions in their relevant departments, either in decision making (corporate offices), product sales and promotion (sales and marketing departments), and product delivery (the executive club floor). Therefore, with years of experience in the hotel industry and, given their current managerial responsibilities, the seven hospitality professionals were in a position to explain the level of incorporation of Asianness of their respective hotels. Even though there was a high response rate (six out of seven interviewees), the study followed the purposive sampling's (judgment sampling) requirement of selecting interviewees who were best placed to provide the information sought (Sekaran, 2003). By satisfying the aforementioned qualifications, the interviewees are considered knowledgeable on all the issues discussed regardless of their native cultures.

Conducting in-depth interviews enables researchers to clarify concepts and their relationships with other variables (Strauss & Corbin, 1998). In this study, semi-structured in-depth interviews were conducted. One of the benefits of this type of interview is flexibility. It allows researchers to alter questions whenever necessary (Patton, 1990). Each interview took approximately 30 minutes, and all interviews were recorded and subsequently transcribed by the researchers. Data were also gathered through observation during the interviews and hotel visits. Observations focused on the physical environment and human interaction.

### **- Secondary Research**

In support of the primary data, this study also used secondary data gathered through online documentation and the netnography approach to analyze elements of Asianness. As Daymon and Holloway (2011) noted, a research that employs documents as data source provides means of revealing hidden features in the content as well as in the cultural norms. The documentary analysis method can be especially useful when researchers are limited by time and monetary constraints (Fakfare, 2019). Thus, all the documents available to the public on websites were reviewed and analyzed to determine their relevance to the concept of "luxury."

This study also used the netnography research method to investigate online reviews on TripAdvisor.com, the most popular travel social media platform among tourists worldwide as it offers a wide range of travel-related businesses. With currently 8.4 million related businesses with over 795 million reviews and 490 million users registered on the platform (TripAdvisor, 2019), TripAdvisor is an informative source for investigating online reviews. Scholars have suggested that text readability and reviewer profile are the most promising factors influencing users' perception of value (Fang, Ye, Kucukusta, & Law, 2016). Filieri, Alguezaui, and McLeay (2015) determined that tourists tend to trust online reviews or online word-of-mouth from the actual user experiences and reliable sources. Furthermore, in some contexts, online reviews can be employed as a substitute for actual interviews (Tontini, Bento, Milbratz, Volles,

& Ferrari, 2017; Zhou, Ye, Pearce, & Wu, 2014). Netnography was conducted based on selected hotel reviews from TripAdvisor during the peak season of Thailand's tourism (December-February). A total of 98 reviews for Hotel 1, 23 reviews for Hotel 2, 17 reviews for Hotel 3, and 47 reviews for Hotel 4 were downloaded. However, only ten of them 10 per hotel were selected as top contributors and analyzed for content.

#### 4. Findings

##### - *Findings from Interviews*

In this study, interviewees were recruited based on their relevant experiences in the hotel industry. Most of the participants hold managerial positions in their workplaces. Table 1 shows the interviewees' profile (hotels 1 and 2 are Asian hotel brands and hotels 3 and 4 non-Asian hotel brands).

**Table 1:** Profile of Interviewees

Respondent Number	Hotel	Position
1	Hotel 1	Assistant Director, Sales
2	Hotel 2	Executive, Public Relations
3	Hotel 3	Senior Manager, Sales
4	Hotel 3	Senior Executive
5	Hotel 3	Senior Executive
6	Hotel 4	Assistant Manager, Marketing Communication
7	Hotel 4	Manager, Club Floor

Table 2 summarizes the in-depth interviews. The seven interviewees were initially asked to define the term "luxury services" and identify the uniqueness of the services offered by their hotels. Table 2 summarizes the main points discussed. As it shows, different views were expressed by the interviewees. Asian culture, particularly Thai culture, was heavily relied upon by the interviewees from the Asian hotel brands to define perceive luxury services. For example, Respondent 1 views "Luxury services as hospitality products or services provided in a Thai way, which should involve high standards so as to meet the needs and wants of customers." Likewise, Respondent 2 defines "Luxury services as the delivery of quality, innovative, and consistent products and services, with a touch of Asian and Thai hospitality. This includes a family-like atmosphere and a warm welcome to guests. While they stay with us, we want to make them feel like they are a family staying at home." Respondents from non-Asian hotel brands, however, offered different definitions. First, they agreed that luxury is reflected by modernity. Hotel 3 branding is unconventional in that it offers lifestyle products or services in a playful environment. Respondent 7 (Hotel 4) perceives luxury services as "providing ultimate comfort by offering exceptional dining, accommodations, meeting rooms, and seamless service to the customers."

The interviewers also investigated whether these four hotels adopted a different service approach when serving Asian and non-Asian hotel guests. Findings indicate that this is generally not the case as all these hotels typically follow service standards articulated by their corporate brands. Non-Asian hotels, however, tend to customize their services to meet the needs and wants of their various customers. Respondent 6 (Hotel 4) stressed that the services had to "meet Asian guests' expectations because [the hotel] can never find out if the guests are not satisfied with something until they check out, they end up with a poor rating on TripAdvisor or a complaint letter." Since the majority of its customers are Japanese, Hotel 4 thus adopts a customer-centric approach. As to Hotel 3, Respondent 5 indicated that: "Even though the services which the hotel provides needs to meet European standards, local adaption or Asian



ways of serving must be applied to be in accordance with the needs of customers. Hotel 3, for example, “serves Asian breakfast in addition to Continental or American ones.” “There is also a cultural link between the European and Asian cultures in the way services are delivered to customers.” With regard to the differences between Asian and non-Asian luxury services, most of the respondents agreed that what essentially characterizes Asian-style service may be the higher values accorded to respect, care, attentiveness, and helpfulness. “The Asian way of providing services is considered humbler, compared with non-Asian styles” (Respondent 7). As Respondent 2 stated: “The special touch and neatness of the services provided obviously reflect Asian culture.” According to “Respondent 1, “We tend to be flexible when delivering service to our guests. In case there was an issue to our product or service, we would try to compromise and apply a diplomatic way to get through the problem.”

The findings show that the concept of Asianness – Thainess in particular – has been largely integrated into the manner in which Asian luxury hotel brands deliver services. Recall from above that Thainess is a “set of cultural, social, and political beliefs and practices that are intuitively understood, maintained, and practiced by all true Thais” (Hoy, 2014, p.1). Unlike Hotels 1 and 2, non-Asian hotel brands, however, do not fully apply the concept of Asianness to their operations. Both hotels are nonetheless flexible enough to adjust their service delivery to meet the needs of their Asian customers if necessary.

**Table 2:** Summary of Interviews

<p><b>Hotel 1</b></p> <ul style="list-style-type: none"> <li>- <b>Luxury</b> – Providing ultimate hospitality in a Thai way with very high service standards</li> <li>- <b>Uniqueness of Service</b> – Thainess in all the products and services offered</li> <li>- <b>Approach in Serving Asian and non-Asian Guests</b> – Standardized</li> <li>- <b>Differences between Asian and non-Asian Luxury Services</b> – Attitude to services, flexibility, and genuine desire to help</li> </ul>	<p><b>Hotel 3</b></p> <ul style="list-style-type: none"> <li>- <b>Luxury</b> – Innovation, arts, and technology as a lifestyle</li> <li>- <b>Uniqueness of Service</b> – Providing more and more care</li> <li>- <b>Approach in Serving Asian and non-Asian Guests</b> – Standardized with some local adaptation</li> <li>- <b>Differences between Asian and non-Asian Luxury Services</b> – More reliance on technology</li> <li>- <b>Challenges</b> – Guest used to a more traditional style</li> </ul>
<p><b>Hotel 2</b></p> <ul style="list-style-type: none"> <li>- <b>Luxury</b> – Providing innovation, quality and consistency of products and services with a sense of Asian heritage and culture</li> <li>- <b>Uniqueness of Service</b> – Family-like service and atmosphere</li> <li>- <b>Approach in Serving Asian and non-Asian Guests</b> – Standardized but can be customized to fit the needs of customers</li> <li>- <b>Differences between Asian and non-Asian Luxury Services</b> – The touch and neatness in the way services are provided</li> <li>- <b>Challenges</b> – Keeping the hardware up to date</li> </ul>	<p><b>Hotel 4</b></p> <ul style="list-style-type: none"> <li>- <b>Luxury</b> – Providing services and ultimate comfort beyond guest expectations</li> <li>- <b>Uniqueness of Service</b> – Quiet Zone Curbside program (sleep advantage), express check in</li> <li>- <b>Approach in Serving Asian and non-Asian Guests</b> – Standardized and custom-centric (in the case of Japanese guests)</li> <li>- <b>Differences between Asian and non-Asian Luxury Services</b> – More humbleness in the way services are provided</li> </ul>

**- Findings from Observation**

The four hotels were observed following the structure of the study’s framework. Table 3 summarizes the authors’ observations. One researcher served as a key analyst of the observed data. In the meantime, others cross-checked and verified the results of the first-round analysis. Each researcher took turn as a primary observer. Differences in opinions were resolved through

group discussion (Creswell, 2014; Miles & Huberman, 1994). As the next several paragraphs show, Asianness and the sense of luxury that emanates from it come in various forms and degrees.

- *Hotel 1:* During the multisensory experience, Thainess was observed in the physical environment of the hotel; Thai music was played in the lobby and a Thai aroma vaporized around the hotel. Moreover, Thai sculptures and arts ornate public or guestroom areas, where the golden color is omnipresent. In addition to the physical environment, a strong sense of Thainess could be observed in the manner employees serve their guests. The 30-minute observation in the lobby confirmed the staff's humble ways of greeting customers ("Wai" and "Sawaddee") and their obvious genuine willingness to serve, not to mention the famous "Thai smiles." Asianness was also manifest in their uniform.

- *Hotel 2:* As with Hotel 1, Asian aroma is diffused in public areas. The Asian touch also comes from the music and lighting. This hotel, however, relies on a more contemporary Asian style of decoration to achieve the elegant atmosphere that is its hallmark. In observing employee-to-guest interactions, it was found that the staff consistently greeted customers in a Thai manner and interacted with them respectfully, showing a genuine willingness to help, all characteristics generally associated with Thainess. In short, both the physical environment and the employee-customer interactions carry strong Asian and cultural characteristics.

- *Hotel 3:* A similar observation method was used for Hotel 3 to determine whether and how Asianness was incorporated into its operations. Although the hotel operates under the brand umbrella of a European hotel group that expectedly complies with European standards, it has managed to adapt to the local environment as attested among others by the hotel's architecture and interior design. Inspired by the landscape of a nearby park, there are tangible manifestations of local adaptation and display of elements of Asian wisdom (earth, fire, water, wood, and metal). Another clear indication of the hotel's intent to embrace Asianness and Thainess and its traditions is the ancient Thai alphabets painted on the wall of the hotel lobby. This desire to blend the hotel's foreign identity with the local culture is also reflected in the menus and the dishes they serve as well.

- *Hotel 4:* As with the other hotels observed, Hotel 4 owes its elegance to its physical environment and impeccable service. Although it is part of an international luxury hotel group evidenced in the materials used and decorative accents. Moreover, services are provided in a very humble and emphatic manner and staff members use extremely gentle and proper language. Given that the majority of their guests come from Japan, they have adjusted the way they interact to meet Japanese guests' expectations, thus confirming the hotel's incorporation of Asianness (the Japanese way) into their Thai operations.

**Table 3:** Summary of Hotel Observations

Hotels/Attributes		Physical Environment	Human Interaction (Employees/Guests)
Asian Hotels	Hotel 1	<ul style="list-style-type: none"> <li>• Thai atmosphere</li> <li>• Thai style decoration</li> <li>• Multisensory observations (Thai music, Thai aroma, golden color, lighting, Thai touch, etc)</li> <li>• Elegance</li> </ul>	<ul style="list-style-type: none"> <li>• Incorporates Thai style service (Wai, Sawaddee, showing humility, etc)</li> <li>• Appearances, traditional Thai uniforms</li> <li>• Behavior: strong genuine willingness to help</li> </ul>
	Hotel 2	<ul style="list-style-type: none"> <li>• Contemporary Asian atmosphere and decoration</li> <li>• Multisensory perceptions (Asian music, aroma, golden color, etc)</li> </ul>	<ul style="list-style-type: none"> <li>• Friendly and respectful</li> <li>• Efficient and knowledgeable</li> <li>• Thai style interactions with guest</li> </ul>

		<ul style="list-style-type: none"> <li>• Elegance</li> </ul>	<ul style="list-style-type: none"> <li>• Genuine willingness to help and cater to guests' needs</li> </ul>
Non-Asian Hotels	Hotel 3	<ul style="list-style-type: none"> <li>• Lively atmosphere</li> <li>• Use of the five elements of Asian wisdom in the design</li> <li>• Unique architecture with Asian influence</li> <li>• Elegance</li> </ul>	<ul style="list-style-type: none"> <li>• Proactive in providing services</li> <li>• Quick responsiveness</li> <li>• Lively and engaged staff</li> <li>• Trendy</li> </ul>
	Hotel 4	<ul style="list-style-type: none"> <li>• Contemporary design influenced by Asian culture, particularly Japanese touch</li> <li>• Calm environment</li> <li>• Complete business facilities</li> <li>• Elegance</li> </ul>	<ul style="list-style-type: none"> <li>• Deference and humbleness at all levels</li> <li>• Adherence to Japanese norms</li> <li>• High sense of propriety in the communication</li> </ul>

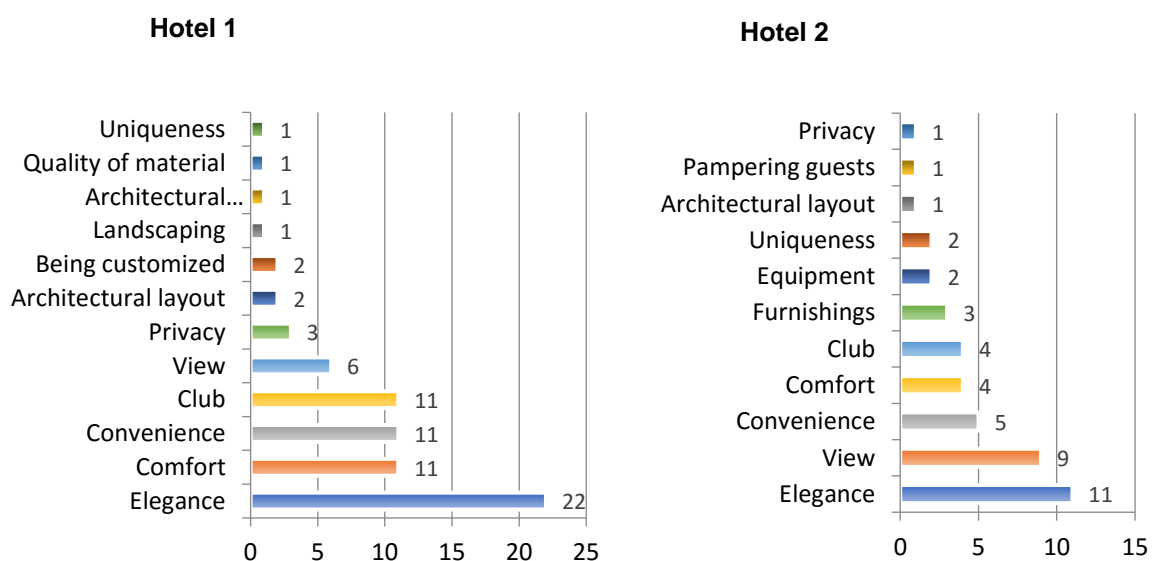
### - Findings from Documentation

As explained earlier, the documentation findings come from both the analysis of the official hotels' websites and the netnographic investigation of TripAdvisor.

#### - Findings from the Hotels' Websites

The data extracted from the websites solely relates to the physical environment construct (for obvious reasons, the human interaction construct cannot be objectively evaluated from hotel brochures). The frequency of each dimension is shown in Figures 2 and 3.

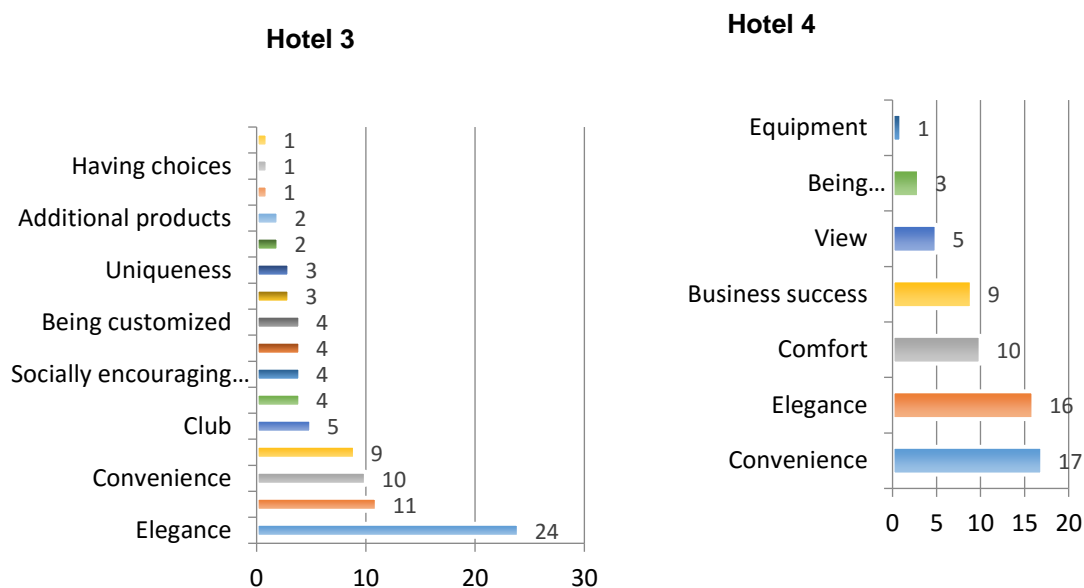
- *Hotel 1:* For this hotel, the top-three most frequently mentioned dimensions are elegance, comfort (ambience construct), convenience (additional construct), and the hotel club's privilege (additional construct). As shown on the website, the incorporation of Asianness through the 'elegance' dimension is referred to as "embedded Thai heritage" and is visible in the graciousness and artistry of the Thai-styled decoration, Thai themes, and in the hotel room names. Regarding the 'comfort' dimension, the website states that the Thai elements will help guests relax and escape from the hectic city. Asian of materials as demonstrated by the use of silk and teakwood. Another element of Asianness is provided by the 'customization' construct, namely, 'crafting the meeting and event packages' as service is tailored for each guest.



**Figure 2:** Documentation Findings for Hotels 1 and 2

Source: Hotels' corporate websites

- **Hotel 2:** This Asian-branded hotel shares two of Hotel 1's top three dimensions, namely, elegance (1st) and convenience (3rd). The 'view' dimension, which comes under the 'additional' construct, is ranked second. Asianness is thus incorporated through the elegance of the Thai-inspired decoration, the signature restaurant and the treatment spa.
- **Hotel 3:** The top three dimensions are similar to Hotel 2 and the hotel's incorporation of Asianness especially evident in the 'elegance' dimension. Thai designers and Asian-inspired artists were engaged to create the main story and design of the hotel. The result is a combination of old-era Thai style and 19th century French style. Furthermore, the 'customization' dimension involves elements of Asianness through the use of advanced technology to provide customized services for each guest and through tailored event facilities
- **Hotel 4:** Convenience, elegance, and comfort are ranked as the most frequently considered dimensions. The adoption of Asianness in this hotel is highlighted in the 'customization' dimension through a large variety of rooms to cater each guest's needs and preferences.



**Figure 3:** Documentation Findings for Hotels 3 and 4  
Source: Hotels' corporate websites

- *Findings from the Netnographic Analysis*

The netnographic analysis of 40 reviews posted on TripAdvisor are shown in Tables 4 and 5. They indicate that the most often discussed 'physical environment' constructs from a customer perspective include the following elements: additional features, ambience, multisensory experience, and space/function. Recall from above that in this study, the physical environment refers to tangible and intangible structures. Space/function and sign/symbol/artifact are tangible parts and ambience and multisensory perception intangible ones. All these constructs are ranked similarly in most of the hotels. While the reviews selected for Hotel 1 disregard the 'multisensory' construct, they mention the 'sign/symbol/artifact' construct, which refers to the quality of the materials in the hotel rooms. Although 'additional features' was not part of previous studies, it seems to be an important issue for reviewers to whom space, architectural layout, furnishing, and equipment matter most. View is the most frequently mentioned positive attribute and noise a negative attribute. With regard to human interaction (employee dimension), the most discussed issues in respect of Hotel 1 are attitude, proactive services, and behavior, and regarding Hotel 2, proactive service, attitude, and appearance. Similar issues

were brought up regarding Hotels 3 and 4. Obviously, proactive service is a positive attribute widely recognized by hotel guests. When investigating each dimension, three issues were discussed; location, outlet, restaurant, and club rooms and executive lounge facility (see Table 5). Interestingly, club room, and executive lounge facilities, which are privilege benefits customized for special guests as per each hotel's policy, are merely mentioned in non-Asian hotels. Ambience is also a concern for the guests, with elegance, cleanliness, and comfort recurring as issues among guests in the four hotels.

**Table 4:** Summary of Consumer Experience Constructs from Hotel Reviews

Hotels/Attributes		Physical Environment	Human Interaction )Employee(
Asian Hotels	Hotel 1	<ul style="list-style-type: none"> <li>• Additional feature (9)</li> <li>• Space/function (8)</li> <li>• Ambience (6)</li> <li>• Sign/symbol/artifact (1)</li> </ul>	<ul style="list-style-type: none"> <li>• Attitude (5)</li> <li>• Proactive service (4)</li> <li>• Behavior (1)</li> </ul>
	Hotel 2	<ul style="list-style-type: none"> <li>• Additional feature (8)</li> <li>• Ambience (7)</li> <li>• Multisensory perception (4)</li> <li>• Space/function (3)</li> </ul>	<ul style="list-style-type: none"> <li>• Proactive service (10)</li> <li>• Attitude (1)</li> <li>• Appearance (1)</li> </ul>
Non-Asian Hotels	Hotel 3	<ul style="list-style-type: none"> <li>• Additional feature (8)</li> <li>• Ambience (5)</li> <li>• Multisensory perception (4)</li> <li>• Space/function (2)</li> </ul>	<ul style="list-style-type: none"> <li>• Proactive service (6)</li> <li>• Behavior (3)</li> <li>• Attitude (2)</li> </ul>
	Hotel 4	<ul style="list-style-type: none"> <li>• Additional feature (8)</li> <li>• Ambience (6)</li> <li>• Multisensory perception (2)</li> <li>• Space/function (1)</li> </ul>	<ul style="list-style-type: none"> <li>• Proactive service (5)</li> <li>• Behavior (2)</li> <li>• Attitude (2)</li> </ul>

**Table 5:** Dimensions of the Physical Environment Constructs from Hotel Reviews

Hotels /Physical Environment Constructs	Additional features	Ambience	Space/ function	Multisensory	Sign/ symbol/ artefact
Asian Hotels	<ul style="list-style-type: none"> <li>• Location (8)</li> <li>• Outlet and restaurant (4)</li> </ul>	<ul style="list-style-type: none"> <li>• Elegance (4)</li> <li>• Cleanliness (3)</li> </ul>	<ul style="list-style-type: none"> <li>• Space maintenance (3)</li> <li>• Architectural layout (1)</li> </ul>		
	<ul style="list-style-type: none"> <li>• Outlet and restaurant (7)</li> <li>• Location (5)</li> </ul>	<ul style="list-style-type: none"> <li>• Elegance (5)</li> <li>• Comfort (2)</li> </ul>	<ul style="list-style-type: none"> <li>• Furnishing (2)</li> <li>• Equipment (1)</li> </ul>	• View (4)	
Non-Asian Hotels	<ul style="list-style-type: none"> <li>• Club room and executive lounge facility (4)</li> <li>• Location (3)</li> <li>• Outlet and restaurant (3)</li> </ul>	<ul style="list-style-type: none"> <li>• Elegance (3)</li> <li>• Comfort (1)</li> </ul>	• Furnishing (2)	• View (4)	
	<ul style="list-style-type: none"> <li>• Location (6)</li> <li>• Outlet and restaurant (3)</li> <li>• Club room and executive lounge facility (3)</li> </ul>	<ul style="list-style-type: none"> <li>• Comfort (4)</li> <li>• Cleanliness (3)</li> </ul>	• Architectural layout (1)	• Noise (1)	



Table 6 presents the intangible constructs, those related to employee/guest interactions (human interaction). One issue which guests are mostly concerned about is the proactive attitude (or the lack thereof) of the hotel staff. In fact, attentiveness to guests is the only positive attribute mentioned by all reviewers. Attitude is significant in terms of service delivery and friendliness, smiling and appreciativeness also are preferable to guests even though the legendary “Thai smile” is only mentioned in the review of Hotel 1 as a Bangkok landmark. Excellent service from all the hotel outlets with helpful and cheerful staff –the Thai smile”) (TripAdvisor, 2019). This suggests that smile may be associated with quality service rather than with a national trait. Consistent smiling, though, is not mentioned by reviewers from non-Asian hotels. The professional behavior issues mentioned in the reviews include proper language communication skills and professionalism (only found in reviews of Hotel 4). Appearance is for the most part ignored as there is only one comment regarding the classy look of the staff (Hotel 2 review), which suggests this may be taken for granted.

**Table 6:** Dimensions of Human Interaction Constructs Discussed on TripAdvisor

Hotels /Human Interaction	Attitude	Professional Behavior	Proactive service	Appearance
Asian Hotels	<ul style="list-style-type: none"> <li>Friendly (2)</li> <li>Smiling (2)</li> <li>Appreciative (1)</li> </ul>	<ul style="list-style-type: none"> <li>Proper language communication skills (1)</li> </ul>	<ul style="list-style-type: none"> <li>Attentive to guests (4)</li> </ul>	
	<ul style="list-style-type: none"> <li>Consistently Smiling (1)</li> </ul>		<ul style="list-style-type: none"> <li>Attentive to guests (10)</li> </ul>	<ul style="list-style-type: none"> <li>Classy (1)</li> </ul>
Non-Asian Hotels	<ul style="list-style-type: none"> <li>Friendly (2)</li> </ul>	<ul style="list-style-type: none"> <li>Proper language communication skills (3)</li> </ul>	<ul style="list-style-type: none"> <li>Attentive to guest (6)</li> </ul>	
	<ul style="list-style-type: none"> <li>Friendly (2)</li> </ul>	<ul style="list-style-type: none"> <li>Professional (1)</li> </ul>	<ul style="list-style-type: none"> <li>Attentive to guests (5)</li> </ul>	

## 5. Discussion

The analyses of the interviews, observations, documents, and netnographic show differences in the level of incorporation of Asianness by the four Bangkok-based hoteliers discussed in this study. While the local adoption of Thainess and use of Thai-inspired elements is fully part of the luxurious branding of Asian hotels, non-Asian hotel brands, unevenly apply the paradigm to their operations. Hotel 3 offers a combination of French style, which reflects the corporate brand’s origin, and traditional Thai arts which is reflected in the hotel’s design. Hotel 4 has no apparent locally adopted characteristic, which guests would notice right away. Another dimension related to Asianness is customer-centricity and service customization. Three of the four hotels offer service customization to their guests. Hotels 1, 3, and 4 provide event arrangement crafted according to each guest’s preference. Hotel 3 offers tailor-made services aided by technology and Hotel 4 provides a large variety of customized rooms.

Guests’ perception toward luxury-related offerings incorporating Asianness, is slightly different from the hoteliers’ presentation as indicated by the netnography findings. They view the ‘customer-centricity’ and ‘customized services’ dimensions as reflected by the staff’s attentiveness to each guest’s need (all hotels) and the customized club room and executive lounge that caters to VIP guests’ needs (Hotel 3). The “Thai smile,” omnipresent in Asian-branded hotels is also viewed as an essential element of Asianness and its practice.

While the tangible and intangible aspects of the four luxury hotel brands exhibit Asian characteristics, the two Asian brands’ fully incorporate Thainess and Thai-inspired elements in their luxury offers whereas the two non-Asian brands show only a partial incorporation, which,

in the case of Hotel 3, is reflected in the mixture of French and traditional Thai style. While incorporating elements of Thainess, Hotel 4 provides a strong sense of Japanese culture in the hotel's setting and the way services are customized to cater to its largely Japanese guests. Thus, although the extent of Asianness varies from one hotel brand to another, Asian characteristics are in view in all four luxury hotels.

The 'customer-centricity and service customization' dimension is present in one Asian brand and the two non-Asian brands. This finding is in keeping with the results of studies conducted by Wattanacharoensil et al. (2014) and Chin et al. (2016) in which it was determined that this dimension is part of the Asianness concept. Asian hospitality is naturally driven toward customer-centricity and emphasizes staff's attention on all small details. This is also consistent with Tracey and Hinkin's (1996) definition of luxury, which refers to highly customized services for guests. Thus, customer-centricity and service customization increase the perception of luxury.

As noted earlier, the level of incorporation of Thainess varies among Asian and non-Asian hotel brands. As suggested by Wan and Chon (2010), Thainess is only one of the many forms of Asianness. What it shows is the exploitation of local resources and cultural heritage. Mixing Thainess with Japanese cultural traits (Hotel 4) is also a form of Asianness. Much of the extent to which Thainess is incorporated has to do with the origin of the guests and the interpretation of the concept of luxury. Such differences in the level of local adoption are consistent with each hotel's unique characteristics (Bernsteine, 1999). Hotel 3's combination its brand's unique European characteristics drives its partial local adoption and Hotel 4 communicates its brand's uniqueness through high-quality facilities for Japanese business and therefore can only partially rely on Thainess to do so.

## 6. Conclusions and Recommendations

When asked to define the concept of luxury, each hotel brand uniquely defines the term. Unsurprisingly, the two Asian brands amply referred to Thainess and Thai-inspired elements to define the term. The two non-Asian brands, however, did not resort to the notion of Thai inspiration to explain what luxury meant to them. This discrepancy in their answers highlights the varying degree of incorporation of the concept of Asianness in their hotel design and business model as well as different perception of the notion of luxury, which can be achieved with or without (or with a mix of) Asianness. The extent to which each brand incorporates Asianness is also clearly a function of how the hotels respond to the need of their target customers. Since the two Asian brands possess an Asian brand identity and Asian focus, they apply Asianness in all aspects endorse full local adoption, including the "Thai smile" which they include in their definition of luxury. Conversely, the two non-Asian brands, which did not use Asianness to define luxury, still exhibit some degree of Asianness as a response to the needs of their target customers (customer-centricity and service customization). So, regardless of their brands' origin, the luxury services provided by all four selected hotels are influenced by Asianness, albeit to different extent given their own specific interpretation of the term "luxury." This shared incorporation of Asianness is consistent with the findings from Chen and Chon (2016), and Kolesnikov-Jessop (2016), who argued that combining the Asianness concept into their practices help non-Asian hotel brands distinguish themselves through Asian hospitality.

This study offers academic and practical applications. The findings further confirm that Asianness can be embraced by Asian and non-Asian hotel brands as part of delivering luxury services. They also support the Asian paradigm according to which global hospitality and the tourism industry have cumulatively evolved and moved away from European and American trends toward incorporating Asianness (Tse, 2012). This paradigm can be used to further

explore the Asianness concept within extended boundaries. In terms of practical contribution, the discrepancy between luxury as provided by hoteliers and perceived by guests could be reduced based on the data obtained in this study. On TripAdvisor reviews, hotel guests positively refer to customer-centricity, customization, and the Thai smile. These features should be enhanced by hoteliers. However, local adoption is not clearly perceived by guests, which suggests that more communication between the hoteliers and guests maybe be needed to bridge the gap in terms of guest perception. Moreover, the concept developed in this study could be used in ASEAN member states and cooperation with ASEAN's business partners be developed. The concept of Asianness lends itself to such collaboration.

### **- Limitations and Suggestions for Future Research**

As is the case with all studies, this paper exhibits a number of limitations. One is the time and monetary constraints during the data collection process. Therefore, to extend the generalizability of the findings to a greater number of luxury hotels, a sample greater than our current sample must be investigated. Furthermore, areas other than Bangkok that share the same conditions in terms of tourist attractiveness, Thai staff members, and Asian guests should also be observed in future research studies. In addition, since all the available data sources could not be investigated due to limited time and resources, future studies with more resources may investigate all available relevant data sources. They may, for instance, consider increasing the number of interviewees and expand the number of online and offline hotel documents to be analyzed.

### **References**

- Alexander, L. K., Lopes, B., Ricchetti-Masterson, K., & Yeatts, B. (2015). ERIC Notebook: Selection Bias [PDF file]. Retrieved February 20, 2016, from [https://sph.unc.edu/files/2015/07/nciph\\_ERIC13.pdf](https://sph.unc.edu/files/2015/07/nciph_ERIC13.pdf)
- Bernsteine, L. (1999). Luxury and the hotel brand. *Cornell Hotel and Restaurant Administration Quarterly*, 40(1), 47-53.
- Bitner, M. (1992). Servicescapes: the impact of physical surroundings on customers and employees. *Journal of Marketing*, 56(2), 57-71.
- Cai, L. A., & Hobson, J. S. P. (2004). Making hotel brands work in a competitive environment. *Journal of Vacation Marketing*, 10(3), 197-208.
- Chen, A. L., & Chon, K. (2016). Transferability of Asian paradigm in hospitality management to non-Asian countries. *Tourism and Hospitality Management*, 12, 143-157.
- Chin, D. C. W., Pinthong, C., Kang, Y., & Chon, K. (2016). What makes Asian hospitality unique? An exploratory analysis. *Proceedings of the 14th APacCHRIE Conference 2016*. Bangkok, Thailand: Asia Pacific CHRIE.
- Creswell, J. W. (2014). *Research design: Qualitative, quantitative and mixed methods approaches* (4th ed.). Thousand Oaks, CA: Sage.
- Daymon, C., & Holloway, I. (2011). *Qualitative Research Methods in Public Relations and Marketing Communications*. (2nd ed.). Abingdon: Routledge.
- Denzin, N.K., & Lincoln, Y.S. (Eds.). (1994). *Handbook of qualitative research*. Thousand Oaks, CA: Sage.
- Fakfare, F. (2019). A comparative study of the leadership styles of Kwon Ping Ho (Banyan Tree Hotels and Resorts) and Kwek Leng Beng (Millennium Hotels and Resorts). *ASEAN Journal of Management and Innovation*, 6(1), 88-101.
- Fang, B., Ye, Q., Kucukusta, D., & Law, R. (2016). Analysis of the perceived value of online tourism reviews: Influence of readability and reviewer characteristics. *Tourism Management*, 52, 498-506.

- Filieri, R., Alguezaui, S., & McLeay, F. (2015). Why do travelers trust TripAdvisor? Antecedents of trust towards consumer-generated media and its influence on recommendation adoption and word of mouth. *Tourism Management*, 51, 174-185.
- Gratton, C., & Jones, I. (2010). *Research methods for sports studies*. Abingdon: Routledge.
- Grewal, D., Monroe, K.B., & Krishnan, R. (1998). The effects of price-comparison advertising on buyers' perceptions of acquisition value, transaction value, and behavioral intentions. *Journal of Marketing*, 62, 46-59.
- Heo, C. Y., & Hyun, S. S. (2015). Do luxury room amenities affect guests' willingness to pay? *International Journal of Hospitality Management*, 46, 161-168.
- Hotelanalyst. (2018). The hotel brands report 2018 [PDF file]. Retrieved August 10, 2018, from <http://hotelanalyst.co.uk/wp-content/uploads/sites/2/2017/12/Sample-Brands-Report-2018.pdf>
- Hotels Magazine (2019), "Hotels' 325". Retrieved October 25, 2019, from [http://www.marketingandtechnology.com/repository/webFeatures/HOTELS/H1807\\_SpecialReport\\_Intro.pdf](http://www.marketingandtechnology.com/repository/webFeatures/HOTELS/H1807_SpecialReport_Intro.pdf)
- Hoy, T. (2014). Detecting Thainess: Primordialism and constructivism in the Thai expatriate crime novel. *Asian Journal of Literature, Culture and Society*, 8(2), 1-27.
- Jang, S., & Moutinho, L. (2019). Do price promotions drive consumer spending on luxury hotel services? The moderating roles of room price and user-generated content. *International Journal of Hospitality Management*, 78, 27-35.
- Kasikorn Bank. (2019). Thailand's Tourism Industry Outlook 2019. Retrieved October 25, 2019, from [https://www.kasikornbank.com/international-business/en/Thailand/IndustryBusiness/Pages/201901\\_Thailand\\_TourismOutlook19.aspx](https://www.kasikornbank.com/international-business/en/Thailand/IndustryBusiness/Pages/201901_Thailand_TourismOutlook19.aspx)
- Kolesnikov-Jessop, S. (2016). Asian Hotel Brands Make the Journey to Europe. Retrieved June 14, 2017, from [http://www.nytimes.com/2010/01/23/business/global/23hotels.html?\\_r=0](http://www.nytimes.com/2010/01/23/business/global/23hotels.html?_r=0)
- Lam, C., Ho, G. K. S., & Law, R. (2015). How can Asian hotel companies remain internationally competitive? *International Journal of Contemporary Hospitality Management*, 27(5), 827-852.
- Maxwell, S. (2002). Rule-based price fairness and its effect on willingness to purchase. *Journal of Economic Psychology*, 23(2), 191-212.
- Miles, M. B., & Huberman, A. M. (1994). *Qualitative data analysis: An expanded sourcebook* (2nd ed.). Thousand Oaks: Sage.
- Nueno, J. L., & Quelch, J. A. (1998). The mass marketing of luxury. *Business Horizons*, 41(6), 61-68.
- Patiar, A., & Mia, L. (2009). Transformational leadership style, market competition and departmental performance: Evidence from luxury hotels in Australia. *International Journal of Hospitality Management*, 28(2), 254-262.
- Patton, M. Q. (1990). *Qualitative evaluation and research methods*. Newbury Park, CA: Sage.
- Piuchan, M., & Pang, L. (2015). Service experience dimensions in Asian hospitality: a case study of hotels in Thailand and Hong Kong. *Proceedings of the EuroCHRIE Conference 2015*. Manchester, United Kingdom: EuroCHRIE.
- Qiu, H., Ye, B. H., Bai, B., & Wang, W. H. (2015). Do the roles of switching barriers on customer loyalty vary for different types of hotels? *International Journal of Hospitality Management*, 46, 89-98.
- Ritchie, J. R. B., & Hudson, S. (2009). Understanding and Meeting the challenges of consumer/tourist experience research. *International Journal of Tourism Research*, 11, 111-126.

- Sekaran, U., & Bougie, R. (2003). *Research methods for business, A skill building approach*. New York: John Willey & Sons.
- Seo, Y., & Buchanan-Oliver, M. (2015). Luxury branding: The industry, trends, and future conceptualizations. *Asia Pacific Journal of Marketing and Logistics*, 27(1), 82-98.
- Strauss, A., & Corbin, J. (1998). *Basics of qualitative research* (2nd ed.). Newbury Park, CA: Sage.
- Tontini, G., Bento, G. dos S., Milbratz, T. C., Volles, B. K., & Ferrari, D. (2017). Exploring the nonlinear impact of critical incidents on customers' general evaluation of hospitality services. *International Journal of Hospitality Management*, 66, 106-116.
- Tourism Authority of Thailand. (2019). Thailand to highlight connectivity and sustainability at ASEAN Tourism Forum 2019. Retrieved October 15, 2019, from <https://www.tatnews.org/2019/01/thailand-to-highlight-connectivity-and-sustainability-at-asean-tourism-forum-2019/>
- Tse, T. (2012). The experience of creating a teaching hotel: a case study of Hotel Icon in Hong Kong, *Journal of Hospitality and Tourism Education*, 24(1), 17-25.
- Tracey, J. B., & Hinkin, T. R. (1996). How transformational leaders lead in the hospitality industry. *International Journal of Hospitality Management*, 15(2), 165-176.
- TripAdvisor. (2019). Bangkok, Thailand Hotel Deals. Retrieved October 17, 2019, from <https://www.tripadvisor.com/SmartDeals-g293916-Bangkok-Hotel-Deals.html>
- UNWTO. (2018). UNWTO Tourism Highlights 2018 Edition. Retrieved September 3, 2018, from <https://www.e-unwto.org/doi/pdf/10.18111/9789284419876>.
- Walls, A., Okumus, F., Wang, Y., & Kwun, D. J. W. (2011). Understanding the consumer experience: An Exploratory Study of Luxury Hotels. *Journal of Hospitality Marketing & Management*, 20(2), 166-197.
- Wan, S., & Chon, K. (2010). "Asianness" – an emerging concept in hospitality management. *Proceedings of the 8th APacCHRIE Conference 2010* (pp. 175–186). Phuket, Thailand: Asia Pacific CHRIE.
- Wattanacharoensil, W., Kobkitpanichpol, B., & Chon, K. (2014). Asian hospitality: how emotional intelligence and organisational service culture play a role. *Proceedings of the 20th Asia Pacific Tourism Association Annual Conference* (pp.15-18). Ho Chi Minh City, Vietnam: Asia Pacific Tourism Association.
- World Luxury Hotel Awards. (2019). The 13th Annual World Luxury Hotel Awards Winners, 2019. Retrieved October 26, 2019, from <https://luxuryhotelawards.com/winner/the-13th-annual-world-luxury-hotel-awards-winners/>
- Yin, R. K., (1994). *Case Study Research Design and Methods: Applied Social Research and Methods Series* (2nd ed.). Thousand Oaks, CA: Sage.
- Zhang, Z., Ye, Q., & Law, R. (2011). Determinants of hotel room price: An exploration of travelers' hierarchy of accommodation needs. *International Journal of Contemporary Hospitality Management*, 23(7), 972-981.
- Zhou, L., Ye, S., Pearce, P. L., & Wu, M. Y. (2014). Refreshing hotel satisfaction studies by reconfiguring customer review data. *International Journal of Hospitality Management*, 38, 1-10.



# Organizational Creativity and Business Competitiveness: Empirical Evidence from the Thai Gem and Jewelry Industry

Pattarika Chinchang

Faculty of Business Administration and Accountancy, Roi Et Rajabhat University,  
Roi Et, Thailand.

A\_pattarika@hotmail.com

## Abstract

The purpose of this study is to examine the relationship between the organizational creativity and business competitiveness of gem and jewelry businesses in Thailand. Data were collected from 146 managing directors or managing partners of firms in this sector in Thailand and subjected to multiple regression analysis to test the proposed hypotheses. The results show that organizational creativity has a significant positive effect on organizational productivity, organizational innovation and organizational excellence, which have a significant positive effect on business competitiveness. The results obtained in this study suggest that encouraging higher levels of creativity in organizations is beneficial to the firms in this industry as it not only leads to improvements in organizational productivity, organizational innovation and organizational excellence but also to an increase in business competitiveness. By providing a better understanding of how organizational creativity has the potential to significantly influence the nature of business competitiveness in the contest of the gem and jewelry industry in Thailand, this study is an important contribution to this sector.

**Keywords:** Organizational Creativity, Organizational Productivity, Organizational Innovation, Organizational Excellence, Business Competitiveness

## 1. Introduction

In today's extremely challenging business environment, firms are under intense global competitive pressure. One way for them to be successful in such an environment is to encourage organizational creativity, organizational productivity, organizational innovation and organizational excellence, which are among the main resources they can use to help them gain and maintain business competitiveness and enjoy sustainable success (Al-Dhaafri, Al-Swidi, & Yusoff, 2016; Ganter & Hecker, 2013; Ghosh, 2015; Torabi & El-Den, 2017). Since consumer behavior is now changing at unpredictable – and unprecedented – speed, organizational transformations are inevitable, even though they may put firms under high-pressure. To deal with such rapidly changing consumption patterns, it is necessary for companies to make changes in their organizational creativity in order to improve their productivity (Adcroft & Teckman, 2011), increase their innovation (Sutanto, 2017) attain excellence and bring about new products and services (Hashemy et al., 2016). In short, organizational creativity is critical to enhance the productivity, innovation, and excellence of a firm and generate long-term benefits (Adcroft & Teckman, 2011; Hashemy et al., 2016; Hu, Gu, & Chen, 2013). Increased levels of organizational creativity are most likely to promote business competitiveness (Ghosh, 2015). Apart from being one of the primary factors in the outcomes of a firm's innovative orientation, organizational creativity also helps firms generate and develop organizational innovation (Pratoom & Savatsomboon, 2012). Moreover, higher levels of organizational creativity can increase organizational excellence and are likely to result in higher business competitiveness (Adcroft & Teckman, 2011; Hutton & Eldridge, 2019; Kafetzopoulos, Gotzamani, & Gkana, 2015).

The relationships between organizational creativity and its four distinctive resources and capabilities (organizational innovation, organizational productivity, organizational excellence, and business competitiveness) are the focal point of this study. To develop the conceptual framework outlining the congruence between them and organizational creativity, the resource-advantage theory is used as theoretical support. According to this theory, firms can seek an advantage in resources over competitors by providing greater values and benefits to their customers via four resources: organizational creativity, productivity, innovation and excellence (Arnett & Madhavaram, 2012; Vasconcellos, Garrido, & Parente, 2019). Firms that exploit these resources more efficiently than their competitors can generate and maintain their competitive advantage (Hunt & Madhavaram, 2012).

One industry in Thailand that is facing more intense competition and needs to foster organizational creativity is the gem and jewelry industry, whose revenues and profits have been declining as gem and jewelry markets are becoming ever more competitive (Shortell & Irwin, 2017). Thai gem and jewelry businesses will thus be used in this study for empirical testing. Another reason for choosing this particular sector in Thailand, apart from declining profits, is that, as a creative industry, it has the adaptability and flexibility required to deal with challenges and obstacles and overcome them. The creativity and innovation inherent in most of the gem and jewelry businesses firms and their unique and distinctive designs differentiate them from competitors (Federation of Thai Industries, 2018). Another reason yet is that, according to Asia Development Bank (2019), Thailand is one of the world's leading gem and jewelry manufacturing centers. It is also regarded as one of the best gem sources (Kasikorn Research Center, 2018). All these characteristics, most notably the adaptability and responsiveness of firms, support the choice of Thai gem and jewelry businesses as the appropriate target sample for an assessment of organizational creativity.

Since there is little empirical research on determining the relationship between organizational creativity, innovation, organizational productivity, organizational excellence on the one hand and business competitiveness on the other, this study attempts to fill a gap in the context of organizational creativity and seeks to extend the application of the resource advantage theory to the Thai gem and jewelry industry. In short, focusing on a specific sector of activities, this study aims to gain a better understanding of how organizational creativity affects business competitiveness.

## 2. Literature Review and Hypothesis Development

This section discusses the key operative concepts in this study and the hypotheses developed as a result.

### - *Business Competitiveness (BUC)*

Business competitiveness is the outcomes of organizational capability of firms in managing and operating unique, superior, and different benefits in order to respond to customer needs and customer acceptance better than their competitors (LaVan, & Murphy, 2007; Lorenzo, Rubio, & Garcés, 2018). A firm's business competitiveness improves its operational efficiency (Khorram Niaki & Nonino, 2017). It is regarded as one of the main factors that provide competitive advantages and it plays a vital role in creating and retaining effective business advantages over competitors (Casadesus-Masanell & Ricart, 2010). To build and sustain business competitiveness in fast-growing industries, firms must provide distinct competitive advantages to customers that are greater than those of their competitors (Lorenzo et al., 2018). As the core driving force for achieving competitive advantages over competitors, business competitiveness gives priority to the consistent improvement and development of business operations (Jiang et al., 2016). The resource-advantage theory suggests that business

competitiveness is dependent upon the ability of an organization to produce creativity, innovation, productivity and excellence.

#### **- Organizational Creativity (ORC)**

Organizational creativity can be defined as the degree of firm competency in encouraging and developing employee creative thinking to propose a variety of goods or services that result in customer value creation (Amabile, 1997; Ghosh, 2015; Woodman, Sawyer, & Griffin, 1993). It is built through several firm attributes that can increase a firm's ability to hold a competitive advantage over its competitors. These attributes are valuable, rare and difficult to imitate resources because they collect intangible assets for coping with business environment changes (Ghosh, 2015). In an organizational context, creativity is realized as one of the crucial elements for the improvement of organizational innovation (Pratoom & Savatsomboon, 2012). Organizational creativity brings about crucial changes in organizational innovation as it tends to have a positive impact on organizational innovation in terms of the generation and development of more new products, processes and procedures (Hu et al., 2013; Chinchang, 2017). Moreover, apart from being most likely to support organizational productivity, enabling firms to effectively compete in fast-changing global markets (Adcroft & Teckman, 2011), organizational creativity also has a link with employees' competency to improve the efficiency of organizational innovation (Sutanto, 2017). Firms need organizational creativity to better advocate the generation of organizational excellence. This leads to business competitiveness in a changing global market (Hashemy et al., 2016). Thus, Hypothesis 1 is developed as follows:

**H1:** *Organizational creativity has a positive influence on (a) organizational innovation, (b) organizational productivity and (c) organizational excellence.*

#### **- Organizational Innovation (ORI)**

Organizational innovation refers to the degree of firm competency in generating, adopting and implementing new products, procedures and processes to respond quickly and effectively in a changing business environment (Anzola-Román, Bayona-Sáez, & García-Marco, 2018; Damanpour, 1991; Fadil, Singh, & Joseph, 2016). It is the advancement of customer value creation through new products, processes and procedures that confront with customer needs, expectations and satisfaction (Camisón & Villar-López, 2014). Organizational innovation is not bounded on new product development and process improvement but is born of a firm's ability to produce new business methods, structures and practices. As one of the most important attributes in supporting business competitiveness (Ganter & Hecker, 2013), organizational innovation is utilized for improving organizational productivity and encouraging future organizational excellence (Díaz-Chao, Sainz-González, & Torrent-Sellens, 2015; Jankal, 2014). According to Morris (2018), organizational innovation actually increases the accomplishment of organizational productivity. Moreover, Legenvre and Gualandris (2018) have shown that there is a positive relationship between organizational innovation and organizational excellence, which enables the achievement of business competitiveness and enhancement of organizational excellence in order to derive superior performance. Organizational innovation is likely to promote and facilitate organizational productivity, organizational excellence and business competitiveness. Therefore, Hypothesis 2 can be developed as follows:

**H2:** *Organizational innovation has a positive influence on (a) organizational productivity, (b) organizational excellence and (c) business competitiveness.*

#### **- Organizational Productivity (ORP)**

Organizational productivity can be defined as the degree of firm competency in assessing and improving operation efficiency to convert inputs into valuable outputs for internal and external customers (Dutton & Thomas, 1982; Pan, Pan, & Lim, 2015; Tan et al., 2015).

Business investment in organizational productivity has historically made a crucial contribution to business competitiveness (Torabi & El-Den, 2017). High levels of organizational productivity are important for increasing efficiency and effectiveness gains (Fu, Mohnen, & Zanello, 2018). Organizational productivity not only fuels the key determinants of business competitiveness but also improves the capacity of firms in a rapidly changing business environment by lowering the total manufacturing costs as well as expanding and enhancing access to emerging markets (Pan, Pan, & Lim, 2015). Tan et al. (2015) indicated that poor levels of organizational productivity account for low business competitiveness. Hutton & Eldridge (2019) have provided empirical evidence to support the relationship between organizational productivity and firms' business competitiveness. There is a significant and direct relationship between organizational productivity and business competitiveness (Díaz-Chao et al., 2015; Schnabel, 2010). According to Kafetzopoulos et al. (2015), organizational productivity can reduce manufacturing costs and promote the competitiveness of firms. Hence, Hypothesis 3 is developed as follows:

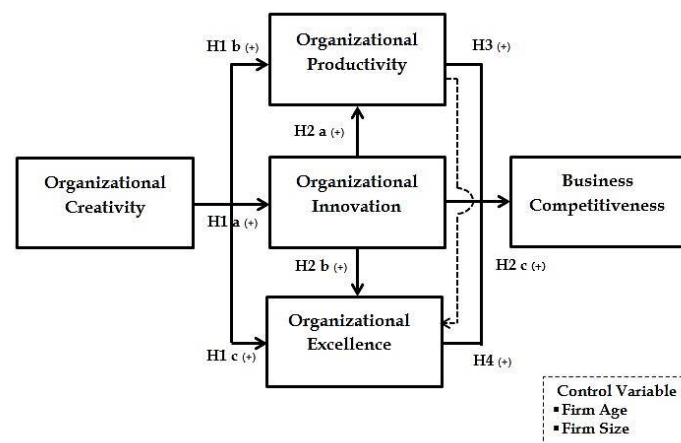
**H3:** *Organizational productivity has a positive influence on business competitiveness.*

#### - Organizational Excellence (ORE)

Organizational excellence refers to the degree of firm competency in seeking and delivering consistent, high-quality products and services to fulfill customer expectations and satisfaction (Antony & Bhattacharyya, 2010; Darling, 1999, O'Kane, 2003). It is the driving force that complements long-term business competitiveness over competitors (Esi, 2013). Today, business and global economic scenarios compel firms not only to react automatically to overcome important competitive challenges but also to build and maintain long-term business success by optimizing organizational excellence (Hashemy et al., 2016). Long-term business competitiveness in many firms requires suitable organizational excellence (Esi, 2013) in order to survive in rapidly changing customer demand (Al-Dhaafri et al., 2016). Organizational excellence can be achieved through the creation of long-term values to customers, employees and shareholders (Ringrose, 2013). There is evidence to support the linkages between organizational excellence and business competitiveness, with organizational excellence reckoned as the crucial driver sustaining and developing successful business competitiveness (Antony & Bhattacharyya, 2010). Moreover, prioritizing organizational excellence can help firms convey higher quality products or services than their competitors (Baraldi & Ratajczak-Mrozek, 2019). A number of previous studies stress the congruent relationship between organizational excellence and business competitiveness (Esi, 2013; Hashemy et al., 2016; Ringrose, 2013). Thus, Hypothesis 4 is developed as follows:

**H4:** *Organizational excellence has a positive influence on business competitiveness.*

Figure 1 illustrates the conceptual framework and relationships between these constructs.



**Figure 1:** Conceptual Framework (created by the author for this study)

### 3. Research Methodology

#### - *Sample Selection and Data Collection Procedure*

The samples in this research includes a total of 678 gem and jewelry firms in Thailand selected on the website of the Department of International Trade Promotion Ministry of Commerce in Thailand (DIPT; <https://www.ditp.go.th>). Surveys were directly sent to managing directors and managing partners involved in these firms. A total of 151 questionnaires were received but only 146 were usable for this study. The effective response rate is 22.81%. According to Aaker, Kumar, and Day (2001), an average mail survey response rate of 20% is considered acceptable and deemed sufficient. Non-response bias was tested for generalization (Armstrong & Overton, 1977). The recommendation is that the comparison between early and late respondents should not be significantly different between groups (Armstrong & Overton, 1977). The 146 usable questionnaires were divided into two equal groups: half the responses (73) fell into the early group of respondents (the first group) and the other half into the late group of respondents (the second group). The t-test comparison indicates that there are no statistically significant differences between the two groups.

#### - *Measurements*

Each construct in the models is measured using multi-item scales adopted from the literature review. A five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), was used to measure each variable. The measurements of the dependent, independent and control variables were conducted as follows:

- *Dependent variable* – Business competitiveness (the only dependent variable in this study) was measured by averaging four items adapted from LaVan and Murphy (2007). The scale measures whether the outcomes of organizational capability in the management of operations are (i) unique, (ii) superior, (iii) offer different benefits in order to respond to customer needs, and (iv) obtain better customer acceptance than competitors. A sample item reads as follows: “The firm’s readiness and potential to operate can continuously make a difference against other businesses in the same industry.”

- *Independent Variables* – The four independent variables include organizational creativity, organizational innovation, organizational productivity, and organizational excellence. The first one, organizational creativity, was measured by averaging four items adapted from Ghosh (2015). They assess the degree of firm competency in encouraging and developing employee creative thinking to propose a variety of goods or services that result in customer value creation. The sample item reads as follows: “The firm is confident that initiatives in developing concepts for the production of products or services and finding new operational methods will help it operate more efficiently.” To measure the second independent variable, organizational innovation, four items adapted from Anzola-Román et al. (2018) were averaged. The scale used measures the degree of firm competency in generating, adopting, and implementing new products, procedures, and processes as a quick and effective response to a changing business environment. The sample item reads as follows: “The firm is able to introduce new products and services that are up-to-date, meet the needs of customer, and enter the market more quickly and consistently than its competitors.”

The third variable, organizational productivity was measured by averaging four items adapted from Tan et al. (2015). The scale determines the degree of firm competency in assessing and improving operation efficiency to convert inputs into valuable outputs for internal and external customers. This was phrased in the sample item as follows: “The firm continuously improves the production processes and is able to rapidly produce high-quality products as everything exquisitely operates according to the production plan.” Finally, to



measure organizational excellence, another set of four items adapted from Antony and Bhattacharyya (2010) were averaged. More specifically, the scale measures the degree of firm competency in seeking and delivering consistent high-quality products and services to fulfill customer expectations and satisfaction. This translated into the following sample item: “The firm has established operational guidelines to achieve its goals that are more effective than those of other businesses in the same industry.” Previous studies also show that firm age and firm size have an influence on firm performance; it has been determined that larger and older firms are more likely to utilize their abilities to establish and maintain competitiveness than smaller and younger firms (Lau, Yiu, Yeung, & Lu, 2008; Park and Jang, 2009). Therefore, firm age and firm size were also used as control variables in this research.

#### - *Reliability and Validity*

The factor loadings ranged from 0.752 to 0.907, which were higher than the cut-off score of 0.4, thereby indicating acceptable construct validity (Nunnally & Bernstein, 1999). Moreover, the Cronbach’s alpha coefficients ranged from 0.786 to 0.906, which were greater than 0.70 thus indicating acceptable Cronbach’s alpha coefficient (Hair et al., 2010).

**Table 1:** Results of Measure Validation

Constructs	Factor Loading	Cronbach’s Alpha
Organizational Creativity (ORC)	0.882 - 0.907	0.906
Organizational Innovation (ORI)	0.830 - 0.906	0.896
Organizational Productivity (ORP)	0.786 - 0.874	0.836
Organizational Excellence (ORE)	0.752 - 0.806	0.786
Business Competitiveness (BUC)	0.856 - 0.894	0.893

#### - *Statistical Techniques*

Multiple regression analysis was used to test and examine all the hypotheses developed as part of the conceptual framework. This approach was appropriate since all the dependent, independent, and control variables in this study were categorical and interval data (Hair et al., 2010). The equation relationships of regression models appear as follows:

$$\text{Equation 1: } ORI = \alpha_1 + \beta_1 ORC + \varepsilon_1$$

$$\text{Equation 2: } ORP = \alpha_2 + \beta_2 ORC + \varepsilon_2$$

$$\text{Equation 3: } ORE = \alpha_3 + \beta_3 ORC + \varepsilon_3$$

$$\text{Equation 4: } ORP = \alpha_4 + \beta_4 ORI + \varepsilon_4$$

$$\text{Equation 5: } ORE = \alpha_5 + \beta_5 ORI + \varepsilon_5$$

$$\text{Equation 6: } BUC = \alpha_6 + \beta_6 ORI + \beta_7 ORP + \beta_8 ORE + \varepsilon_6$$

## 4. Results and Discussion

Table 2 presents the descriptive statistics and correlation matrix for all the variables studied. The results of the correlations ranged from 0.341-0.625, which was less than 0.80 (Hair et al., 2010). Thus, the correlation coefficients of all variables demonstrated the non-existence of a multicollinearity of the independent variables. As shown in Table 3, the maximum value of the variance inflation factors (VIF) was 1.810 (Equation 6), which was below the cut-off value of 10 (Hair et al., 2010). This means that the independent variables are not correlated with each other. Therefore, the value of the VIFs in this study indicates the non-existence of multicollinearity problems.

**Table 2:** Descriptive Statistics and Correlation Matrix

Variables	ORC	ORI	ORP	ORE	BUC
Mean	4.04	4.23	4.11	3.96	3.82
S.D.	.65	.66	.59	.57	.61
ORC	1				
ORI	.421**	1			
ORP	.549**	.438**	1		
ORE	.407**	.341**	.625**	1	
BUC	.478**	.433**	.576**	.576**	1

\*\*\* p<0.01, \*\* p<0.05

As shown in Table 3, the results of the regression analysis indicate that organizational creativity had a significant positive effect on organizational innovation (H1a:  $\beta_1 = 0.421$ ,  $p < 0.01$ ). Thus, H1a was supported; a result consistent with one previous study from Hu et al. (2013) in which it was determined that organizational creativity had a direct effect on organizational innovation since organizational creativity is critical to generate and develop organizational innovation in a fast-changing global business environment. Equation 1 adjusted R-square of 0.172 indicates the effects that additional factors (not in the model) have on organizational innovation. The remaining significant factors can only explain about 17.2% of the variation in organizational innovation (the dependent variable). Similarly, organizational creativity had a significant positive effect on organizational productivity (H1b:  $\beta_2 = 0.549$ ,  $p < 0.01$ ). Therefore, H1b was supported; a result consistent with an earlier study from Adcroft and Teckman (2011), which pointed out the importance of organizational creativity in generating and supporting employee creative skills in an organization. This can lead to an increase in organizational productivity as compared to competitors. Equation 2 has an adjusted R-square of 0.296, showing the effects that additional factors (not in the model) have on organizational productivity. The remaining significant factors only explain about 29.6% of the variation in organizational productivity. Organizational creativity also had a significant positive effect on organizational excellence (H1c:  $\beta_3 = 0.407$ ,  $p < 0.01$ ), indicating that H1c was supported. This is in keeping with a prior study from Hashemy et al. (2016) that shows organizational creativity to be an important requirement for organizational excellence and a factor of competitive advantages. Equation 3 has an adjusted R-square of 0.160. This shows the effects that additional factors (not in the model) have on organizational excellence. The remaining significant factors can only explain about 16.0% of the variation in organizational excellence.

**Table 3:** Results of Regression Analysis

Independent Variables	Dependent Variables					
	Equation 1	Equation 2	Equation 3	Equation 4	Equation 5	Equation 6
	ORI	ORP	ORE	ORP	ORE	BUC
	H1a	H1b	H1c	H2a	H2b	H2c, H3, H4
Organizational Creativity (ORC)	.421*** (.076)	.549*** (.070)	.407*** (.076)			
Organizational Innovation				.649***	.444***	.196**

(ORI)				(.060)	(.075)	(.070)
Organizational (ORP)						.282** (.085)
Organizational (ORE)						.334** (.081)
Adjusted R <sup>2</sup>	.172	.296	.160	.186	.110	.427
Maximum VIF	1.000	1.000	1.000	1.000	1.000	1.810

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

Secondly, as can be seen in Table 3, organizational innovation had a significant positive effect on organizational productivity (H2a:  $\beta_4 = 0.649$ ,  $p < 0.01$ ). Thus, H2a was supported. This result is in keeping with an earlier study from Morris (2018) in which it was found that organizational innovation increased organizational productivity. The adjusted R-square of 0.186 for Equation 4 indicates the effects that additional factors (not in the model) have on organizational productivity. The remaining significant factors can only explain about 18.6% of the variation in organizational productivity. Likewise, ORI had a significant positive effect on organizational excellence (H2b:  $\beta_5 = 0.444$ ,  $p < 0.01$ ). Hence, H2b was supported. This result is consistent with an earlier study from Legenvre and Gualandris (2018), which showed that organizational innovation was positively associated with organizational excellence and instrumental in enhancing high-profit growth. Equation 5 has an adjusted R-square of 0.110.

This highlights the effects that additional factors (not in the model) have on organizational excellence. The remaining significant factors can only explain about 11.0% of the variation in organizational excellence. Similarly, organizational innovation was found to have a significant positive effect on business competitiveness (H2c:  $\beta_6 = 0.196$ ,  $p < 0.01$ ). Therefore, H2c was supported. This is consistent with a previous study from Ganter and Hecker (2013), which determined that organizational innovation must be prioritized in the race to improve business competitiveness and the pace of innovation.

Thirdly, organizational productivity had a significant positive effect on business competitiveness (H3:  $\beta_7 = 0.282$ ,  $p < 0.01$ ). H3 was therefore supported; a result consistent with an earlier study from Kafetzopoulos et al. (2015), in which it was found that business competitiveness largely depends on organizational productivity, a driving force in the reduction of manufacturing cost and the gain of competitive advantages.

Finally, organizational excellence had a significant positive effect on business competitiveness (H4:  $\beta_8 = .334$ ,  $p < 0.01$ ), which means that H4 was supported. This finding is supported by a prior study from Baraldi and Ratajczak-Mrozek (2019), who concluded that, in today's fast-shifting industries, organizational excellence enables firms to maintain business competitiveness. Organizational excellence plays a foremost role in increasing and improving long-term business competitiveness as shown by the adjusted R-square of 0.427, which points to the effects that additional factors (not in the model) have on business competitiveness. The remaining significant factors can only explain about 42.7% of the variation in business competitiveness.

Organizational creativity can clearly be an important driving force in the Thai gem and jewelry sector and play a supportive role in its competitive success. The close relationships between organizational creativity, organizational innovation, organizational productivity, organizational excellence on the one hand and business competitiveness on the other show that the former can help these Thai firms in their quest for success in a highly competitive

business environment. It is therefore critical for executives in those companies to develop a strong understanding of organizational creativity and share the benefits these can bring to their firms in terms of enhanced competitiveness with their employees so as to get them on board and work as a team. Absent a strong level of cooperation, it is unlikely that the congruent relationships among organizational creativity, organizational innovation, organizational productivity, and organizational excellence be realized. This will help the firms respond successfully to the dynamic but uncertain business environment in the gem and jewelry sector.

Executives should also conduct a business impact analysis in order to determine the best way to respond to changes in the market prompted by competitor's competitive actions. Scanning the environment for future trends is critical to determine the overall strategic direction of their firms, exploit opportunities, and avert threats by using their organizational capabilities. In doing so, organizational creativity, organizational innovation, organizational productivity and organizational excellence may prove outcome determinative to increase productivity and reduce operating costs.

### **5. Conclusions and Suggestions for Future Research**

This research shows how organizational creativity can positively influence business competitiveness and, focusing on Thai gem and jewelry businesses and the highly competitive business environment in which they operate, provides empirical evidence of the relationships between organizational creativity and organizational innovation, organizational productivity, and organizational excellence. Data were collected from a sample of 146 managing directors and managing partners involved in the gem and jewelry sector in Thailand. They supported the validity and generalizability of the proposed hypotheses. The results indicate that organizational creativity and internal factors have the highest level of influence over business competitiveness. Therefore, it is imperative that firms integrate these factors to develop mechanisms to become more competitive.

Based on the findings from this empirical study, the following conclusions can be drawn. First, organizational creativity, which we defined earlier as the degree of firm competency in encouraging and developing employee creative thinking to propose a variety of goods or services that result in customer value creation, has a significantly positive impact on organizational innovation, organizational productivity, and organizational excellence. Both the qualitative and quantitative data indicate that organizational creativity can improve the abilities of the gem and jewelry firms to create organizational innovation, improve organizational productivity, and challenge existing organizational excellence.

Second, organizational innovation has a significantly positive impact on organizational productivity, organizational excellence, and business competitiveness. For all the firms operating in this hyper-competitive industry, achieving organizational innovation becomes a vital source of organizational productivity, organizational excellence, and business competitiveness. Even though creativity is inherent in the gem and jewelry industry, building a more innovative organization is a challenging task, one that takes time and requires commitment across all functions. Indeed, innovation is increasingly about teamwork and the creative combination of different disciplines and perspectives. Above all, it requires a shared vision, leadership and the will to innovate and shared sense of purpose. Perhaps of even greater significance here, a collaborative climate of mutual trust, needs to be established. This includes making everybody involved feel comfortable discussing ideas, offering suggestions and willing to consider multiple approaches.

Third, organizational productivity has a significantly positive impact on business competitiveness. All the data collected indicate that organizational productivity leads to a better

assessment of operational needs and an improvement of operational efficiency, with both of them increasing business competitiveness. As indicated in the interviews with managers, organizational productivity can enhance business competitiveness in various ways: reducing costs, adding efficiency in converting inputs into valuable outputs, improving product quality, and so on.

Finally, organizational excellence has a significantly positive impact on business competitiveness. The findings in this study indicate that organizational excellence has highly influenced the level of competitiveness of Thai gem and jewelry businesses by seeking and delivering consistently high-quality products and services in order to meet customer expectations and keep their level of satisfaction high. As can be easily gathered from the above, all the suggested adjustments require change. This is a high order though. Resistance to change is a common occurrence in many companies. The best path is thus for executives in these gem and jewelry firms to explain the benefits of the changes to be made to everyone. This is likely to get them on board.

#### - *Suggestions for Further Research*

Two directions can be suggested for future research. First, future studies should incorporate both quantitative and qualitative analyses in order to verify the findings in this research. A quantitative and qualitative analysis also can help to cross-check the convergence or divergence, both being necessary attributes for the congruence between quantitative and qualitative findings.

Second, for the generalizability of the results, similar research should be expanded using different samples to meaningfully interpret and investigate the congruence of relationships among organizational creativity, organizational innovation, organizational productivity, organizational excellence, and business competitiveness. Combined with this study, future research will surely provide valuable comparisons and insights and further enhance the understanding of organizational creativity.

#### **References**

- Aaker, D. A., Kumar, V., & Day, G. S. (2001). *Marketing research*. New York: John Wiley and Sons.
- Adcroft, A., & Teckman, J. (2011). Performance and competitive orientation: Team dynamics in test match cricket. *Sport, Business and Management: An International Journal*, 1(1), 76-92.
- Al-Dhaafri, H. S., Al-Swidi, A. K., & Yusoff, R. Z. B. (2016). The mediating role of TQM and organizational excellence, and the moderating effect of entrepreneurial organizational culture on the relationship between ERP and organizational performance. *The TQM Journal*, 28(6), 991-1011.
- Amabile, T. M. (1997). Motivating creativity in organizations: On doing what you love and loving what you do. *California Management Review*, 40(1), 39-58.
- Antony, J. P., & Bhattacharya, S. (2010). Measuring organizational performance and organizational excellence of SMEs–Part 2: An empirical study on SMEs in India. *Measuring Business Excellence*, 14(3), 42-52.
- Anzola-Román, P., Bayona-Sáez, C., & García-Marco, T. (2018). Organizational innovation, internal R&D and externally sourced innovation practices: Effects on technological innovation outcomes. *Journal of Business Research*, 91, 233-247.
- Armstrong, J. S., & Overton, T. S. (1977). Estimating nonresponse bias in mail surveys. *Journal of Marketing Research*, 14(3), 396-402.



- Arnett, D. B., & Madhavaram, S. (2012). Multinational enterprise competition: Grounding the eclectic paradigm of foreign production in resource-advantage theory. *Journal of Business and Industrial Marketing*, 27(7), 572-581.
- Asia Development Bank, 2019. Thailand: Economy. Retrieved June 9, 2019, from <https://www.adb.org/countries/thailand/economy>
- Baraldi, E., & Ratajczak-Mrozek, M. (2019). From supplier to center of excellence and beyond: The network position development of a business unit within “IKEA Industry”. *Journal of Business Research*, 100, 1-15.
- Camisón, C., & Villar-López, A. (2014). Organizational innovation as an enabler of technological innovation capabilities and firm performance. *Journal of Business Research*, 67(1), 2891-2902.
- Casadesus-Masanell, R., & Ricart, J. E. (2010). Competitiveness: Business model reconfiguration for innovation and internationalization. *Management Research: Journal of the Iberoamerican Academy of Management*, 8(2), 123-149.
- Chinchang, P. (2017). Antecedents of employee creativity management capability: Empirical evidence from furniture exporting businesses in Thailand. *ASEAN Journal of Management & Innovation*, 4(1), 160-171.
- Damanpour, F. (1991). Organizational innovation: A meta-analysis of effects of determinants and moderators. *Academy of Management Journal*, 34(3), 555-590.
- Darling, J. R. (1999). Organizational excellence and leadership strategies: Principles followed by top multinational executives. *Leadership and Organization Development Journal*, 20(6), 309-321.
- Díaz-Chao, Á., Sainz-González, J., & Torrent-Sellens, J. (2015). ICT, innovation, and firm productivity: New evidence from small local firms. *Journal of Business Research*, 68(7), 1439-1444.
- Dutton, J., & Thomas, A. (1982). Managing organizational productivity. *Journal of Business Strategy*, 3(1), 33-44.
- Esi, M. C. (2013). Performance and excellence in defining, asserting and concretizing the mission of business organization. *Procedia-Social and Behavioral Sciences*, 92, 323-327.
- Fadil, H., Singh, K., & Joseph, C. (2016). The influence of organizational innovation towards internal service quality in MBKS. *Procedia-Social and Behavioral Sciences*, 224, 317-324.
- Federation of Thai Industries. (2018). Industrial review. Retrieved December 5, 2018, from <http://www.fti.or.th>
- Fu, X., Mohnen, P., & Zanello, G. (2018). Innovation and productivity in formal and informal firms in Ghana. *Technological Forecasting and Social Change*, 131, 315-325.
- Ganter, A., & Hecker, A. (2013). Deciphering antecedents of organizational innovation. *Journal of Business Research*, 66(5), 575-584.
- Ghosh, K. (2015). Developing organizational creativity and innovation: Toward a model of self-leadership, employee creativity, creativity climate and workplace innovative orientation. *Management Research Review*, 38(11), 1126-1148.
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). *Multivariate data analysis*. (seventh edition). Upper Saddle River, New Jersey: Prentice Hall.
- Hashemy, S. H., Yousefi, M., Soodi, S., & Omid, B. (2016). Explaining human resource empowerment pattern and organizational excellence among employees of emergency of Guilan's University Hospitals. *Procedia-Social and Behavioral Sciences*, 230, 6-13.
- Hu, H., Gu, Q., & Chen, J. (2013). How and when does transformational leadership affect organizational creativity and innovation? Critical review and future directions. *Nankai Business Review International*, 4(2), 147-166.

- Hunt, S. D., & Madhavaram, S. (2012). Managerial action and resource-advantage theory: conceptual frameworks emanating from a positive theory of competition. *Journal of Business and Industrial Marketing*, 27(7), 582-591.
- Hutton, S., & Eldridge, S. (2019). Improving productivity through strategic alignment of competitive capabilities. *International Journal of Productivity and Performance Management*, 68(3), 644-668.
- Jankal, R. (2014). The role of innovation in the assessment of the excellence of enterprise subjects. *Procedia-social and Behavioral Sciences*, 109, 541-545.
- Jiang, X., Bao, Y., Xie, Y., & Gao, S. (2016). Partner trustworthiness, knowledge flow in strategic alliances, and firm competitiveness: A contingency perspective. *Journal of Business Research*, 69(2), 804-814.
- Kafetzopoulos, D., Gotzamani, K., & Gkana, V. (2015). Relationship between quality management, innovation and competitiveness. Evidence from Greek companies. *Journal of Manufacturing Technology Management*, 26(8), 1177-1200.
- Kasikorn Research Center. (2018). Economic and business trends of Thailand in 2018. Retrieved December 15, 2018 from <https://www.kasikornresearch.com>
- Khorram Niaki, M., & Nonino, F. (2017). Impact of additive manufacturing on business competitiveness: A multiple case study. *Journal of Manufacturing Technology Management*, 28(1), 56-74.
- Lau, C.M., Yiu, D.W., Yeung, P.K., and Lu, Y. (2008). Strategic orientation of high technology firms in a transitional economy. *Journal of Business Research*, 61(7), 765-777.
- LaVan, H., & Murphy, P. J. (2007). Southeast Asian culture, human development and business competitiveness. *Journal of Asia Business Studies*, 2(1), 14-22.
- Legenvre, H., & Gualandris, J. (2018). Innovation sourcing excellence: Three purchasing capabilities for success. *Business Horizons*, 61(1), 95-106.
- Lorenzo, J. R. F., Rubio, M. T. M., & Garcés, S. A. (2018). The competitive advantage in business, capabilities and strategy. What general performance factors are found in the Spanish wine industry? *Wine Economics and Policy*, 7(2), 94-108.
- Morris, D. M. (2018). Innovation and productivity among heterogeneous firms. *Research Policy*, 47(10), 1918-1932.
- Nunnally, J.C., & Bernstein, L.H. (1999). Psychometric theory. *Journal of Psychoeducational Assessment*, 17(3), 275-280.
- O'Kane, J. F. (2003). Simulation as an enabler for organizational excellence. *Measuring Business Excellence*, 7(4), 12-19.
- Pan, G., Pan, S. L., & Lim, C. Y. (2015). Examining how firms leverage IT to achieve firm productivity: RBV and dynamic capabilities perspectives. *Information and Management*, 52(4), 401-412.
- Park, K., & Jang, S. (2009). Firm growth patterns: Examining the associations with firm size and internationalization. *International Journal of Hospitality Management*, 29(3), 368-377.
- Pratoom, K., & Savatsomboon, G. (2012). Explaining factors affecting individual innovation: The case of producer group members in Thailand. *Asia Pacific Journal of Management*, 29(4), 1063-1087.
- Ringrose, D. (2013). Development of an organizational excellence framework. *The TQM Journal*, 25(4), 441-452.
- Schnabel, J. A. (2010). Productivity, exchange rates and competitive advantage. *International Journal of Commerce and Management*, 20(1), 41-48.
- Shortell, P., & Irwin, E. (2017). Governing the gemstone sector: Lessons from global Experience. *Natural Resource Governance Institute*, New York.

- Sutanto, E. M. (2017). The influence of organizational learning capability and organizational creativity on organizational innovation of universities in East Java, Indonesia. *Asia Pacific Management Review*, 22(3), 128-135.
- Tan, Y., Ochoa, J. J., Langston, C., & Shen, L. (2015). An empirical study on the relationship between sustainability performance and business competitiveness of international construction contractors. *Journal of Cleaner Production*, 93, 273-278.
- Torabi, F., & El-Den, J. (2017). The impact of knowledge management on organizational productivity: a case study on Koosar Bank of Iran. *Procedia Computer Science*, 124, 300-310.
- Vasconcellos, S. L., Garrido, I. L., and Parente, R. C. (2019). Organizational creativity as a crucial resource for building international business competence. *International Business Review*, 28(3), 438-449.
- Woodman, R. W., Sawyer, J. E., & Griffin, R. W. (1993). Toward a theory of organizational creativity. *Academy of Management Review*, 18(2), 293-321.

# Green Marketing Model: Empirical Evidence from Green Consumers in Phetchabun, Thailand

**Ampol Chayomchai (DBA)**

Lecturer, Faculty of Management Science, Phetchabun Rajabhat University, Thailand.

Ampol.cha@pcru.ac.th

## Abstract

This research aims to examine the key factors affecting the green attitude and green behavior of green consumers in Phetchabun Province, Thailand (those who purchase green products). Data were collected from 400 participants using a structured questionnaire surveying nine key factors. Descriptive statistics, correlation analysis and multiple regression analysis using the stepwise method were employed. The results indicate that reference group, social media, and price have a positive and significant effect on green attitudes. This study proposes a green marketing model based on the four key factors affecting green attitude and green behavior, namely, the price and promotional components of the marketing mix, social media, and reference group. Marketers and entrepreneurs should focus on these four factors in formulated competitive strategies, most notably communication on a variety of social media platforms and interaction with the reference groups of targeted consumers.

**Keywords** Green Marketing Model, Green Attitude, Green Behavior, Green Consumers

## 1. Introduction

The world is seeing a growing awareness of environmental issues as floods are becoming wetter, droughts drier, and hurricanes fiercer as a result of climate change. The need to link economic growth to environmental sustainability is becoming clear as more severe natural calamities may be the 'new' normal and mark the end of 'normal' times (Surya & Hajamohideen, 2018). So is the need for people to change their attitudes and the way they live (Tejeswari, 2016). The concept of sustainable development is gaining currency among people all over the world. Its emphasis is on the necessity for all sectors of the economy to promote environmental protection (Sandu, 2014). This is prompting governments to adopt policies that focus on minimizing the negative impact of human activities on the environment while also finding solutions for managing social problems (Kianpour, Anvari, Jusoh & Othman, 2014; Sehgal, 2017). Although a late mover, Thailand is developing such policies meant to encourage business organizations to become greener (Mahmoud, 2018). For instance, starting in 2020, plastic bags, a major source of pollution, will be banned and retailers prohibited from using them. Non-disposable reusable bags are slowly becoming the norm and enhancing the well-being of Thai people. Additional, and sometimes more controversial measures, such as the future ban of toxic fertilizers, are expected to be passed in the coming years as part of making the economy more sustainable and limiting the impact of global warming. There has also been action at the provincial level. One such provincial entity taking action is Phetchabun Province. The Phetchabun provincial government is seeking to promote green agricultural products as well as industrial operations that focus on consumer safety while minimizing the negative impact on the environment. This has translated among others into the establishment of the Phetchabun green market, farmers' markets and a healthcare and safety food exhibition and the promotion of no pesticide programs in agricultural zones.

All these measures, whether at the national or provincial level, reflect consumers' concerns with global warming, pollution, and food contamination. They also reflect consumers' demand for new products that are less impactful and more eco-friendly. Such products are known as 'green' products (Abzari, Shad, Sharbiyani, & Morad, 2013). Using green products is a significant step toward effectively addressing environmental problems (Kaur & Bhatia, 2018). For one thing, green consumption highlights one's environmental responsibilities with regard to the purchase, use, and disposal of products and services (Joshi & Rahman, 2015). This is one of the main reasons green products have become a key group of items, which an increasing number of consumers prefer to purchase (Siddique & Hossain, 2018; Yeng & Yazdanifard, 2015). There is evidence that consumers are willing to pay higher prices for products and services that are environmentally friendly (Abzari et al., 2013; Hossain & Khan, 2018). Manufacturing green products in response to the growing demand for environmental-friendly products can therefore be an important source of competitive advantage as businesses going greener will become more trusted in the marketplace and more attractive to the growing group of customers valuing environmental performance (Kane, 2011).

This can convince consumers to believe in the good things that companies do for society and the environment (Agarwal & Ganesh, 2016; Kotler & Keller, 2012). For all these reasons, an increasing number of companies and entrepreneurs are now turning to green products. It is therefore vital for strategic planning purposes to understand the key factors that influence consumers' green attitudes and green behavior. This empirical study seeks to do just that. Focusing on consumers in Phetchabun Province who buys green products, it aims to examine some key factors affecting green attitudes and green behavior among those consumers (as we just saw, this province is developing a good green track record and thus lends itself to this study). More specifically, this paper seeks to investigate the effects of three key factors (marketing mix, social influence, and demographics) on green attitudes and green behavior, respectively, and to propose a green marketing model for green business management.

## **2. Literature review**

### **- Green Marketing Mix**

As an extension of the marketing mix, the green marketing mix also consists of the 4Ps, product, price, place, and promotion. The marketing mix is at the core of the business process of any organization and is critical to build the competitive advantage of an organization (Misra, 2015). For instance, key product attributes such as quality will influence consumers' satisfaction and decision-making process (Kotler & Armstrong, 2014). The green marketing mix affects consumer purchase intention as well (Mahmoud, 2018). But while green promotional activities influence consumers' green buying decisions, green price has been shown not to affect purchase decisions (Hossain & Khan, 2018). A number of studies have concluded that the green marketing mix also corporate market shares (Abzari et al., 2013; Agarwal & Ganesh, 2016; Manjunath & Manjunath, 2013; Sharma & Trivedi, 2016). Many organizations use green marketing strategies to support their organizational plans to focus on environmental issues intervention (Abzari et al., 2013; Mahmoud, 2018; Sandu, 2014). Previous studies have determined that green promotional activities such as environmental advertising could affect the green product awareness of targeted consumers (Siddique & Hossain, 2018; Yeng & Yazdanifard, 2015). Eco-label products and environmental advertising have a positive effect on green purchase intention (Yeng & Yazdanifard, 2015).



Not all studies, however, concur on these issues. For example, Rahbar and Wahid (2011) argued that environmental and green advertisements do not influence the purchase of green products. This may result from the low creditability of green advertisements among consumers. Geap, Govindan, and Bathmanathan (2018) also noted that the impact and benefit of green marketing requires time to develop.

### **- Social Influence**

As one of the elements of the 'subjective norm' construct at the core of the Theory of Planned Behavior, social influence refers to the relationship between people in terms of their communication and sharing (Karunarathna, Naotunna, & Sachitra, 2017). Focusing on young and educated consumers, Karunarathna et al. (2017) found that social influence affected consumers' purchase behavior. Two key social influences are (i) reference groups and (ii) social media.

(i) *Reference Group*: A reference group is a group of people who give product and service information, suggest trials, and promote the use of products. Consumers who are unfamiliar with a product may not be interested in it or in purchasing it but may end up being persuaded into buying it by a reference group (Siddique & Hossain, 2018). A reference group is a critical factor in terms of impact on green product awareness. Like family and friends, reference groups can motivate consumers to purchase green products (Kianpour et al., 2014). Reference groups thus are an important source to mobilize target consumers, increase their green awareness, and motivate them to purchase green products.

(ii) *Social Media*: Today, social media is a key social influence and communication tool. The use of social media for green initiatives benefits business organizations by improving their understanding of consumers' needs and enhancing their relations with green customers. Likewise, social media is considered a key channel for consumers to become more familiar with green products and develop their awareness of green issues (Siddique & Hossain, 2018). Platforms such as green blogging can influence the adoption of green behavior (Abdollahbeigi & Salehi, 2019; Biswas, 2016; Biswas & Roy, 2014).

### **- Green Attitudes**

Attitudes are used in predicting consumer behavior and the intention to act. Green attitude refers to a personal concern for social and environmental issues and a buying preference or a willingness to buy environmentally friendly products (Mobrezi & Khoshtinat, 2016; Trivedi, 2015). Organizations need to consider consumers' attitudes in order to design effective marketing programs to stimulate consumer purchase behavior (Kianpour et al., 2014; Tejeswari, 2016). Consumers' attitudes toward environmental issues can predict their green behavior (Tejeswari, 2016). Therefore, understanding consumers' green attitudes is very critical for green business planning (Trivedi, 2015). A positive attitude toward green products affects the willingness to buy green products (Mobrezi & Khoshtinat, 2016; Surya & Hajamohideen, 2018). Kaufmann, Panni, & Orphanidou (2012) concluded that green attitude affects green behavior.

### **- Green Behavior**

Green behavior is defined as a behavior characterized by an awareness of social and environmental issues, search for, purchase, and use products with social and environmental benefits (Ottman, 2011; Siringi, 2012). Green product awareness also refers to the ability of consumers to identify products with environmental benefits (Siddique & Hossain, 2018). As a result, greener business will become more trusted in the market and attract more consumers who value environmental performance as a result (Kane, 2011). Advertising is an essential part of a green marketing strategy as it can motivate and influence consumers' purchase behavior (Geap et al., 2018). Marketers need to consider consumer behavioral aspects such as

personal, psychological, social, and cultural characteristics (Kotler & Armstrong, 2014). The understanding of consumer behavior relating to green products has improved as environmental awareness among consumers has increased (Rahbar & Wahid, 2011). A number of studies have determined that personal factors like consumers' interests in environmental issues affect consumers' green purchasing behavior (Kaur & Bhatia, 2018; Sharma & Trivedi, 2016).

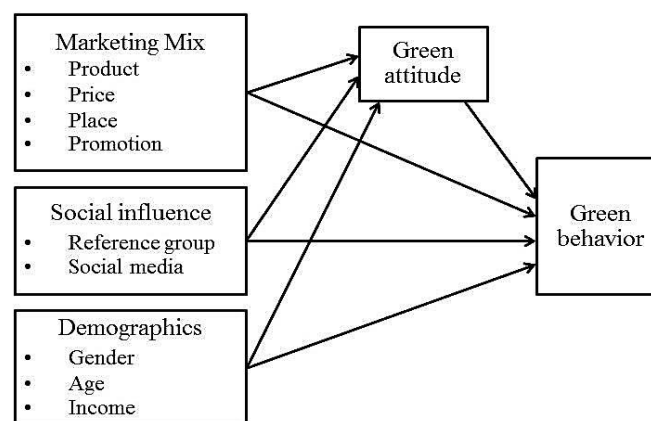
#### **- Effect of the Marketing Mix and Social Influences on Green Attitudes**

A number of previous studies have concluded that a green marketing mix can influence consumers' green attitudes. There is a positive relationship between marketing promotion and green attitudes (Agarwal & Ganesh, 2016). Advertising programs are an essential part of green marketing strategies and have the ability to change consumers' perception of green products (Geap et al., 2018). According to Chhay, Mian, and Suy (2015), price increases tend to be questioned by consumers. But as Hossain and Khan (2018) noted, consumers have a positive attitude when the green price is reasonable and the product satisfying. Hossain and Khan (2018) found that a reference group was a critical factor affecting green product awareness. Social media can also influence consumer attitudes related to environmental issues and eco-friendly products (Delcea, Cotfas, Trica, Cracium, & Molanescu, 2019). In summary, the green marketing mix, social media, green attitudes influenced green purchase intentions and the decision-making process (Agarwal & Ganesh, 2016; Joshi & Rahman, 2015; Kianpour et al., 2014; Manjunath & Manjunath, 2013; Sharma & Trivedi, 2016).

#### **- Demographics**

Trivedi (2015) found that demographics affect consumers' green attitudes. Demographic factors such as gender, age, education, and income have a significant correlation with the willingness to buy green products (Chhay et al., 2015). However, the influence of each of these factors on consumers' green behavior is uneven (Barge, More, & Bhola, 2014). All these factors are linked with to green behavior (Kaufmann et al., 2012).

Figure 1 shows the conceptual framework developed for this research, which is based on the previous literature discussed above.



**Figure 1: Conceptual Framework**

### **3. Methodology**

#### **- Population**

The population comprises green consumers in Phetchabun Province, Thailand, who purchase green products. 'Green consumers' in this research refer to individuals who purchase and use green products but are also concerned with and interested in environmental issues (FuiYeng & Yazdanifard, 2015; Nittala, 2014). The sample size was calculated using Cochran's

formula at a confidence level and error term of 95% and 5 %, respectively (Cochran, 1977). The sample size was 385. Cluster random sampling was used to collect data from 3 of the total of 11 districts in the Phetchabun area.

#### **- Instrument**

As shown in Table 1, the questionnaire comprises 9 key factors or variables. The ‘purchase decision’ variable uses the following 5-point scale (1 = rare purchase, 2 = not-much purchase, 3 = sometimes purchase, 4 = often purchase, and 5 = always purchase). Basic data are also collected (gender, age, educational level, and monthly income). For the other key variables, the study used a 5-point Likert scale that ranges from 1 to 5 (1 = strongly disagree, and 5 = strongly agree). To test the content validity, the questionnaire was checked by 3 experts and Item Objective Congruence (IOC) values calculated. The IOC average values for all items were found to be between 0.67-1.00. Therefore, the questionnaire was valid (Hair, Black, Babin & Anderson, 2014). As indicated in Table 1, the reliability was acceptable since all variables were above 0.7 as determined by Cronbach’s alpha statistics.

**Table 1:** Description of Key Research Variables

Variable	Source	Item	Cronbach Alpha
Product (PROD)	Manjunath G. and Manjunath, G. (2013), Siddique and Hossain (2018)	5	0.859
Price (PRICE)	Manjunath G. and Manjunath, G. (2013)	4	0.862
Place (PLACE)	Manjunath G. and Manjunath, G. (2013)	4	0.844
Promotion (PROMO)	Manjunath G. and Manjunath, G. (2013), Siddique and Hossain (2018)	4	0.928
Social media (MEDIA)	Delcea, Cofas, Trica, Cracium, and Molanescu (2019), Siddique and Hossain (2018)	2	0.824
Reference groups (REFER)	Kianpour, Anvari, Jusoh, & Othman (2014), Siddique and Hossain (2018)	4	0.841
Green attitudes (ATTIT)	Mobrezi and Khoshtinat (2016)	4	0.872
Green behavior (BEHAV)	Siddique and Hossain (2018)	3	0.938

#### **Statistical Testing**

Descriptive statistics, correlation analysis and multiple regression analysis with the stepwise method were employed in this study. Multiple regression analysis was used to investigate the influence of the independent variables (marketing mix, social influence, demographics, and green attitude) on the dependent variable (green behavior). For the regression analysis, the following 3 equations were used:

$$ATTIT = \beta_1 + \beta_3PROD + \beta_4PRICE + \beta_5PLACE + \beta_6PROMO + \beta_7REFER + \beta_8MEDIA + \beta_9GEND + \beta_{10}AGE + \beta_{11}INCOM + \varepsilon \text{ ----- [1]}$$

$$BEHAV = \beta_2 + \beta_{12}ATTIT + \beta_{13}PROD + \beta_{14}PRICE + \beta_{15}PLACE + \beta_{16}PROMO + \beta_{17}REFER + \beta_{18}MEDIA + \beta_{19}GEND + \beta_{20}AGE + \beta_{21}INCOM + \varepsilon \text{ ----- [2]}$$

Where BEHAV = Green behavior, ATTIT = Green attitudes, PROD = Product, PRICE = Price, PLACE = Place, PROMO = Promotion, REFER = Reference group, MEDIA =

Social media, GEND = Gender, AGE = Age, INCOM = Income per month,  $\beta_i$  = constant (when  $i = 1-2$ ),  $\beta_j$  = the regression coefficient (when  $j = 3-21$ ), and  $\varepsilon$  = error term.

The key assumptions for the multiple regression analysis are: (i) normal distribution by checking the skewness and kurtosis of the research data, (ii) linearity by correlation analysis, and (iii) multicollinearity issue by correlation analysis, and variance inflation factor (VIF) values (Uyanik & Guler, 2013).

#### 4. Results

##### - Descriptive Analysis

Tables 2-4 show the results of the descriptive analysis. Descriptive statistics and the correlation between the key variables were analyzed first so as to prove the critical conditions of the regression analysis, including normality and multicollinearity conditions. As Table 3 shows, female respondents were the biggest group (54.7%). Half of the respondents were unmarried. A majority of them had education below a bachelor degree (64.3). The age of respondents ranges from 18 to 65 years with an average age of 32.9 years. The average income of respondents was 12,646 Baht (USD 420) per month.

**Table 2:** Descriptive Statistics across Districts

District	Frequency	Percent
Muang district	138	34.5
Lomsak district	149	37.3
Vichienburi district	113	28.3
Total	400	100.0

**Table 3:** Descriptive Statistics of Respondents (n = 400)

Variable		Frequency	Percent
Gender	Female	219	54.7
	Male	181	45.3
Status	Single	200	50.0
	Married	195	48.7
	Divorced	5	1.3
Education	Below Bachelor's Degree	257	64.3
	Bachelor's Degree	135	33.7
	Above Bachelor's Degree	8	2.0

Table 4 shows the average means of all the key variables (Warmbrod, 2014). Most of them are high (3.56–3.92), most notably the marketing mix, social media, and green behavior. In the meantime, the means of reference group and green attitudes are at a medium level (3.29 and 3.39, respectively). This reflects the fact that respondents' opinions are high with regard to the marketing mix and green behavior but only medium in respect of green attitudes. The skewness and kurtosis values of all the key variables are also shown in this table in order to check their normality condition before conducting a multiple regression analysis. If the value was near zero, it would be accepted (Hair et al., 2014). The values of all the variables were accepted as well as the normality condition.

**Table 4:** Descriptive statistics of Key Variables

Key variables	Mean	S.D.	Skewness	Kurtosis
PROD	3.60	0.70	-0.38	0.55
PRICE	3.59	0.74	-0.38	0.26
PLACE	3.85	0.81	-0.90	0.86

PROMO	3.92	0.80	-0.66	0.47
MEDIA	3.76	0.85	-0.32	0.12
REFER	3.29	0.79	0.09	-0.55
ATTIT	3.39	0.83	0.43	-0.29
BEHAVE	3.56	0.88	-0.29	0.00

### - Correlation Analysis

Table 5 shows the correlation coefficients between the key variables. Most of them have a linear relationship. Although all the coefficients were expected to be below .70, two correlation coefficients exceed .70, thus pointing out to some multicollinearity issues (Brace, Kemp & Snelgar, 2012). As shown in Table 5, only. After the Variance Inflation Factor (VIF) values are determined (once the regression analysis is completed), the expected VIF should be less than 5; indicating an absence of multicollinearity issue (Hair et al., 2014).

**Table 5:** Correlation Coefficients

Variables	PROD	PRICE	PLACE	PROMO	MEDIA	REFER	GEND	AGE
PROD	1							
PRICE	.712**	1						
PLACE	.501**	.572**	1					
PROMO	.467**	.476**	.764**	1				
MEDIA	.437**	.394**	.256**	.237**	1			
REFER	.652**	.635**	.344**	.266**	.502**	1		
GEND	-.143**	-.153**	-.125*	-.106*	-.167**	-.184**	1	
AGE	-.082	-.221**	.099*	.122*	-.042	-.195**	.055	1
INCOM	.081	.015	-.155**	-.127*	-.018	.112*	.119*	.252**

Note: \*\*, \* Correlation is significant at the 0.01 and 0.05 level respectively.

### - Multiple Regression Analysis

Tables 6 and 7 show the results of the multiple regression analysis that investigates the effects of the independent variables on the dependent variable. As shown in Table 6, three independent variables – the ‘price’ element of the marketing mix, reference group, and social media – have a positive and significant effect on green attitudes. These three independent variables jointly explained 55 percent of the total variance of green attitudes. This also points to the fact that reference groups have the biggest effect on green behavior (the dependent variable). The regression equation had no issue because all VIF values are lower than 5. Thus, the first regression equation in this research is as follows:

$$ATTIT = 0.431 \text{ REFER} + 0.261 \text{ PRICE} + 0.188 \text{ MEDIA}.$$

**Table 6:** Regression Analysis Using the Stepwise Method with Green Attitudes as the Dependent Variable

Variables	Unstandardized Coefficients		Standardized Coefficients	t-statistics	Sig.	VIF
	$\beta$	Std. Error	Beta			
Constant	0.135	0.159		0.849	0.396	
REFER	0.455	0.049	0.431	9.276	0.000***	1.918
PRICE	0.295	0.049	0.261	5.960	0.000***	1.699
MEDIA	0.186	0.038	0.188	4.821	0.000***	1.354
F	163.443					
Sig. of F	0.000***					
Adjusted R <sup>2</sup>	0.550					

Note: \*\*\* it is significant at the .001 level.



Table 7 shows that three independent variables (reference group, promotion, and green attitudes) have a positive significant influence on green behavior. These three independent variables jointly account for 46.6 percent of the total variance of the dependent variable. Moreover, the results indicate that reference groups have the biggest effect on green behavior. When checking the multicollinearity condition by VIF values, it was found that the equation had no issue. Thus, the second regression equation in this research is as follows:

$$\text{BEHAV} = 0.356 \text{ REFER} + 0.230 \text{ PROMO} + 0.279 \text{ ATTIT}.$$

**Table 7:** Regression Analysis Using the Stepwise Method with Green behavior as the Dependent Variable

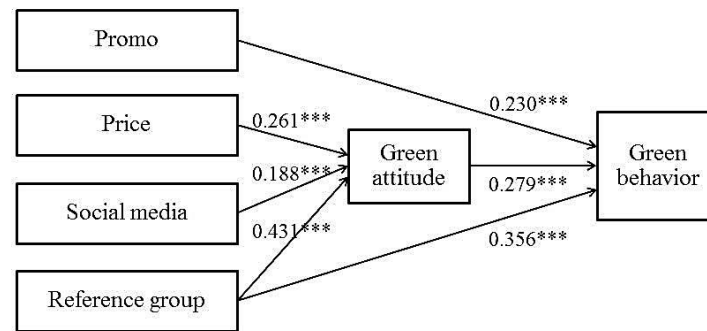
Variables	Unstandardized Coefficients		Standardized Coefficients	t-statistics	Sig.	VIF
	$\beta$	Std. Error	Beta			
Constant	0.273	0.193		1.413	0.158	
REFER	0.395	0.057	0.356	6.906	0.000***	1.970
PROMO	0.252	0.042	0.230	6.038	0.000***	1.079
ATTIT	0.294	0.054	0.279	5.477	0.000***	1.923
F	115.324					
Sig. of F	0.000***					
Adjusted R <sup>2</sup>	0.466					

Note: \*\*\* it is significant at the .001 level.

## 5. Discussion and Conclusions

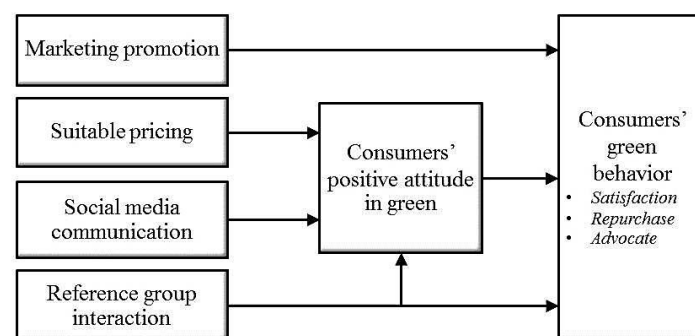
This research study aims to examine the key factors affecting green attitudes and green behavior among green consumers in Phetchabun Province. The descriptive data show that a majority of the respondents are females with most of them holding less than a bachelor's degree. Their average age is 32.9 years and the medium monthly income 12,646 Baht (USD 420). The results show that reference group, price, and social media have a positive and significant effect on green. This is consistent with that of Siddique and Hossain (2018) who determined that reference groups were the most critical factor affecting consumer attitudes. This is, for example, the case with green product awareness. This finding is also in keeping with Delcea et al.'s (2019) study, in which it was determined that social media do influence consumer attitudes toward environmental issues and eco-friendly products. Hossain and Khan (2018) reached the same conclusion. They noted that consumers show a positive attitude toward green product use when the price is reasonable. However, this result fails to align with Agarwal and Ganesh's (2016) findings. They determined that there was a positive relationship between promotion and green attitudes.

Testing the effects of the key factors on consumers' green behavior revealed that reference groups, promotion, and green attitudes had a positive influence on green behavior. Kianpour et al. (2014) also found that reference groups such as families or friends motivate consumers to purchase green products. This determination is also consistent with Hossain and Khan (2018) and Geap et al.'s (2018) findings. They concluded that, as a key component of the marketing mix, promotion can have a lot of influence on consumers' green buying decisions. Abdollahbeigi and Salehi (2019) reached a similar conclusion and found that a positive green attitude influenced intention toward green purchases. Unlike prior research studies, this present study, however, failed to find any impact of demographics on green attitudes or green behavior. Figure 2 captures these results.



**Figure 2:** Final Model with Results Using the Stepwise Method

Figure 3 below shows the author's proposed green marketing model for green business management. As indicated in this model, marketers and entrepreneurs who are responsible for the marketing strategy of an organization should focus on the four critical factors that most influence consumers' green behavior. These include satisfaction with, repurchasing, and advocating green products or services. Marketers can use these key factors for strategic planning and determining green production lines. This research model can also be useful for enhancing the evaluation process of the strategies formulated. The four main factors on which to focus are the design of promotional activities, the articulation of a suitable pricing strategy, effective communication in all social media, and regular interaction with the reference groups of targeted consumers. In addition, they should pay special attention to consumers' attitudes toward green products and services, and on how to motivate targeted consumers to become strong advocates of the green cause. This requires, in the first place, satisfactory green consumption, without which repurchasing is unlikely. As the findings strongly suggest, interaction with reference groups via social media is becoming an increasingly important factor which marketers or entrepreneurs cannot ignore as it affects both the green attitudes and green behavior of consumers.



**Figure 3:** Proposed Green Marketing Model

Therefore organizations need to focus not only on reference groups but also on the testimonies and on all the discussion going on social media as e-word of mouth can either have a positive influence on consumer attitudes or conversely demotivate customers and drive them away from green products. Additionally, marketers and entrepreneurs should conduct effective marketing promotion campaigns as part their aforementioned public relations activities. Last but not least, special attention should place on pricing and for the reasons for the usually other costs to consumers. If accounting for and well explained, higher prices are likely to be more accepted by consumers. This again involves much activity on

social media and effective communication. Focusing on all these factors mean that green businesses will be likely to achieve superior performance.

#### - *Recommendations for Future Studies*

Future studies could replicate this research in other areas of the country so as to confirm the validity of the proposed green marketing model under different conditions. This would be beneficial for both the academic and business sectors.

#### References

- Abdollahbeigi, B., & Salehi, F. (2019). The impact of social media on purchasing intentions of green products. *Asian Journal of Technology and Management Research*, 8(2), 9-14.
- Abzari, M., Shad, F. S., Sharbiyani, A. A. A., & Morad, A. P. (2013). Studying the effect of green marketing mix on market share increase. *European Online Journal of Natural and Social Sciences*, 2(3), 641-653.
- Agarwal, V., & Ganesh, L. (2016). Effectiveness and perception of 4P's on green products in FMCG. *International Journal of Multidisciplinary Research and Development*, 3(4), 311-315.
- Barge, D. S., More, D. K., & Bhola, S. S. (2014). A review of research articles on influence of demographic factors on green buying behavior. *Indian Streams Research Journal*, 4(7), 1-6.
- Biswas, A. (2016). Impact of social media usage factors on green consumption behavior based on technology acceptance model. *Journal of Advanced Management Science*, 4(2), 92-97.
- Biswas, A., & Roy, M. (2014). Impact of social medium on green choice behavior. *Journal of Marketing Management*, 2(2), 95-111.
- Brace, N., Kemp, R., & Snelgar, R. (2012). *SPSS for Psychologists*. (5<sup>th</sup> ed.). New York: Palgrave Mcmillan.
- Chhay, L., Mian, M., & Suy, R. (2015). Consumer responses to green marketing in Cambodia. *Open Journal of Social Sciences*, 3, 86-94.
- Cochran, W. G. (1977). *Sampling techniques*. (3<sup>rd</sup> ed.). New York: John Willey and Sons.
- Delcea, C., Cotfas, L., Trica, C. L., Cracium, L., & Molanescu, A. G. (2019). Modeling the consumers opinion influence in online social media in the case of eco-friendly products. *Sustainablitiy*, 11, 1-32.
- FuiYeng, W., & Yazdanifard, R. (2015). Green marketing: A study of consumers' buying behavior in relation to green products. *Global Journal of Management and Business Research*, 15(5), 17-23.
- Geap, C. L., Govindan, S., & Bathmanathan, V. (2018). Green marketing mix on purchase of green products in Malaysian perspective. *Journal of Global Business and Social Entrepreneurship*, 4(12), 1-11.
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2014). *Multivariate data analysis*. (7 ed.). US: Pearson Education.
- Hossain, A., & Khan, Y. H. (2018). Green marketing mix effect on consumers buying decisions in Bangladesh. *Marketing and Management of Innovations*, 4, 298-306.
- Joshi, Y., & Rahman, Z. (2015). Factors affecting green purchase behaviour and future research directions. *International Strategic Management Review*, 3, 128-143.
- Kane, G. (2011). *The green executive: Corporate leadership in a low carbon economy*. New York: Earthscan.

- Karunarathna, W. R. A. D., Naotunna, S. S., & Sachitra, K. M. V. (2017). Factors affect to green products purchase behavior of young educated consumers in Sri Lanka. *Journal of Scientific Research & Reports*, 13(2), 1-12.
- Kaufmann, H. R., Panni, M. F. A. K., & Orphanidou, Y. (2012). Factors affecting consumers' green purchasing behavior: An integrated conceptual framework. *Amfiteatru Economic*, 15(31), 50-69.
- Kaur, M., & Bhatia, A. (2018). The impact of consumer awareness on buying behavior of green products. *International Journal of Scientific Research and Management*, 6(4): 250-255.
- Kianpour, K., Anvari, R., Jusoh, A., & Othman, M. F. (2014). Important motivators for buying green products. *Intangible Capital*, 10(5), 873-896.
- Kotler, P., & Armstrong, G. (2014). *Principles of marketing* (15 ed.). England: Pearson Education.
- Kotler, P., & Keller K.L. (2012). *Marketing Management*. (14 ed.). New Jersey: Prentice Hall.
- Mahmoud, T. O. (2018). Impact of green marketing mix on purchase intention. *International Journal of Advanced and Applied Sciences*, 5(2), 127-135.
- Manjunath G., & Manjunath, G. (2013). Green marketing and its implementation in Indian business organizations. *Asia Pacific Journal of Marketing & Management Review*, 2(7), 75-86.
- Misra, A. (2015). Understanding the 4Ps of marketing: A case study of Amazon India. *International Research Journal of Marketing and Economics*, 2(4), 48-65.
- Mobrezi, H., & Khoshtinat, B. (2016). Investigating the factors affecting female consumers' willingness toward green purchase based on the model of planned behavior. *Procedia Economic and Finance*, 36, 441-447.
- Nittala, R. (2014). Green consumer behavior of the educated segment in India. *Journal of International Consumer Marketing*, 26(2), 138-152.
- Ottman, J. A. (2011). *The new rules of green marketing*. California: Berrett-Koehler Publishers.
- Rahbar, E., & Wahid, N. A. (2011). Investigation of green marketing tools' effect on consumers' purchase behavior. *Business Strategy Series*, 12(2), 73-83.
- Sandu, R. (2014). Green: Marketing, products and consumers. *SEA – Practical Application of Science*, 2(3), 555-562.
- Sehgal, P. (2017). Green marketing: A tool for sustainable competitive advantage. *International Research Journal of Commerce, Arts and Science*, 8(3), 56-66.
- Sharma, M., & Trivedi, P. (2016). Various green marketing variables and their effects on consumers' buying behavior for green products. *International Journal of Latest Technology in Engineering, Management & Applied Science*, 5(1), 1-8.
- Siddique, M. Z. R., & Hossain, A. (2018). Sources of consumers awareness toward green products and its impact on purchasing decision in Bangladesh. *Journal of Sustainable Development*, 11(3), 9-22.
- Siringi, R. K. (2012). Determinants of green consumer behavior of post graduate teachers. *IOSR Journal of Business and Management*, 6(3), 19-25.
- Surya, R., & Hajamohideen, O. M. (2018). A qualitative study on consumers' attitude and behavior towards green marketing practices. *IOSR Journal of Business and Management*, 20(3), 26-30.
- Tejeswari, A. (2016). A study of consumer attitude towards green products. *International Journal of Research Science & Management*, 3(2), 43-50.
- Trivedi, P. (2015). A conceptual model for driving green purchase among Indian consumers. *Journal of Marketing and Consumer Behavior in Emerging Markets*, 2(2), 49-59.

- Uyanik, G. K., & Guler, N. (2013). A study on multiple linear regression analysis. *Procedia – Social and Behavioral Sciences*, 106, 234-240.
- Warmbrod, J. R. (2014). Reporting and interpreting scores derived from Likert-type scales. *Journal of Agricultural Education*, 55(5), 30-47.
- Yeng, W. F., & Yazdanifard, R. (2015). Green marketing: A study of consumers' buying behavior in relation to green products. *Global Journal of Management and Business Research*, 15(5), 16-23.



# Thai Culture creates Value Added for Thai Culinary Tourism

**Suchitra Rimdusit**

Ph.D. Student, School of Tourism Development, Maejo University, Thailand.

yingwin@hotmail.com

**Varaphorn Duangsaeng**

Lecturer, School of Tourism Development, Maejo University, Thailand.

varaphorn@gmail.com

## Abstract

The objective of this study is to assess foreign food tourists' behavior and level of satisfaction with Thai culinary schools located in Chiang Mai, Thailand and to determine how the incorporation of Thai culture in this course can create added value for culinary tourism. This research uses a mixed methodology. For the quantitative part, questionnaires were collected from 400 foreign tourists. The qualitative aspect of the research involves interviews with 26 culinary school entrepreneurs in Chiang Mai. The results indicate that most of the respondents took half a day class of Thai cooking with the objective of being able to cook Thai food back home. Some foreign tourists also took fruit and vegetable carving classes. The satisfaction level was at the highest level with respect to place, course, personnel, fees and distribution channel, and slightly lower for promotion. The interviews reveal that Thai culinary tourism is highly competitive hence the need to create added value in the form of Thai culture classes incorporated into the culinary lessons, something which some of the schools are already doing to some extent and which tourists are receptive to.

**Keywords:** Customer Satisfaction, Culinary Tourism, Thai Cooking School, Thai Culture

## 1. Introduction

Culinary tourism in Thailand is becoming popular among foreign tourists as attested by the high number of Thai culinary schools in tourist cities such as Bangkok, Phuket, or Chiang Mai. According to TripAdvisor, in 2017, there were 90 cooking classes in Chang Mai and Bangkok alone (57 are in Chiang Mai and 33 in Bangkok). As a form of tourism, food tourism focuses on food being a selling point to tourist destinations by creating a variety of activities involving local gastronomy. Food tourism is present in various countries around the world. According to the Travel Industry Association (TIA), an estimated 17% of the leisure travel market engages in some form of culinary activities when travelling (Smith & Costello, 2009). Culinary experiences at tourism destinations are highly related to attitudinal, psychological, perceptual, and other behavioral factors (Yun, Hennessey, & Macdonald, 2011). The contribution of culinary tourists to the economies of the countries where food courses are offered can be significant

With 57 food schools, Chiang Mai is an attractive location for tourists eager to learn about Thai gastronomy. This is all the more the case as with beautiful mountains and an attractive climate, not to mention many tourist attractions, Chiang Mai and the region offer many other reasons for tourists to visit the place. However, as determined by Phattharathammaporn's (2008) study of the factors affecting foreign tourists' decision to visit Chiang Mai, the two activities that foreign tourists want to do most are to enjoy the scenery and taste/make Thai food. Clearly, Thai cooking classes are high on their list. Such interest has caused Thai culinary schools for foreign tourists to mushroom. Many of these tourists know about Thai food (there are many Thai restaurants around the world) but few really

know how to prepare it (Phochad, 2002). According to Na-apai (2013), foreign tourists who attend culinary classes in Chiang Mai expect to taste Thai food, learn about Thai culture, and acquire basic skills cooking Thai food. As determined by the food tourism industry in Thailand has a few weaknesses. They include: a the lack of consistent food tourism policy in each province, a lack of coordination between the public and private sectors organizing tourism activities related to food, and a lack of budget at the government level to support tourism. In terms of management, Kamkaen (2014) found that much of the personnel still has poor food traveling management skills and that there is a low use of information technology for public relation. And of great significance for this study, it was also found that there was lack of cultural links. This is precisely what has prompted these authors to conduct this research as it is their belief that value added Thai culture activities can be incorporated into Thai food courses. In light of the foregoing, the objectives of this research are thus to:

1. study the behavior of foreign tourists attending Thai culinary schools;
2. assess the level of satisfaction of foreign tourists toward these schools;
3. make recommendations on how to create added value through Thai cultural activities incorporated into the classes.

This research is expected to be beneficial to all those involved in food tourism and provide valuable insights.

## **2. Literature Review**

### **- Marketing Mix**

The tourism industry is unusual, when compared to other goods and services as demand varies considerably across seasons, holidays, and weather conditions (Crotts & Wolfe, 2011). For this reason, it has been suggested that marketing mix modeling can be thought of as a simulator, which moves marketing dollars from less to more productive activities so that the total attendance can be maximized without increases in the total marketing investment (Crotts & Wolfe, 2011; Bitner, 1990). McCarthy (1960) was first to suggest the 4Ps, Product, Price, Place of distribution, and Promotion as the primary ingredients of a marketing strategy. The concept of service marketing mix relates to 7Ps in the formulation of the marketing strategy: product, price, place, promotion, people or employees, physical evidence and presentation, and process (Kotler, 1994). This mix was expanded to 8Ps in relation to tourism by Jittangwattana (2014): product in tourism, price in tourism, place in tourism, promotion in tourism, people in tourism, packaging in tourism, programming in tourism, and partnership in tourism. Personnel is key to the delivery of services to customers (Muala & Qurneh, 2012).

### **- Culinary Tourism**

There are several definitions of culinary tourism. They all refer to activities involving food and drinks while travelling. Long (2004) stated that “culinary tourism is about food; exploring and discovering culture and history through food and food related activities in the creation of memorable experiences” (p. 97). Culinary tourism has also been defined as “trips during which the purchase or consumption of regional foods (including beverages), or the observation and study of food production (from agriculture to cooking schools), represent a significant motivation or activity” (Ignatov & Smith, 2006: 35). Food tourism started to catch on with mainstream tourism during the period 2012-2018, with the help of and exposure from social media and television shows (Wolf, 2019). Food tourism now includes a full array of experiences associated with culinary practices, ranging from cooking classes, food producer visits, street food tasting, wall pub discovery, winery touring, and one-of-a-kind restaurant lunch or dinner (Long, 2013).

**- Culinary Tourists**

Culinary tourists want to experience food in its native habitat and sociocultural context, which provides an incentive to maintain those habitats (Long, 2013). Culinary tourists like high quality and artisan foods (either new or adapted recipes), preferably produced in sustainable ways, i.e., in smaller farms, handmade rather than relying on technology, and possibly organically grow. Using social value scales, Mack, Blose, and MacLaurin (2009) classified tourists into two sub-clusters; culinary tourist innovators and culinary tourists non-innovators. For culinary tourist innovators, two values are especially important; excitement and warm relationships with others. These aspects of the travel experience could very easily be stressed in campaign themes and made a more significant part of the actual consumer travel experience as a strategy to improve the attractiveness of new destination offerings. Innovative gastronomic tourism is an opportunity to develop territories to actively participate in the formation of innovative tourism attractiveness (Sandybayev, 2019).

**- Chang Mai Culinary Tourists**

According to Na-apai (2013), foreign tourists who come to Chiang Mai to learn to cook Thai food have the following expectations: participate in relevant activities, experience the true taste of Thai food, learn the local culture, acquire cooking skills, learn the cooking process, and have fun. Many foreign tourists want to be able to cook Thai food by themselves once they complete the classes (Phochad, 2002). They generally know Thai cooking from travel guidebooks and typically choose famous cooking schools near their accommodations. The course, however, must be approved by government agencies. The instructor should be cheerful, friendly with learners, have a good personality and be able to speak a foreign language (usually English). They expect clean equipment and enough for all the learners in the course. Foreign tourists want value for their money, i.e., knowledge and services. They also expect promotions such as aprons, cookbooks, etc. (Trihas, Kyriakaki, & Zagkotsi, 2016).

**- Thai Culture**

One way Thai culture manifests itself is in the dressing style (Chanchai, 2013). Thai people have a unique style often using silk as materials. Male villagers wear loincloth, which has been used from time immemorial and is still worn by elders in Northeast and Southernmost Thailand. But it is not unlikely that traditional dresses may disappear in many places (Chanchai, 2013). There is a strong connection between Thai culture and Thai food (Tantaweewong, 2013). Food reflects the beliefs, values, and ways of life of locals and the nature of the ingredients available. Achieving a balance of flavors and textures is a key aspect of Thai cuisine. Eating customs are also an important part of Thai culture that cannot be ignored. Thai food was originally eaten with the fingers and it still is in certain regions. When serving oneself from a common platter, one should not put more than one spoonful onto one's plate at a time (Lonely planet, 2019). Heaping one's plate with a full portion at once will look greedy to Thais unfamiliar with Western conventions.

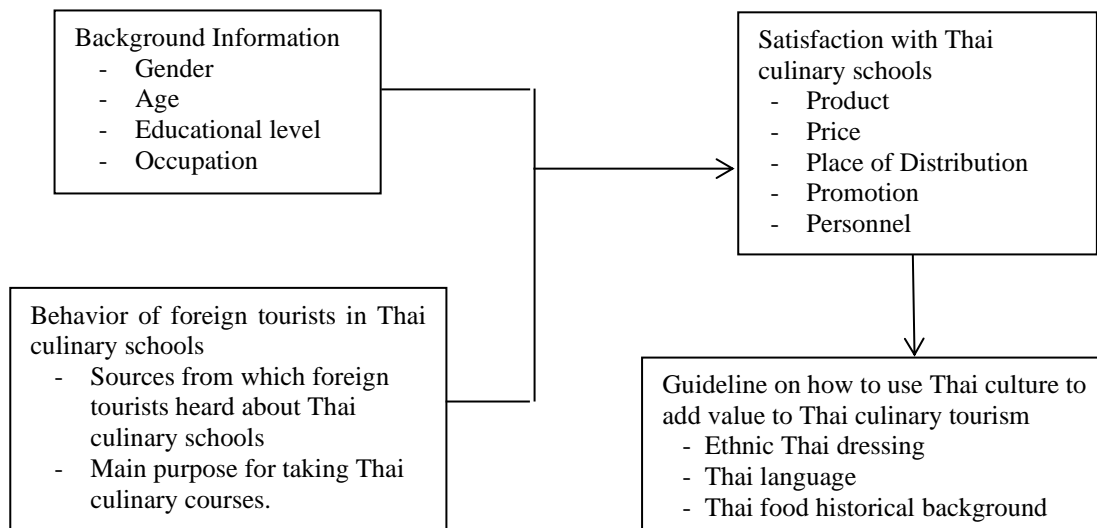
**- Value Added**

In order to create more value for the food tourism industry, culinary school owners need to develop products or services that include personnel and image value (Jittangwattana, 2014). The value added needs to reflect the price food tourists are willing to pay for the services and products they expect. Techajawet (2004) has identified three types of value. One is 'value enhancers,' products or services that have never been offered in a market. Because there are selling points, the company that offers them will be able to quickly expand market share and have a competitive advantage over competitors. A second type is 'value maintainers,' products or services that will continue to maintain value in the minds of customers. This should eventually lead to value addition factors. A third one is 'value destroyers,' that is

value reduction in the minds of customers due to the weakness of products and services, which the company needs to improve urgently.

### 3. Research Framework and Methodology

Figure 1 shows the conceptual framework developed for this study, which focuses on how to value can be added to the culinary tourism industry incorporating Thai culture.



**Figure 1:** Conceptual Framework

This study on how Thai culture can add value to Thai Culinary Tourism uses a mixed methodology and thus combines qualitative and quantitative research. Questionnaires were collected from foreign tourists between February and August 2017 and in-depth interviews with entrepreneurs conducted between November 2018 and March 2019.

- *Quantitative Research:* The Non-Probability Sampling Technique of Accidental Sampling was used to determine the number of respondents to be surveyed for this research study. Since it was not possible to know the size of the population of foreign tourists using the services of Thai culinary schools in Chiang Mai, the following calculation method was used to determine the sample size. When it is not possible to know the population Cochran (1953) recommends a 95% reliability level and a significant level of 0.05. The sample size (n) was thus calculated according to the following formula:

$$n = \frac{p(1-p)z^2}{e^2}$$

$z = 1.96$  for a confidence level ( $\alpha$ ) of 95%,

$p$  = proportion (expressed as a decimal)

$e$  = margin of error.

$z = 1.96$ ,  $p = 0.5$ ,  $e = 0.05$

$$n = \frac{0.5(1 - 0.5)1.96^2}{0.05^2}$$

$$n = \frac{0.9604}{0.0025}$$

$$= 384.16$$

$$n \approx 385$$

The sample size is equal to 385 (the number was then rounded to 400).

The questionnaire used as research instrument is divided into 3 parts: Part 1 focuses on demographic characteristics (gender, age, education level and occupation); Part 2 explores the reasons for foreign tourists to attend a Thai culinary school in Chiang Mai and the way they learn about it; and Part 3 zeroes in on their level of satisfaction with the place, course, personnel, fee, and distribution channel and promotion. After verifying the data collected from the questionnaires, the data were analyzed using statistical package to calculate the statistical values and test the established hypotheses with a reliability of 95% and at a statistical significance level of 0.05. The Test Reliability of the questionnaire was 0.983. A Descriptive Statistics Analysis was used to sort out the data by frequency, showing them in tables by percentage. Satisfaction was measured by way of means and standard deviations describing interval scale data.

- *Qualitative Research*: To gather data on the way the incorporation of Thai culture into the curriculum of food schools, semi-structured interviews were conducted with 26 entrepreneurs/owner of Thai culinary school in Chiang Mai. They were purposively chosen because of their location, their experience dealing with service foreign food tourists, and the availability of information about their schools on TripAdvisor. The open-ending questions focused on their courses, the types of cooking, times of classes, fees, instructors, etc. Of course, they were also asked their views on the idea of adding value to their schools using Thai cultural elements in the classes.

#### 4. Results and Discussion

As Table 1 shows, a majority of the foreign tourists attending Thai culinary schools in Chiang Mai at the time of the survey was females. This is not really a surprise that, even though restaurants are still largely the realm of men, at home, cooking most often remains a women's responsibility. As the percentage indicates, though, men are also interested in learning. So advertising and promotion should reflect this dual interest. They were between 21 and 30 years old and a majority of them have a graduated bachelor's degree. Both characteristics (youth and good educational background) are often associated with open mindedness and flexibility, which in turn suggests these generations are interested in new experiences.

**Table 1:** Profile of Foreign Tourists

Demographic Characteristic		Number	Percentage
Gender	Male	169	42.25
	Female	231	57.75
Age	20 and below	48	12.00
	21 - 30	159	39.00
	31 - 40	109	27.25
	41 - 50	57	14.25
	51 - 60	28	7.00
	61 up	2	0.50
Education level	Lower than Bachelor Degree	92	23.00
	Bachelor Degree	270	67.50
	Higher than Bachelor Degree	38	9.50
Occupation	Agriculture	71	17.75
	Government employee	130	32.50
	Private company employee	61	15.25
	Business owner	132	33.00
	Student	6	1.50



The results indicate that most foreign tourists heard about Thai culinary schools from friends, Trip Advisor, Website, Google+, and travel agencies. This finding is consistent with Henderson's (2009) recommendation that tour operators and travel agents should emphasize the importance of local food and suggest dining options as they play a key advisory role during the decision-making phase of holiday makers. As Table 2 shows, as a source of knowledge of the services which Thai culinary schools offer, they rank third, right below friends and acquaintances and family, and above Facebook, Brochure/Billboard, Travel magazine, Tourism Authority of Thai land, Instagram to name a few.

**Table 2:** Foreign Tourists' Source of Knowledge of Thai Culinary Schools

Foreign Tourists' Source of Knowledge of Thai Culinary School Services	Number	Percentage
Friend /Acquaintance	240	60.00
Family	40	10.00
Travel agency	43	10.75
Tourism Authority of Thailand	13	3.25
Travel magazine	21	5.25
Brochure/Billboard	26	6.50
Website	84	21.00
Google+	49	21.00
Trip Advisor	166	41.50
Facebook	29	7.25
Instagram	12	3.00
Youtube	11	2.75
Twitter	5	1.25

As Table 3 shows, foreign tourists' main purpose in attending Thai culinary schools in Chiang Mai was to develop the ability to cook Thai food by themselves at home, have fun, and experience a new aspect of Thai culture. This is in keeping with Na-apai's (2013) research study which concluded that foreign tourists taking Thai cooking lessons in Chiang Mai expect to learn about Thai food flavors, Thai cooking peculiarities, Thai culture, and enjoy their classes. Some foreign tourists also indicated that learning Thai cooking was part of an education trip to Thailand.

**Table 3:** Foreign Tourists' Purpose Learning Thai Cooking

Main Purpose for Taking Thai Culinary Courses	Number	Percentage
Be able to cook Thai food by themselves	200	50.00
Have fun	111	27.75
Develop a career	1	0.25
Experience SOMETHING NEW	50	12.50
learning about Thai culture	30	7.50
Part of an education trip	8	2.00

Foreign tourists took part in five types of Thai cooking activities: theoretical and practical classes, visit of fresh markets, purchase of ingredients, and taste of the dishes cooked by participants. Some Thai cooking schools also offered fruit and vegetable carving classes, visits of backyard gardens, and traditional and cultural activities.

The 26 entrepreneurs interviewed come from the following 26 Thai food schools: (1) Air's Thai Culinary Kitchen, (2) Aromdii Family Cooking School, (3) Aroy Aroy Chiang Mai Thai Cooking School, (4) Baan Hong Nual Cooking School, (5) BaanThai, (6) Basil Cookery, (7) Cooking with Nokjee, (8) Galangal, (9) Green Mango Thai Cookery School, (10) Kuao BanThai, (11) Mama Noi Thai Cookery School, (12) May Kaidee's Cooking School, (13) Me & Mom Cooking, (14) Pantawan Cooking School, (15) Pra Nang Chiang Mai Thai Cookery School, (16) Red Chilli, (17) Siam Home Cooking, (18) Siam Rice Cooking; (19) Thai Akha Cooking School, (20) Thai Cottage Home Cookery School, (21) Thai Garden Home Cookery, (22) Thai Kitchen Cookery Centre, (23) Tom Yum Thai Cooking, (24) We cook Thai Home Garden Cooking school, (25) Yummy Tasty Thai Cooking School, and (26) Zabb E Lee Thai Cooking School. These Thai culinary schools were chosen because of their locations, the fact that they are reviewed in TripAdvisor, a popular website for foreign tourists, and their providing services to foreign tourists.

All the entrepreneurs interviewed mentioned the high level of competition in the Thai culinary school sector, a fact attested by the above list as all these schools compete with one another. While, as their names indicate, some of them seek to target a niche market within the sector, they nonetheless all compete for essentially the same pool of foreign tourists. One of the reasons Thai food schools have mushroomed in the area (as we saw earlier, Chiang Mai has more schools than Bangkok) is the young generation's strong interest in self-employment. Many entrepreneurs worked as salaried tourist guides or hotel staff before they made the shift to self-employment and opened their own Thai culinary schools. In their view, culinary tourism offers opportunities that they would never have had elsewhere. Former hotel cooks, for example, believe that their traditional occupation would not have given such a possibility to now earn money, which sharing their skills with tourists does, meanwhile elevating their social and economic status, (Long, 2013). Apparently, the prospect of facing tough competition is not a deterrent and hardly interferes with their resolve to open their own business.

In terms of marketing mix and level of satisfaction, the findings show the following characteristics with regard to the 26 Thai food schools involved in this research study:

*- Product/Service:*

The courses were offered either as full-day or half-day classes. Those opting for a half-day course could either take a morning, afternoon, or evening class. In addition, special courses, private courses, and more than one-day courses were offered so as to meet customer needs. Most foreign tourists chose morning courses. The type of cooking which they chose to learn about was for the most part quintessential Thai dishes (papaya salad, pad Thai, cashew nut with chicken, tom yum kung, tom kha kai, etc.). As Singsomboon (2014) noted, foreign tourists want to learn to cook Thai dishes that have an authentic Thai flavor. Topping the list of the dishes they chose to learn about are pad Thai, panang curry and massamun. Many of them were also interested in learning about local food such as khao soy curry or Chiang Mai noodles curry. Typically, one course covers several of these dishes, with between 15 to 20 minutes for each one (15 minutes for fried noodles Thai style, 15 minutes for sticky rice with mango, etc.).

As Table 4 shows, the level of satisfaction with the services offered was the second highest. Foreign food tourists were satisfied with its functional value (average 4.62) and the uncomplicated curriculum as well as its variety (average 4.59). They also appreciated the quality of the explanations provided (average 4.52). Those who took a special course were pleased as it met their needs in terms of cooking procedures and sources for the ingredients used (average 4.50). All the participants really like the infusion of Thai culture insights as

part of the classes (average 4.47). In addition, the food tourists sampled for this study were generally satisfied with the places where the courses took place (Table 4). Those in attendance indicated a very high level of satisfaction with the atmosphere, reflective of Thai identity (average 4.61), the location, making travelling convenient (average 4.59), the safety and adequacy of the cooking equipment, including typical Thai utensils' (average 4.58), the good ventilation and (average 4.55) and the cleanliness and hygiene (average 4.54).

*- Price:*

Tuition fees for a full-day course run between 1,000–1,300 Thai Baht (USD31-40), and between 800–1,000 Thai Baht (USD24-21) for a half-day course. Understandably, the fees for special or private courses are slightly higher, between 2,000–3,000 Thai Baht (USD 62-93). As indicated in Table 4, the level of satisfaction with the fees was 'highest.' Participants overwhelmingly felt the fees were fair and were satisfied with the range of prices offered (average 4.37) and thought the knowledge imparted and services provided were worth their money (average 4.39). They also liked the various types of payment available (cash, credit card and online, average 4.41). They also appreciated the cheaper fee charged to those accompanying class attendants but not learning Thai cooking (average 4.33). In addition, the food tourists sampled for this study were generally satisfied with the places where the courses took place (Table 4). Those in attendance indicated a very high level of satisfaction with the atmosphere, reflective of Thai identity (average 4.61), the location, making travelling convenient (average 4.59), the safety and adequacy of the cooking equipment, including typical Thai utensils (average 4.58), the good ventilation and (average 4.55) and the cleanliness and hygiene (average 4.54).

*- Place of Distribution:*

Most entrepreneurs pointed out that a majority of foreign tourists either books courses online and through Facebook or contacts Thai travel agents or tour agents. A few simply book the courses at sale offices downtown. All those attending the culinary classes were satisfied with the booking and payment arrangements at the highest level (average 4.31). They also liked the sales office location downtown (average 4.26) and the walk-in flexibility (not booking in advance), a good option for those undecided or acting on the spur of the moment (average 4.23). Along the same rationale, booking and paying fee at the Thai culinary school directly was also greatly appreciated (average 4.13).

*- Promotion:*

Most of the Thai culinary schools examined in this study rely on brochures, websites, and coordination with international tour agencies turned marketers to provide information on their services and promote their schools. In addition to online media (such as for example Facebook) and their own websites, some have opened an office in the city for booking. In addition, foreign tourists could get information and able to purchase courses at international agencies. As suggested by the United Nations World Tourism Organization (WTO) (WTO, 2012), schools could also rely on the following actions to promote gastronomic tourism: organize promotional events, take part in international tourism fairs, dedicate websites on gastronomic tourism, have blogs, and organize familiarization trips for journalists and tour operators. Some of them though involve substantial costs which many of them cannot afford. This is all the more the case as most of the entrepreneurs interviewed lamented the lack of governmental support. According to them, the government seldom promotes Thai culinary schools in Thailand. For one, Thai culinary schools are not listed on the website of the Tourism Authority of Thailand (TAT), which means that foreign tourists or professionals involved in the tourism industry must turn to the schools' own Websites or Youtube to review cooking classes and culinary tourism.

Promotion was the only construct not to record a highest level of satisfaction (it received a 'high' level). The only 'highest' level relates to transportation from and to the participants' places of accommodation (average 4.56). While those foreign food tourists availed themselves of various channels of public relations (average 3.82) and appreciated the discounts and the gift sets offered (average 3.74) as well as promotions such as for example two courses, free for one full menu, the results indicate that they feel more could have been done.

*- People:*

Most of the instructors are the owners of the culinary schools where they give cooking lessons. Most of the schools have at least 2 or 3 assistants who help them take care of customers while they cook. During the high season, they usually hire more assistants so as to maintain the same level of services and care. Most of the instructors have had vocational training and have credentials as cooks. The schools seek to use quality ingredients, proper kitchen equipment and competent instructors and assistants.

Table 4 indicates that the satisfaction level with regard to the personnel foreign with whom food tourists deal was the third highest. Foreigners first and foremost appreciated the instructors' clear explanations and accurate answers to their questions (average 4.76) as well as their gentle manners, clean appearance and impeccable body hygiene (average 4.71). They also liked the knowledge and expertise of the Thai cooks and their easy-to-understand explanations and how hard they try to make cooking look easy and how much attention they paid to them while cooking (average 4.68). Another point of satisfaction was their good command of English and calm and cheerful ways of sharing their culinary knowledge (average 4.67). Helping customers in a timely manner also scored high (average 4.65) as did their level of satisfaction level with the assistants.

**Table 4:** Average Satisfaction Levels and Standards of Deviation

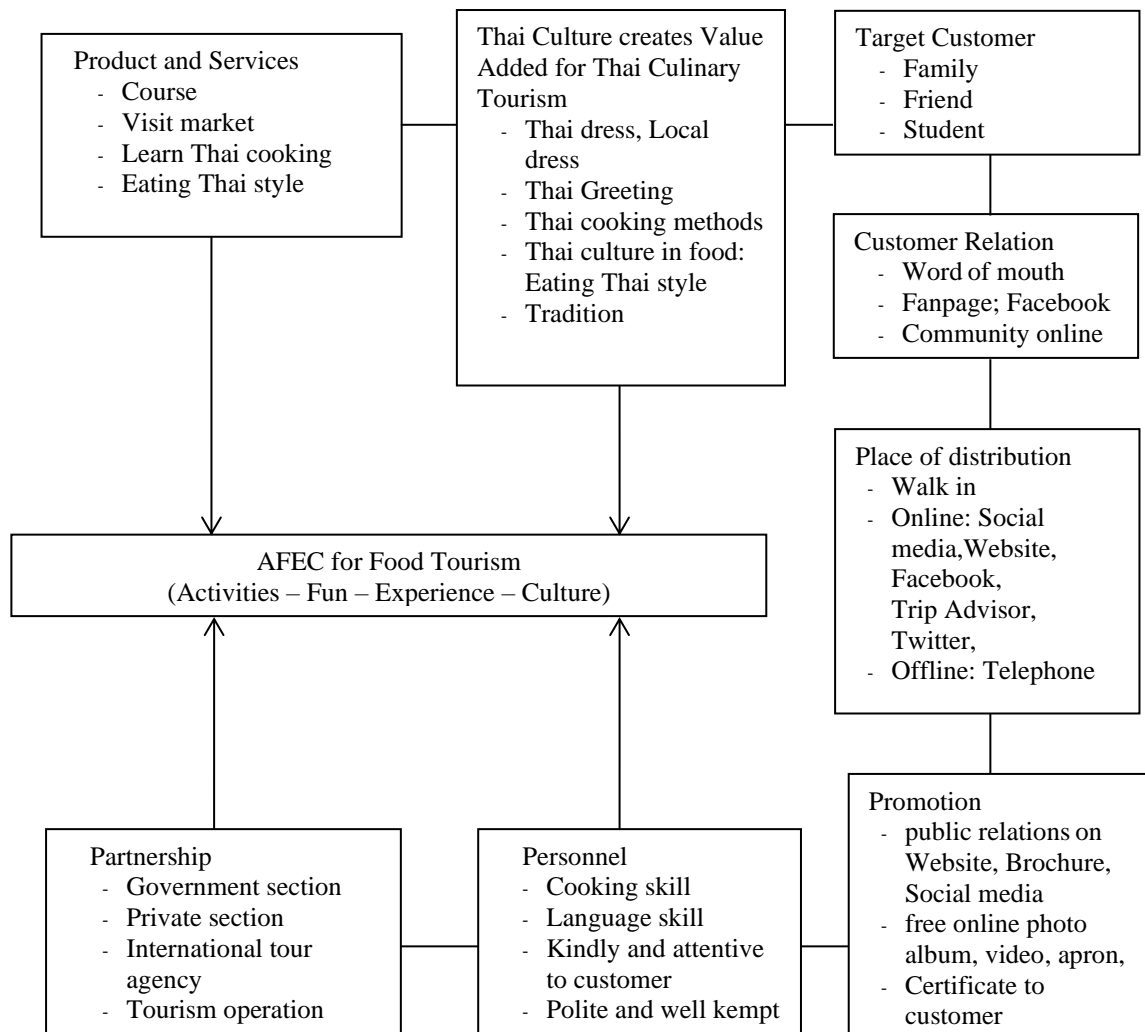
Satisfaction Items Attending Thai Culinary Schools	Satisfaction		
	$\bar{x}$	S.D.	Interpretation
Place	4.57	0.53	Highest
Course	4.53	0.52	Highest
Personnel	4.62	0.73	Highest
Fee	4.38	0.68	Highest
Distribution channel	4.23	0.73	Highest
Promotion	3.91	1.01	High

*- Value-Adding Thai Cultural Activities*

As to value-adding Thai cultural activities, this is an issue to which every entrepreneur should attach great importance as they could make a significant contribution to their bottom line and enhance their image. As the above discussion of the level of satisfaction registered by school participants shows, such activities are much appreciated by foreign food tourists. Instructors should therefore systematically include Thai culture in their curriculum and make sure they have a good knowledge and a solid understanding of it so as to incorporate it in a relevant manner in their classes.

They could for instance teach foreign tourists Thai dances, tell legends (story telling), and develop a narrative of the Thai eating culture and food history, e.g. why do we eat what we eat, what to eat, what is suitable for what, etc. (Gheorghe, Tudorache, & Nistoreanu, 2014). In addition, a database about Thai food should emphasize the health benefits of Thai food and the medicinal values of some of the ingredients, indicate where to buy them, post pictures of

recipes, and add any other information that could be of value to foreign food tourists. Thai culture could also been shown in the clothes Thai people traditionally wear, which tourists could wear while learning Thai cooking. For example, schools could use local cloths to make aprons, which could be given away as a free gift to foreign tourists. This would among other consequences support local and community products. Finally, consistent with Rocharungsat's (2011) suggestions, Thai greeting culture (paying respect, saying "Sawatdee", etc.) could be incorporated into the cooking lessons, thereby expanding the range of cultural information imparted, something which tourist would value. Figure 2 shows how Thai culture could create added value to the Thai culinary tourism.



**Figure 2** Creating Added Value through Thai Culture

## 5. Conclusions and Recommendations

A majority of the foreign tourists who attended food classes at culinary schools in Chiang Mai was female. Most of these tourists are between 21 and 30 years old and have a bachelor's degree. Most of them learned about the course on their own. The classes they attended typically consisted of theoretical and practical classes, visits of fresh markets, purchases of ingredients, and sharing the dishes cooked. Some tourists also took part in fruit and vegetable carving classes, visited backyard gardens, and joined traditional and cultural community activities. The level of satisfaction among foreign tourists was 'highest,' with 'place' and



‘product’ topping the list. 26 Thai culinary schools in Chiang Mai were involved in the in-depth interviews. It appears from the interviews with them that a lot of schools blend some basic elements of Thai culture, such as greetings or traditional clothing, into their culinary courses, thereby adding to the cultural dimension of their offering. Most businesses rely on brochures, their website, and international travel agents to promotion activities and enroll students. Collaboration with international travel agents is recommended by Henderson (2009) who found that food is the subject of various types of tourism products and a common theme in marketing by businesses and destination authorities. The kind of tourism in which food plays a primary or supporting role is already popular and has good prospects but there are a number of challenges for the food and tourism industries to overcome which the following suggestions and recommendations seek to address.

#### **- *Suggestions to Culinary Schools***

Incorporating elements of Thai culture into culinary classes could create added value. This is in keeping with Porter (1985) and Serirat’s (1998) value chain concept as they argue that entrepreneurs must develop products or services in which the following four values should be included: (i) Product value, (ii) Service value, (iii) Personnel value, and (iv) Image value. Consequently, Thai culinary schools could create value by using Thai culture as follows:

1. Creating activities that convince customers to join the courses not just for the food experience but also for the cultural enrichment. Publicizing information on Thai dining culture and the value ascribed to Thai food will whet the appetite of food tourists for first-hand experience on the ground and go a long way in generating interest in the courses.
2. Offering services that increase customer value, including after-sales service. This can start with picking up customers at their accommodation places and taking them back and giving them small souvenirs such as cook books, aprons, or certificates. These would give them lasting memories and facilitate word-of-mouth advertising or even lead to some repeat customer.
3. Developing IT to increase interaction with customers (those who have taken the course and potential ones). Being able to communicate with instructors from abroad may prove to be very valuable for food tourists who made need some advice or extra information. Instructors can also share photos of dishes, make suggestions, etc., and have a Facebook Fanpage. While this may use up time, this would be a well-worth investment.
4. Focusing on human resources (HR) management so that the personnel remain loyal (no high employee turnover) and in order to eliminate the cost and uncertainties involved in hiring and training new employees. If Thai food tourists like the staff members, the schools should make sure they keep them and provide incentives to do so accordingly. In recruiting, instructors must focus on applicants’ expertise in Thai cooking; Thai culture and foreign languages (English, Chinese) and on their service minded approach and willingness to help customers as well. Since it is difficult to find instructors with such qualifications, Thai culinary schools, apart from retaining those with the right attitude and skills, should therefore join hand with educational institutes to train students and ensure they develop all these abilities, most notably a solid grasp of Thai culture as related to food.

#### ***Policy Recommendations***

Given the current lack of governmental support, as we just saw, the following recommendations can be made:

1. The government should adopt a policy systematically promoting Thai food tourism through the organization of product fairs, Thai cooking Roadshows, Thai Travel Marts, and trade shows at domestic and international events.

2. The TAT should launch a robust public relations campaign, starting with a listing of all the Thai culinary schools in a special section on the TAT website. This would first require the TAT to establish some minimum standards, which the schools should meet to qualify for their listing, which would raise foreign tourists' confidence in the quality and authenticity of the school courses and curriculum.
3. In the same vein, the Ministry of Tourism should, in collaboration with educational Institutions, co-manage the development of a curriculum that would include local recipes in addition to the iconic national 'must have' dishes.

### ***Recommendations to Culinary Schools in Chiang Mai***

Culinary schools could adopt a number of practices as follows:

1. Thai culinary schools should promote Thai cooking courses by making Thai food a cultural icon, as is the case with traditional Thai dresses or Thai festivals (Loy Krathong, Songkran), all widely known and discussed on online public relations media, internet, and shown in photos on various social media.
2. Thai culinary schools could have a Thai actor, an international celebrity, or any other famous person endorse Thai culinary schools by having pictures taken while cooking and posted on various social media
3. Thai culinary schools should develop a curriculum that is internationally recognized by cooking pundits and include local specialties such as Khao Soy (a typical Northern Thai dish).
4. Instructors should have a story with each Thai dish recounting its origin and whenever possible wear native garments typical of the region of origin. Local music could also be played in relation to the dishes cooked.
5. Thai culinary schools should make greater use of websites, Facebook, Line, and e-commerce to promote and market their services.

### **References**

- Bitner, M. (1990). Evaluating service encounters: The effects of physical surroundings and employee responses. *Journal of Marketing*, 54(2), 69-82.
- Chanchai, P. (2013). *Document for teaching multicultural administration course*. School of Tourism and Hospitality. Suan Dusit Rajabhat University.
- Cochran, W. G. (1953). *Sampling techniques*. New York: John Wiley & Sons. Inc.
- Crotts, J., & Wolfe, M. (2011). Marketing mix modeling for the tourism industry: A best practices approach. *International Journal of Tourism Sciences*, 11, 1-15
- Gheorghe, G., Tudorache, P., & Nistoreanu, P. (2014). Gastronomic tourism: A new trend for contemporary tourism. *Cactus Tourism Journal*, 9, 12-21.
- Henderson, J. (2009). Food tourism reviewed. *British Food Journal*. 111. 317-326.
- Ignatov, E., & Smith, S. (2006). Segmenting Canadian culinary tourists. *Current Issues in Tourism*, 9(3), 235-255.
- Jittangwattana, B. (2014). *Tourist behavior* (2nd ed.). Nonthaburi: Fern Kha Luang Printing.
- Kamkaen, N. (2014). *Tourism strategy for learning about Food*. Bangkok: Thailand Research Fund.
- Kotler, P. (1994). *Marketing management: Analysis planning implementation and control*. (8th ed.). Englewood cliffs: Prentice Hall.
- Lonely Planet. (2019). *Thailand: Eating*. Retrieved October 5, 2019, from <https://www.lonelyplanet.com/thailand/in-location/eating/a/nar/703bdfc2-34ae-4f3f-b0ed-b15c05c0f44c/357592>
- Long, M. L. (2004). *Culinary tourism*. USA, University Press of Kentucky.

- \_\_\_\_\_. (2013). *Culinary tourism. Encyclopedia of food and agricultural ethics*. Springer Science+Business Medis Dordrecht.
- Mack, R., Blose, J., & MacLaurin, T. (2009). *Segmenting the culinary tourist market: An American and Australian comparison*. Proceedings of the 2009 Oxford Business & Economics Conference Program. June 24-26, 2009, St. Hugh's College, Oxford University, Oxford, UK.
- McCarthy, E. J. (1960). *Basic marketing: A managerial approach*. IL: Richard D. Irwin.
- Muala, A., & Qurneh, M. (2012). Assessing the relationship between marketing mix and loyalty through tourists satisfaction in Jordan curative tourism. *American Academic & Scholarly Research Journal*, 4(2).
- Na-apai, S. (2013). *Experience management of foreign tourists in Thai cooking schools, Chiang Mai Province*. Master's Thesis. Naresuan University.
- Phattharathamaporn, A. (2008). *Factors affecting the decision to travel to Chiang Mai of Foreign tourists*. Independent research, the Faculty of Economics, Chiang Mai University.
- Phochad, S. (2002). *Teaching Thai cooking methods for foreign tourists*. Independent research, Master's degree. Chiang Mai University.
- Porter, M.E. (1985). *Competitive advantage: creating and sustaining superior performance*. New York: The Free Press.
- Rocharungsat, P. (2011). *Communicative learning process through food tourism for international women market tourists of Thailand*. Research report, The Thailand Research Fund.
- Sandybayev, A. (2019). Innovative gastronomic tourism as a new trend: Evidence from Kazakhstan. *Progress in Tourism and Hospitality Research*. 5, 1-7.
- Serirat, S. (1998). *Advertising and marketing promotion*. Bangkok: A.N Printing Company.
- Singsomboon, T. (2014). *Marketing strategies for Thai gastronomic tourism promotion*. Graduate School of Tourism Management. National Institute of Development Administration.
- Smith, S., & Costello, C. (2009). Segmenting visitors to a culinary event: Motivations, travel behavior, and expenditures. *Journal of Hospitality Marketing & Management*. 18. 44-67.
- Tantaweewong, A. (2013). *On the path of food management for all Thai people*. Bangkok: Office of the Printing Business Military organization.
- Techajawet, W. (2004). *Marketing values challenge success in modern business*. Bangkok: Publisher Thammasat University
- Tourism Authority of Thailand. (2019). Food / Shopping / Entertainment. Retrieved October 8, 2019, from <https://www.tourismthailand.org/Experiences/9>
- Trihas, N., Kyriakaki, A., & Zagkotsi, S. (2016). Gastronomy, tourist experience and location. The case of the 'Greek breakfast'. *Tourismos: An International Multidisciplinary Journal of Tourism*, 11, 227-261.
- Wolf, E. (2019). Food tourism is the act of traveling for a taste of place in order to get a sense of place. *World Food Travel Association*. Retrieved September 10, 2019, from <https://worldfoodtravel.org/what-is-food-tourism-definition-food-tourism/>
- WTO. (2012). *Global report on Food Tourism*. Madrid: World Tourism Organization.
- Yun, D., Hennessey, S., & Macdonald, R. (2011). Culinary tourists: Segmentations based on past culinary experiences and attitudes toward food-related behavior. *International CHRIE Conference: Refereed Track*.

# Factors Affecting Thai Students' Decision to Pursue a MBA at a Private or a Public Business School in Bangkok

**Sarinya Jearranairoongroj**

Stamford International University, Thailand.

sarinya.jearranairoongroj@stamford.edu

**Boonyarat Samphanwattanachai**

Stamford International University, Thailand.

boonyarat.samphanwattanachai@stamford.edu

**Sumeth Tuvadaratragool**

Stamford International University, Thailand.

sumeth.tuvadaratragool@stamford.edu

## Abstract

The objectives of the research is to identify the differences between the factors that influence Thai students' decision to pursue a MBA at a private or a public business school in Bangkok, Thailand. A quantitative research methodology was used and an exploratory factor analysis, T-test, multi-collinearity test, and binary logistic regression analysis carried out. 450 questionnaires were distributed. The findings indicate that out of the 8 marketing Ps, the 8 factors operating as independent variables in this study (Program, Premium, Prominence, Prospectus, Promotion, Price, and People), three of them affected the decision of Thai students: Prospectus, Promotion, and Premium as ranked by decreasing level of the influence. The most influential one, Prospectus, had 1.820 times stronger influence on Thai students' decision to opt for a public business school. On the other hand, Promotion and Premium had 2.172 and 1.961 times stronger influence on students' decision to enroll in MBA programs offered by private business schools. Practical recommendations were offered to managers.

**Keywords:** Higher Education Marketing, Influential Factor, Students' Decision, MBA Program

## 1. Introduction

There has been an increase in the number of Thai students contemplating pursuing a MBA due in no small part to the perception that a postgraduate degree will boost one's career and, in the case of undergraduates with no work experience, facilitate their entry into the real world. With demand rising, the number of MBA programs offered has steadily increased as well. A large proportion of Thailand's public and private universities now boast postgraduate business programs in a variety of fields ranging from e-marketing to finance, management, and human resources. Some universities also offer online MBA courses. Clearly, the offering is abundant and diverse. As a consequence, prospective MBA students generally filter and explore various possible alternatives prior to seeking enrollment. One of the dilemmas which they face in deciding which business school to attend is whether to enroll at a public or a private business school. Focusing on the top ten MBA programs currently offered in Bangkok as rated by FIND MBA international (Find MBA, 2018), this study aims to explore prospective Thai students' decision-making process regarding private and public schools. More specifically, it seeks to explore the factors that affect Thai students' decision to pursue a MBA at a public or a private business school in Bangkok and answer the following question: What are the differences between the factors that influence Thai students' decision to study at private or a public business school?

In addition, it aims to compare these differences and make practical recommendations as to what business schools, whether public or private, could do to ensure steady enrolment. Competition among universities for qualified MBA students is stiff. Therefore, understanding the various component of the marketing mix, which, as this study argues, consist of eight elements (and not seven as in the traditional service marketing mix) is important for university to caliber their recruitment strategy. The ranking of the ten universities considered in this study is based on employment data, curriculum, existing rankings, international balance, and location. It includes both private and public universities, each one having its own strengths and weaknesses in terms of curriculum scope, tuition fees, reputation, etc. There is a large body of literature on students' decision-making process (Kiley and Austin, 2000; Goff, Patino, & Jackson, 2004). Much of it pertains to universities outside Thailand, including, but not limited to, to such widely differing places as the USA, Ghana, Kuwait, Malaysia or India (Judson, James, & Aurand, 2004; Tapp, Hicks, & Stone, 2004, Chhilar (2012). Some also focus either on specific universities in Thailand (Chuaytukpuen, 2014; Pokateerakul (2017; Franco, 2014). None of the latter, however, differentiates between private and public business schools. Here lies the originality of this study, which also stems from its revised adoption of the service marketing mix as applied to education. This analysis of the expectations of and criteria applied by prospective students when deciding whether to enroll at public or private universities will be particularly helpful for the formulation of strategic marketing plans by institutions of higher learning and the optimization of their resources in their efforts to attract qualified MBA applicants. Moreover, the new 8Ps finding for higher education marketing contributes to the body knowledge on higher education marketing mix.

## 2. Review of Relevant Literature

There is a vast body of literature on the role marketing plays in student recruitment for both undergraduate and graduate programs (Goff, Patino, & Jackson, 2004; Judson, James, & Aurand, 2004; Kittle & Ciba, 2001) and on the importance of the image of universities in the recruitment process (Ivy, 2001; Liu, 1998). Since higher education is in the service industry, its marketing strategy draws from general marketing (Nicholls et al., 1995) but differs in terms of the 7P's. In this study, the 7Ps consist of Program, Premium, Price, People, Promotion, Prospectus, and Prominence (Ivy, 2008). As prior literature shows, the 7P's has been used in many countries including Thailand (Tapp, Hicks, & Stone, 2004; Cubillo & Cer, 2006). These seven factors are the independent variables in this study.

### - Program

Mutari and Saeid (2016) found that international accreditation was the most important factor in students' choice of MBA programs in Kuwait. This finding is corroborated by Chhilar (2012) who determined that international accreditation such as the NAAC affect the business school selection in India. In Thailand, curriculum is the third most important factors affecting students' decision to enroll in post-graduate programs (Tothumcharuen, 2012; Teerakul, et al., 2013; Kitsawad, 2013; Waichalad & To-im, 2016). Focusing on Peru, Charles and Gherman (2014) determined that the three most influential factors in students' choice of business schools were: the essentials of an MBA program, the quality yardsticks, and the MBA technical specifications. Curriculum influenced students the most in their decision to study at Dhurakij Pundit University (Chuaytukpuen, 2014) and commercial colleges in Bangkok (Sukpan, 2013). In Australia, Blackburn (2011) found that syllabus, course content, timetable, period of time required to complete the program, and subjects available affected students' choice of MBA program. The competitive environment of an MBA program is also influenced by the quality of instruction, ease of entry, and flexibility of the program (Hinds, Falgoust, Thomas, & Budden, 2010).



**- Premium**

Premium is the external environment of institutes. Pokateerakul (2017) found that premium creates a positive influence on students' choice when deciding whether to study at Rajamangala University in Thailand. Mbawuni and Nimako (2015) mentioned that location benefits were an essential factor affecting students' choice of master's programs in Ghana. Location and physical facilities were also found to be two of the seven most influential factors in students' choice of business schools in Peru (Charles & Gherman, 2014). The geographic location of the university plays a critical role in the decision to enroll in an MBA program in Bangkok (Franco, 2014). Facilities and the environment of schools were found to influence students' decision to study in Dhurakij Pundit University in Bangkok (Chuaytukpue, 2014). Good amenities such as libraries and counseling services and convenient location to home have been shown to influence students' choice of university in Thailand (Kitsawad, 2013; Sukpan, 2013; Teerakul, et al., 2013). In Australia, Blackburn (2011) found that availability of public transportation, car parking and general campus/ department facilities affected students' choice of MBA program. In Malaysia, the quality of the learning environment, facilities and the location of the university affect students' choice of higher education universities (Padlee, Kamaruruddin, & Baharun, 2010).

**- Price**

Cost is one of the factors affecting students' choice of master's program in Ghana (Mbawuni, & Nimako, 2015). Fees and career enhancement opportunity also affect the decision to study in commercial colleges in Bangkok (Sukpan, 2013; Teerakul, et al., 2013; Ivy, 2018). Kitsawad (2013) concluded that provision of financial aid and the possibility to apply for scholarships and loans influence students' choice of university in Thailand. Tuition fees affect students' choice of MBA program in private and public business schools in Bangkok differently (Tothumcharuen, 2012). In Australia, prospects and ability to earn higher salaries affect students' choice of MBA program as they make higher costs more palatable (Blackburn, 2011). A number of researchers have determined that costs and fees influence student choice of MBA programs and business schools (Geissler, 2009; Beneke & Human, 2010; Ming, 2010; Mudholkar, 2012).

**- People**

Teachers and peers play a critical role in students' choice to enroll at university. Faculty and student support and services influence students' decision whether to study at Dhurakij Pundit University in Bangkok (Chuaytukpue, 2014). Mbawuni and Nimako (2015) found that student support quality was one of the main factors affecting students' choice of master's program in Ghana. Customer focus and socialization affect students' choice of higher institutions of learning (Padlee, Kamaruruddin, & Baharun, 2010; Teerakul et al., 2013; Sukpan, 2013). Faculty, staff, and coach are a major source of information influencing students' choice of university (Johnson, 2010; Hinds et al., 2010). Geissler (2009) found that professor face time was one factor MBA students sought for when selecting MBA program in USA.

**- Promotion**

Chuaytukpue's (2014) study of Dhurakij Pundit University in Bangkok indicates that promotion and communication influence students' decision to study at that college. Promotion affects students' choice of graduate schools in Thailand (Teerakul et al., 2013; Chuaytukpue, 2014). Thai universities' environment and atmosphere as well good their teaching facilities impact students' choice of university (Kitsawad, 2013). Packages and the placement process affect the selection in business schools in India Chhilar (2012). Johnson (2010) found that campus visit influenced students' choice of university in the USA.

### - *Prospectus*

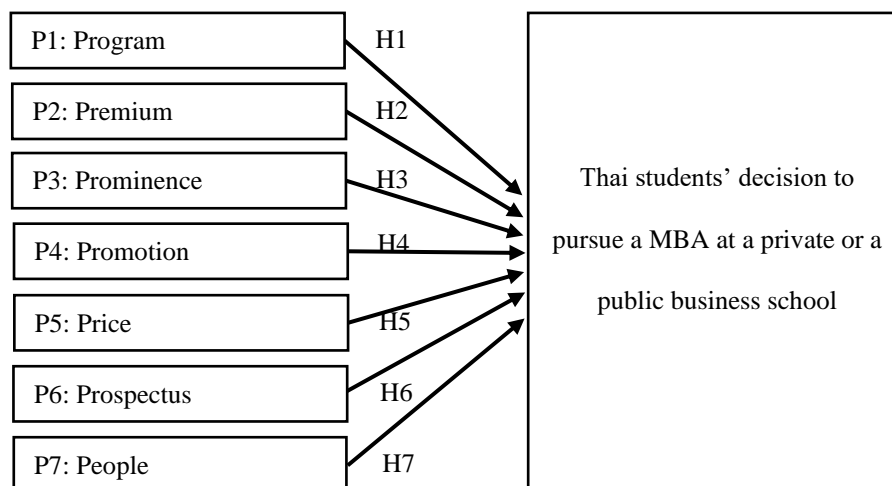
Prospectus affects students' choice of graduate schools in Thailand (Teerakul et al., 2013, Kitsawad (2013). Focusing on Dhurakij Pundit University in Bangkok, Chuaytukpuen (2014) concluded that school image and reputation influenced students' choice of university. Mutari and Saeid (2016) found that alumni programs and campus visits were the most influential factors of students' choice of MBA program in Kuwait, followed by friends' suggestions and business school websites. In Ghana, recommendations from lecturers and other staff members affect students' choice of master's program (Mbawuni & Nimako, 2015). In Australia, Blackburn (2011) found that students' perception of MBA programs and their reputation play an important role in students' choice of schools.

### - *Prominence*

Prominence, the image of an institute, has a positive influence on students' decision-making process and on how they evaluate the program prior to making a final decision (Pokateerakul, 2017). In analyzing students' choice of MBA programs in Kuwait, Mutari and Saeid (2016) found that the main influential factors were faculty and institution reputation. Institutional image was also determined by Waichalad and To-im (2016) to be the most influential factor in students' choice of graduate schools in their study of Mahidol University in Bangkok. According to Franco (2014), the international character of a university plays a critical role in the decision to enroll in an MBA program in Bangkok. This finding was corroborated by Tothumcharuen (2012), who concluded that the reputation of a university and its environment and atmosphere affected students' choice of MBA programs in private and public business schools in Bangkok. Focusing on Australia, Blackburn (2011) found that networking opportunities, class size, teaching quality, and lecturer understanding of working student's requirement affected students' choice of MBA program. Teowkul et al. (2009) stated that opportunities to establish wider connections motivated students to pursue master and doctoral degree in business in Bangkok.

## 3. Research Design and Methodology

Based on the literature review and determination of the independent variables in this study (P1 – P7), the following conceptual framework was developed.



**Figure 1: Conceptual Framework**

Seven hypotheses corresponding to the seven independent variables shown in Figure 1 were developed as follows (H1–H7).

*H1–H7: There is no significant difference between the influence of P1-P7 on Thai students' decision to pursue a MBA at a private or a public business school in Bangkok.*

### **Quantitative Methodology**

Quantitative methodology serves the purposes of this research (Creswell et al., Johnson & Onwuegbuzie, 2004). In addition to the literature review identifying the constructs in this study, instrumentation, quantitative data collection, and various quantitative data analyses, including a descriptive analysis, exploratory factor analysis, T-test, multi-collinearity test, and binary logistic regression analysis, were carried out.

### **- Population and Sample**

The population in this study is Thai MBA students attending private and public business schools in Bangkok. Based on Cochran (1977), the sample size for the study should be 384 so that the global standard confidence level can be achieved for a business research at 95% confidence level. Table 1 lists the top 10 Thai business schools offering MBA programs in Thailand as rated by FIND MBA international, based on employment data, curriculum, existing rankings, international balance, and location (Find MBA, 2018). All of them are located in Bangkok.

**Table 1:** Top 10 Business Schools in Thailand

Ranked	Name of university
1	Assumption University (AU)
2	Sasin Graduate Institute of Business Administration of Chulalongkorn University (SASIN)
3	Chulalongkorn Business School, Chulalongkorn University (CU)
4	Stamford International University (STIU)
5	National Institute of Development Administration (NIDA)
6	University of the Thai Chamber of Commerce
7	Asian Institute of Technology
8	Thammasat Business School, Thammasat University
9	Ramkhamhaeng University
10	Siam University (SU)

Source: find-mba.com (2018: Online)

Based on previous studies (Charles & Gherman, 2014; Kenway & Fahey, 2014; Marginson, 2015) and the accessibility of data, the sample frame was defined by a group of MBA students from six business schools out of the top 10 on the list shown in Table 1. The sample design in this study involves stratified random sampling and quota sampling, where S1 represents MBA students in private business schools and S2 MBA students in public business schools in Bangkok (Table 2). The quota sampling technique was used to determine the size of the sample of each stratum from the schools. 450 questionnaires were distributed to reach the target numbers of survey as defined by the sample size.

**Table 2:** Sample Size

Strata	Type	Business School	Proportion	Size	Total
S1	Private	AU	50%	64	384
		STIU		64	
		SU		64	
S2	Public	SASIN	50%	64	
		CU		64	
		NIDA		64	

**- Instrumentation**

The questionnaire was confirmed by the validity and reliability tests carried out as part of the pilot study and any perceived threats addressed. Questionnaires were distributed based on the sampling techniques within the timeframe of distribution, 15-28 February 2019. 436 out of the 450 questionnaires collected from the representative business schools were completed. Therefore, the response rate was 96.89%. The collected data from the first 64 respondents in each business school were considered the data from designated samples.

**- Content Validity**

As with the questionnaires used in the relevant studies reviewed, the questionnaire in this study consists of two main parts: Part I-Profile Questions and Part II-Opinion Questions. The second part includes opinion questions focusing on the level of importance which each variable has on the decision-making process. 42 positively-worded statements were used by means of an interval scale varying from 1.00 to 5.00, where 1.00 indicates the least importance level, and 5.00 the most important one. The answers could be expressed in two decimal place digits (e.g. 3.72). All the independent variable names were positively worded statements in previous studies in Thailand, Malaysia, India, Kuwait, Peru, Ghana, Australia, and USA. After an English version of the pilot survey was designed based on the variables used in prior studies (many of them published in English), the next procedure was to ensure it would be accurately translated into Thai since the targeted population was Thai students (Maxwell, 1996). To do so, the researchers applied the method recommended by the WHO (World Health Organization, 2009): forward translation, expert panel, back-translation, and test-retest reliability of the survey.

**- Test-Retest Reliability**

In addition to the reliability test employed during the pre-test process of the instrument, the questionnaires collected from the sample were tested. As shown in Table 3, the results of the reliability test are above 0.7, which indicates that the questionnaire was reliable (Vaz, Falkmer, Passmore, Parsons, & Andreou, 2013).

**Table 3:** Test-Retest Reliability

	<b>Respondents</b>	<b>Cronbach's alpha</b>
Pilot survey	30	.945
Questionnaire	384	.938

**- Construct Validity**

An Exploratory Factor analysis (EFA) is generally used in social sciences and in the education field as the method of choice for interpreting self-reporting questionnaires (Bandalos & Finney, 2018). The EFA was employed to reduce the number of variables before interpreting the results. Table 4 summarizes the data collection and analysis conducted in this study.

**Table 4:** Summary of Methodology

<b>Purpose</b>	<b>Data collection</b>	<b>Data analysis</b>	<b>Interpretation</b>
To validate survey	Pilot survey and questionnaire distribution	Test-retest Reliability	Reliability of independent variables (IVs)
To explore demographic information of sample	Questionnaire distribution	Descriptive analysis	Summarized demographic information

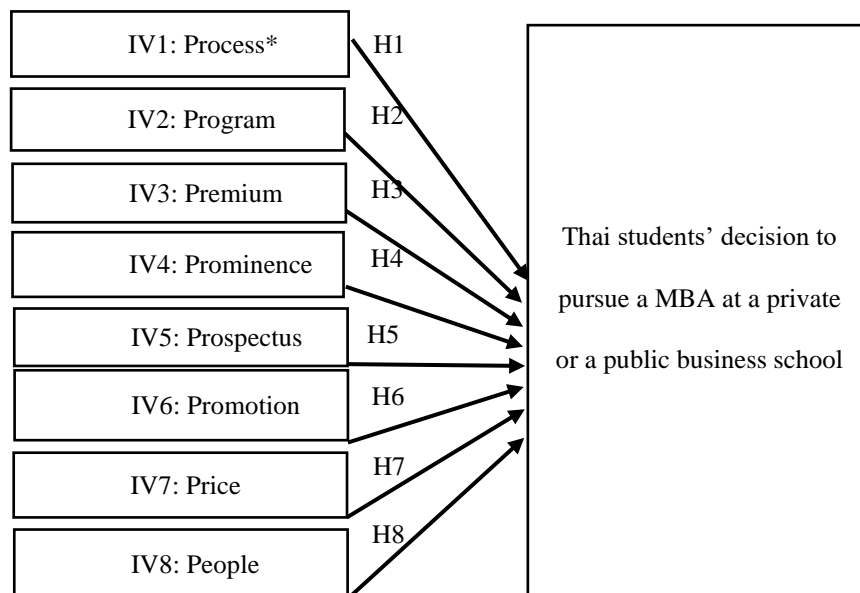
To eliminate invalid IVs	EFA	Reduced variables into a smaller set to facilitate easier interpretations
To compare means of levels of importance of factors to students' decision	T-test	Summarized significant differences in levels of importance of IVs
To identify imulti-collinearity problems of IVs (if any)	Multi-collinearity test	Evaluated variance inflation factor (VIF) values of IVs
To identify factors affecting students' decision	Binary logistic regression analysis	Summarized factors affecting students' decision to choose between the MBA programs

#### 4. Research Findings

Following the Exploratory Factor analysis, 9 dimensions of independent variables were found but one of the new independent variable found during the analysis contained two non-related variable names due to an error in the translation process. This independent variable was therefore removed prior to the revision of the conceptual framework and the research hypotheses. Finally, 10 of the 42 variable names initially contained in the questionnaire were removed and regrouped into 8 dimensions (8Ps) instead of the 7Ps as found in the literature review. Therefore, a new P for higher education marketing operating as an independent variable in this study, Process (IV1),\* was added.

##### - Framework Revision

Consequently, whereas the initial conceptual framework in this study includes 7 hypotheses (H1–H7) based on the 7 independent variables (P1–P7) shown in Figure 1, the revised framework includes 8 hypotheses (H1–H8) following the addition of an eighth independent variables as shown in Figure 2.



**Figure 2:** Revised Conceptual Framework

Table 5 summarizes the 8Ps for higher education following the addition of another P element to the marketing mix.



**Table 5:** 8Ps for Higher Education

Marketing Mix	Details
Process*(New)	Duration of MBA program Mode of delivery
Program	Courses in MBA curriculum Quality of instruction Industry relevant program
Premium	Location of university and distance from residence Physical facilities and infrastructure Transportation service and access to public transportation Cleanliness of campus cafeteria
Prominence	Academic reputation International accreditation Networking opportunities International character of the university Environment and atmosphere of university
Prospectus	Peer recommendation Lecturer and staff recommendations
Promotion	Campus visit Student service channel Online advertising Student support and counselling Public relation Web-based program information Social media communication
Price	Tuition fee Total cost Providing financial aid Scholarship offered Installment options Packages and promotions offered
People	Role of lecturers Quality of student service Socialization

All the hypotheses in this research were therefore revised as follows:

**H1–H8:** *There is no significant difference between the influence of IV1-IV8 on Thai students' decision to pursue a MBA at a private or a public business school in Bangkok.*

#### - Descriptive Statistics

In both private and public business schools, most MBA students surveyed were females (59.11%). However, there were more males in public business schools (52.60%) than in private ones (29.17%). In both schools, the largest group of students was working adults with more than 5 years of experience in the workplace (49.74%). 75.26% of the participants were employees. The main age group was 26-30 years (44.79%) followed by those aged 31-35 years (17.19%) and 25 years old or younger (16.93%). The monthly income of the majority of the participants (63.28%) both from private and public business schools was 35,000 baht (USD 1,140) and above. 44.79% of them earn 45,000 baht (USD 1,460) and above on average per month.

#### - T-Test Analysis

At 95% degree of confidence for business research, the obtained difference between the means of the sample groups was too great to be a chance event or some differences also existed in the

population from which the sample was drawn sample (Haynes, 2013). Table 6 showed the means of each independent variable from the two sample groups (Thai MBA students in private and public business schools).

**Table 6: Group Statistics**

	Current study	N	Mean
IV1	Private	192	4.4505
	Public	192	4.4005
IV2	Private	192	4.5075
	Public	192	4.5192
IV3	Private	192	4.1409
	Public	192	3.8624
IV4	Private	192	4.4029
	Public	192	4.3667
IV5	Private	192	3.6224
	Public	192	3.8120
IV6	Private	192	3.8251
	Public	192	3.5734
IV7	Private	192	3.8451
	Public	192	3.6836
IV8	Private	192	4.2799
	Public	192	4.2271

Table 7 identifies the significant differences (Sig. < 0.05) between the average level of importance of IV3, IV5, and IV6 on students' decision to choose between MBA programs.

**Table 7: T-test**

	df	Sig. (2-tailed)	95% Confidence	
			Lower	Upper
IV1	382	.443	-.07805	.17805
	381.975	.443	-.07805	.17805
IV2	382	.837	-.12344	.10001
	379.170	.837	-.12345	.10001
IV3	382	.000	.15090	.40600
	377.980	.000	.15090	.40600
IV4	382	.515	-.07295	.14534
	381.725	.515	-.07295	.14535
IV5	382	.032	-.36318	-.01599
	381.447	.032	-.36318	-.01599
IV6	382	.001	.10443	.39907
	372.226	.001	.10442	.39908
IV7	382	.074	-.01591	.33900
	372.441	.074	-.01592	.33901
IV8	382	.432	-.07926	.18499
	364.759	.432	-.07928	.18500

#### **- Binary Logistic Regression**

A multi-collinearity test was conducted prior to fitting the regression model to ensure that the degree of correlation between the independent variables was acceptable. The VIFs identify the correlation between the independent variables and the strength of that correlation (Alin, 2010). Table 8 shows the results. Since none of the independent variable has a VIF value of more than 5t, there was no serious multi-collinearity problem.

**Table 8:** Multi-collinearity Test

Collinearity Statistics		
	Tolerance	VIF
(Constant)		
IV1	.830	1.205
IV2	.756	1.322
IV3	.719	1.391
IV4	.693	1.443
IV5	.735	1.360
IV6	.489	2.043
IV7	.596	1.677
IV8	.594	1.685

A binary logistic regression analysis was then carried out to examine how the multiple independent variables related to the binomial dependent variable and to generalize the findings of the sample in relation to the studied population (Harrell, 2015). The results indicate that the model in this study was significant (Sig. = .000), which could predict 61.5% of the scenario. The possibility of a correct prediction of the model increased from 50% (Block 0) to 61.5% (Block 1). The first and second binary logistic regression analyses were employed to triangulate the results of the analysis. As shown in Tables 9 and 10, there are three independent variables (IV3, IV5, and IV6) with Sig. < 0.05. This means that these three independent variables (prospectus, promotion, and premium) exert significant influence on Thai students' decision-making process when selecting the MBA programs.

**Table 9:** First Analysis (Private = 1)

		B	S.E.	Wald	Df	Sig.	Exp (B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1	IV1	-.013	.188	.005	1	.946	.987	.682	1.428
	IV2	-.317	.227	1.947	1	.163	.728	.467	1.137
	IV3	.674	.205	10.800	1	<b>.001</b>	<b>1.961</b>	1.312	2.931
	IV4	-.056	.251	.050	1	.824	.946	.579	1.545
	IV5	-.599	.160	14.056	1	<b>.000</b>	.549	.402	.751
	IV6	.776	.225	11.931	1	<b>.001</b>	<b>2.172</b>	1.399	3.374
	IV7	.068	.164	.175	1	.676	1.071	.777	1.476
	IV8	-.258	.223	1.329	1	.249	.773	.499	1.198
	Constant	-.781	1.187	.433	1	.510	.458		

**Table 10:** Second Analysis (Public = 1)

		B	S.E.	Wald	Df	Sig.	Exp (B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1	IV1	.013	.188	.005	1	.946	1.013	.700	1.465
	IV2	.317	.227	1.947	1	.163	1.373	.880	2.143
	IV3	-.674	.205	10.800	1	<b>.001</b>	.510	.341	.762
	IV4	.056	.251	.050	1	.824	1.057	.647	1.728
	IV5	.599	.160	14.056	1	<b>.000</b>	<b>1.820</b>	1.331	2.490
	IV6	-.776	.225	11.931	1	<b>.001</b>	.460	.296	.715

IV7	-.068	.164	.175	1	.676	.934	.678	1.287
IV8	.258	.223	1.329	1	.249	1.294	.835	2.004
Constant	.781	1.187	.433	1	.510	2.184		

### - Hypothesis Testing

A T-test and regression analyses was conducted to test the hypothesis and answer the research question, which, as we saw earlier, reads as follows: What are the differences among the factors influencing Thai students' decision to pursue a MBA at a private or a public business school in Bangkok?

H1, H2, H4, H7, and H8 were accepted. Therefore, Process (IV1), Program (IV2), Prominence (IV4), Price (IV7), and People (IV8) have no significant influence on Thai students' choice of MBA programs in private and public business schools in Bangkok. However, H3, H5, and H6 were rejected, which means that Prospectus (IV5), Promotion (IV6), and Premium (IV3), have a significant influence on Thai students' choice of MBA programs. Table 11 summarizes the level of influence of each factor.

**Table 11:** Summary of Hypothesis Testing Findings

Hypothesis	Result	Explanation
H1	Accepted	
H2	Accepted	
H3	Rejected	Premium has a 1.961 times stronger influence on Thai students' decision to pursue a MBA at a private business school. The average level of importance of Premium on students' choice was 4.1409 for private business schools and 3.8624 for public business schools.
H4	Accepted	
H5	Rejected	Prospectus has a 1.820 times stronger influence on Thai students' decision to pursue a MBA at a public business school. The average level of importance of Prospectus on students' choice was 3.6224 for private business schools and 3.8120 for public business schools.
H6	Rejected	Promotion has a 2.172 times stronger influence on Thai students' decision to pursue a MBA at a private business school. The average level of importance of Promotion on students' choice was 3.8251 for private business schools, and was 3.5734 for public business schools.
H7	Accepted	
H8	Accepted	

### 5. Discussion and Conclusions

The findings indicate that for students who wanted to pursue MBA studies at public business schools, the Prospectus construct (lecturer, staff, and peer recommendations) was of the utmost importance in their decision-making process. However, for those who chose MBA programs at private business schools, this construct was less important. For them, Promotion and Premium played a stronger role in their choices. Thus, in order to retain a competitive advantage in the market, public business schools should focus more on lecturers, staff members, and the level of student satisfaction so as to enhance their standing with prospective students. They should work jointly on these three constructs (Prospectus, Promotion and Premium) when developing marketing campaigns. On the other hand, private business schools should concentrate on the Promotion and Premium factors since they have the strongest influence on students' choice of MBA programs. In the meantime, they should strive to maintain high academic standards and a positive image of lecturers and staff members and ensure student satisfaction, all of which leading to positive and strong recommendations.

### ***Practical Recommendations to Managers***

The findings indicate that Prospectus is the most influential factor, followed by Promotion, and Premium. Based on this determination, the following is a series of practical recommendations regarding these three factors that could be incorporated into business schools' marketing strategies.

#### ***- Prospectus***

As is the case with customers, student satisfaction plays a critical part, especially in public business schools, as satisfied students are likely to recommend the schools to friends and family. Such recommendations and positive word-of-mouth could be encouraged by the promotion of referral marketing campaigns, encouraging students to share their views and opinions on social media, such as Facebook, Instagram, and Twitter. Since Prospectus is not an issue with private business schools, they should put more time and investment into the other factors such as Promotion and Premium as this would lead to a stronger marketing impact.

#### ***- Promotion***

As marketing material, program information on the schools' websites should be consistent across the board and all program information up to date and aligned with the current curriculum. Since the university website is usually the primary source for students to research MBA programs, access to the data is important. The school website should therefore be mobile-friendly and a clear directory be available for both computer and mobile access. An emerging digital marketing strategy for higher education is the use of live streams. Business schools could use live streaming, which includes live stream Q&A sessions, live streaming events, and even live streaming trial classes. Live streams are viewed as "more authentic" by many millennials and can be a great way to build relationships with potential students. Facebook Live, Instagram Stories, Video Chat for Snapchat, and Periscope for Twitter should all be part of the strategy. Chat bots for higher education marketing is becoming very popular as well. Since most students expect a response from a business school representative no more than a day after filling the form, using web chats such as Drift will help to ensure that schools respond quickly. With social media communication, one of the most popular forms of communication of the new generations, business schools could promote the following content on social media in order to optimize traffic, interactions, and communications: successful alumni, student and faculty achievements, Facebook interest groups, social media ambassadors, and YouTube channel. To drive up student applications, schools could use online advertising to build a digital-friendly brand. Essentially a higher education brand has to be associated with consistent quality education and alumni success. The quality of the university can be promoted digitally using statements backed with data and facts and advert time optimized with AI (tools to identify the best time to email or even post content on social media can make a huge difference). As part of their public relation strategy, business schools can showcase student activities as way to help students envision a bright future at the school and beyond. Finally, campus visits can go a long way in promoting a school.

#### ***- Premium***

University location is one of the top priorities of students when selecting an MBA program in Bangkok, especially for those who have weekly face-to-face class time. Therefore, a clear map of the campus should be provided accurately, especially on the schools' websites and social media channels. Relating to this point is commuting time, which means a great deal to students and weighs heavily on their decision to enroll in an MBA program in Bangkok. Trains and subways (BTS and MRT) seem to be their favorite and most convenient mode of transportation. Schools located in areas where they are accessible should emphasize it as a premium factor. The study also indicates that Thai MBA students attach great importance to physical facilities and infrastructure developments, most notably classrooms, teaching



facilities, internet access. Showcasing them via a virtual tour of the campus on social media would be the simplest way to provide a sense of what is offered at these institutions of higher learning and promote them. Clean cafeterias and restaurants on and around the campus are also major considerations for students.

#### **- Recommendations for Future Studies**

Given the limitations of this study, obviously there is room for further studies on marketing MBA programs. Future research could focus on other parts of the countries or on the entire country so as to develop a broader picture of the factors influencing Thai students' choice of MBA programs. Future studies could also be extended to the MBA student population enrolled in online programs since this study only surveyed Thai MBA students attending face-to-face classes. In addition, a study similar to this research could be conducting focusing on international students pursuing a MBA in Thailand. Research along these lines could take place in ASEAN member states, many of which are competing with Thailand for MBA students. Finally marketing research involving other programs in higher education, such as for example, Bachelor's Degree programs, could be accrued as well.

#### **References**

- Alin, A. (2010). Multicollinearity. *Wiley Interdisciplinary Reviews: Computational Statistics*, 2(3), 370-374.
- Bandalos, D. L., & Finney, S. J. (2018). *Factor analysis: Exploratory and confirmatory. In The Reviewer's Guide to Quantitative Methods in the Social Sciences* (pp. 98-122). London: Routledge.
- Beneke, J., & Human, G. (2010). Student recruitment marketing in South Africa: An exploratory study into the adoption of a relationship orientation. *African Journal of Business Management*, 4(4), 435.
- Blackburn, G. (2011). Which Master of Business Administration (MBA)? Factors influencing prospective students' choice of MBA programme—an empirical study. *Journal of Higher Education Policy and Management*, 33(5), 473-483.
- Charles, V., & Gherman, T. (2014). Factors influencing students' choice of a B-school. *The New Educational Review*, 37(3), 117-129.
- Chhillar S. (2012). A study of the factors affecting the selection of B-schools (Master's thesis). Navi Mumbai: Patil University.
- Cochran, W. G. (2007). *Sampling techniques*. Hoboken, New Jersey: John Wiley & Sons.
- Chuaytukpuen, T. (2014). A study of the factors affecting the decision to pursue higher education at Dhurakij Pundit University, undergraduate program. *Suthiparithat Journal*, 29 (90), 256-271.
- Creswell, J. W., Plano Clark, V. L., Gutmann, M. L., & Hanson, W. E. (2003). Advanced mixed methods research designs. *Handbook of Mixed Methods in Social and Behavioral Research*, 209, 240.
- Cubillo, M., J., & Cerviño, J. (2006). International students' decision-making process. *International Journal of Educational Management*, 20(2), 101-115.
- Find MBA. (2018, July). Retrieved July 10, 2019, from Find MBA Programs Worldwide: <https://find-mba.com/schools/asia/thailand>
- Franco, A. (2015). Evaluation and strategic development within the brand management of an International MBA program. *ASEAN Journal of Management & Innovation*, 1(2), 19-29.
- Geissler, G. L. (2011). Using student input to develop a marketing strategy for an executive MBA program. *Journal of Case Studies in Education*, 2(1).

- Goff, B., Patino, V., & Jackson, G. (2004). Preferred information sources of high school students for community colleges and universities. *Community College Journal of Research & Practice*, 28(10), 795-803.
- Harrell, F. E. (2015). *Binary logistic regression*. In Regression Modeling Strategies. New York: Springer.
- Haynes, W. (2013). *Student's t-test*. Encyclopedia of Systems Biology. New York: Springer.
- Hinds, T., Falgoust, D., Thomas Jr, K., & Budden, M. C. (2010). Examining the perceptions of brand images regarding competing MBA programs. *American Journal of Business Education*, 3(12), 7-18.
- Ivy, J. (2001). Higher education institution image: A correspondence analysis approach. *International Journal of Educational Management*, 15(6), 276-282.
- Ivy, J. (2008). A new higher education marketing mix: the 7Ps for MBA marketing. *International Journal of Educational Management*, 22(4), 288-299.
- Johnson, R. B., & Onwuegbuzie, A. J. (2004). Mixed methods research: A research paradigm whose time has come. *Educational Researcher*, 33(7), 14-26.
- Johnston, T. C. (2010). Who and what influences choice of university? Student and university perceptions. *American Journal of Business Education*, 3(10), 15-24.
- Judson, K. M., James, J. D., & Aurand, T. W. (2004). Marketing the university to student-athletes: Understanding university selection criteria. *Journal of Marketing for Higher Education*, 14(1), 23-40.
- Kenway, J., & Fahey, J. (2014). Staying ahead of the game: The globalising practices of elite schools. *Globalisation, Societies and Education*, 12(2), 177-195.
- Kiley, M., & Austin, A. (2000). Australian postgraduate students' perceptions, preferences and mobility. *Higher Education Research & Development*, 19(1), 75-88.
- Kitsawad, K. (2013). An investigation of factors affecting high school student's choice of University in Thailand (Doctoral dissertation).
- Kittle, B., & Ciba, D. (2001). Using college web sites for student recruitment: A relationship marketing study. *Journal of Marketing for Higher Education*, 11(3), 17-37.
- Kotkam, C. (2000). Education in Thailand. *Journal of Southeast Asian Education*, 1(1), 202-18.
- Liu, S. S. (1998). Integrating strategic marketing on an institutional level. *Journal of Marketing for Higher Education*, 8(4), 17-28.
- Marginson, S. (2015). The strategic positioning of Australian research universities in the East Asian region. *Higher Education*, 70(2), 265-281.
- Maxwell, B. (1996). Translation and cultural adaptation of the survey instruments. In *Third International Mathematics and Science Study (TIMSS) Technical Report*. 159-169.
- Mbawuni, J., & Nimako, S. G. (2015). Critical factors underlying students' choice of institution for graduate Programs: Empirical evidence from Ghana. *International Journal of Higher Education*, 4(1), 120-135.
- Ming, J. S. (2010). Institutional factors influencing students' college choice decision in Malaysia: A conceptual framework. *International Journal of Business and Social Sciences*, 1(3), 53-58.
- Mudholkar, D. B. (2012). *A study of student's choice factors for selecting B-Schools with special reference to Mumbai*. Zenith International Journal of Multidisciplinary Research, 2(4), 88-95.
- Mutari, A., & Saeid, M. (2016). Factors affecting students' choice for MBA program in Kuwait Universities. *International Journal of Business and Management*, 11(3), 119.
- Nicholls, J., Harris, J., Morgan, E., Clarke, K., & Sims, D. (1995). Marketing higher education: the MBA experience. *International Journal of Educational Management*, 9(2), 31-38.

- Padlee, S. F., Kamaruddin, A. R., & Baharun, R. (2010). International students' choice behavior for higher education at Malaysian private universities. *International Journal of Marketing Studies*, 2(2), 202-211.
- Pokateerakul P. (2017). Factor influencing study choices for graduate studies college of innovation management Rajamangala University of Technology Rattanakosin (Ph.D). *Social Sciences Journal*, 7(1), 44-56.
- Sukpan M. (2013). *Factors affecting the decision to study for high vocational certificate: A case study of Thonburi Commercial College* (Unpublished master's thesis). Dhurakij Pundit University, Bangkok, Thailand.
- Tapp, A., Hicks, K., & Stone, M. (2004). Direct and database marketing and customer relationship management in recruiting students for higher education. *International Journal of Nonprofit and Voluntary Sector Marketing*, 9(4), 335-345.
- Teerakul, S., Kaewsomboon, W., Seangseedam, S., Thip-o-sot, W., Deeyai, S., & Watthanamathawee, S. (2013). Factors influencing the decision to study graduate level at Thaksin University. *Journal of Education Thaksin University*, 13(2), 48-61.
- Teowkul, K., Seributra, N. J., Sangkaworn, C., Jivasantikarn, C., Denvilai, S., & Mujtaba, B. G. (2009). Motivational factors of graduate Thai students pursuing master and doctoral degrees in business. *RU International Journal*, 3(1), 25-56.
- Tothamcharean, P. (2012). Factors affecting study choices for Master of Business Administration programs of public and private universities (Unpublished master independent study). Rajamangala University of Technology Thanyaburi, Patumtani, Thailand.
- Vaz, S., Falkmer, T., Passmore, A. E., Parsons, R., & Andreou, P. (2013). The case for using the repeatability coefficient when calculating test-retest reliability. Retrieved September 9, 2019, from <https://doi.org/10.1371/journal.pone.0073990>
- World Health Organization. (2009). Retrieved May 14, 2019, from Process of Translation and Adaptation of Instruments.[http://www.who.int/substance\\_abuse/research\\_tools/translation/en/](http://www.who.int/substance_abuse/research_tools/translation/en/)

## Guideline for Authors

ASEAN Journal of Management & Innovation (AJMI) is a Tier 1 Thailand Citation Index (TCI) journal and ASEAN Citation Index (ACI) journal available online.

ISSN 2351-0307

**Volume 6 Number 2**

July – December 2019

**Stamford International University**

Research and Development Center

16 Motorway Road, Prawet, Bangkok 10250, Thailand

Telephone +66 02 769 4000

**Website:** [ajmi.stamford.edu](http://ajmi.stamford.edu)

© Stamford International University 2015

### • MISSION STATEMENT

The goal of AJMI is to publish insightful, original and timely research that describes or potentially impacts management and/or innovation within the ASEAN context. AJMI is multidisciplinary in scope and encourages interdisciplinary research. The journal welcomes submissions in all topics related to management, as well as topics related to innovation; regardless of discipline or subject area.

Topics that are either distinctly ASEAN-related or regional or international in scope, but of relevance to ASEAN readers are encouraged. In addition to empirical research, AJMI accepts conceptual papers as well as papers that provide new insights into previous work and/or conventional wisdom. Also accepted are structured/systematic literature reviews that follow a specific methodology.

Manuscripts that are simply literature reviews are generally discouraged.

Relevant topics include, but are not limited to:

- Management & Marketing
- Finance, Banking & Accounting
- Human Resource Management
- International Business Management
- Innovation & Entrepreneurship Development
- Hospitality Management
- Project Management
- Operations & Supply Chain Management
- Business Ethics
- Educational Leadership & Management

## • PERIODICITY

Twice a year publication:

- First Issue: January – June (submission deadline, February 15).
- Second Issue: July – December (submission deadline, August 15).

## • ARTICLE SUBMISSION

All submissions and correspondence should be sent to [ajmi@stamford.edu](mailto:ajmi@stamford.edu)

A **strong standard of English** is expected, which means that authors who are non-native speakers may need to have their articles proofread by a qualified person prior to submitting them to AJMI.

Articles must be submitted electronically in Word format. To submit a paper, go to the Journal Management System at [ajmi.stamford.edu](http://ajmi.stamford.edu) and register as an author(s), and upload the file containing the paper.

Articles will be accepted to a maximum of 5,000 words (not including references).

Submission of an article to AJMI implies a commitment by the author(s) to publish in the journal.

In submitting an article to AJMI, the author(s) vouches that the article has neither been published, nor accepted for publication, nor is currently under review at any other location, including as a conference paper. If the article is under review elsewhere, it will be withdrawn from the submission list.

In addition, the author(s) also agree that the article shall not be placed under review elsewhere while the review process at AJMI is ongoing.

If the article is accepted for publication, the author's further guarantees not to withdraw it for submission to publish elsewhere.

AJMI does not collect any processing or publication fees.

## • REVIEW PROCESS

AJMI uses a “double-blind peer review system” meaning that the authors do not know who the reviewers are, and the reviewers do not know who the authors are. All submitted manuscripts are to be reviewed by at least two expert reviewers per paper.

Each article is judged based solely on its contribution, merits, and alignment with the journal's Mission.

Reviewers are chosen on the basis of their expertise in the topic area and/or methodology used in the paper. Should any revision be required, our instructions to authors are designed to move authors towards a successfully published article.



## • RESEARCH COMPONENTS

The article should include the following components:

- An introduction
- A review of the relevant literature
- An outline of the research methodology/ research design
- Research findings
- A discussion of the results
- A conclusion and policy recommendations/ recommendations to managers

**An emphasis should be placed on the discussion of the findings, the conclusion and policy recommendations/ recommendations to managers.**

## • AJMI STYLE GUIDE

All of the following requirements need to be met before an article can be sent to reviewers. If the formatting of a submitted paper does not match these requirements, **the paper will be returned without review for correction and re-submission.**

### *1. Format*

- Must be a Word-compatible document (not a .pdf) and use the American Psychological Association (APA) Referencing Style as shown below (see sub-sections 6 and 7).

### *2. Title Page*

- Uploaded separately from the abstract and body.
- Manuscript title (not in all capital letters).
- Title, name, affiliation and email address of all authors.
- Indicate clearly who is the corresponding author for journal communication.

### *3. Abstract*

- Not more than 250 words.
- Should not include any information that would identify the author(s).
- Bold, Times New Roman, 12 point, no indentation.

### *4. Keywords*

- Three to six keywords are required at the time of submission.

### *5. Body of the Paper*

- A4 page size.
- Margin of 1" (2.5cm) on all four sides.
- Title of Article: Times New Roman font, 20 point.
- Section Heading: First letter of each word in capitals, bold 12 point font.
- Body Text: Times New Roman font, 12 point, single space between sentences.

## 6. In-Text Citations

- All in-text citations included throughout the article must have a corresponding full reference at the end of the manuscript body.
- Only direct quotes need a page number (not paraphrases).
- Direct Quotes
  - *One Author*  
 Author's Last name (Year) stated that "direct quote" (page number).  
 Isenberg (2007) stated that "international dispersion is on the rise" (p. 56). **Or**  
 "Direct quote" (Last name, Year, page number)  
 "International dispersion is on the rise" (Isenberg, 2007, p. 56).
  - *Two Authors*  
 First author's Last name and second author's Last name (Year, page number) mentioned that "direct quote" (page number).  
 Isenberg and Kerr (2007) mentioned that "international dispersion is on the rise" (p. 56). **Or**  
 "Direct quote" (first author's Last name & second author's Last name, Year, page number).  
 "International dispersion is on the rise" (Isenberg & Kerr, 2007, p. 56).
- Block Quotes  
 If a quote runs on for more than 40 words:
  - Start the direct quotation on a new line
  - Indent the text roughly half an inch from the left margin
  - Remove any quotation marks

*Example:*  
 As Krugman (2019) stated:  
 Maybe the larger point here is that there tends to be a certain amount of mysticism about trade policy, because the fact that it's global and touches on one of the most famous insights in economics, the theory of comparative advantage, gives it an amount of mind space somewhat disproportionate to its actual economic importance. (p. 3).
- Parenthetical Citing
  - *One Author*  
 Author's Last name (Year) in-text parenthetical citation (paraphrase).  
 Isenberg (2007) argues that cross-border migration is increasing. **Or**  
 Paraphrase (Last name, Year)  
 Cross-border migration is increasing (Isenberg, 2007).
  - *Two Authors*  
 First author's Last name and second author's Last name (Year) paraphrase.  
 Kerr and Isenberg (2007) argued that cross-border migration is increasing. **Or**  
 Paraphrase (first author's Last name & second author's Last name, Year).  
 Cross-border migration is on the rise (Isenberg & Kerr, 2007).
  - *Three to Five Authors*  
 All authors' Last names (Year) paraphrase.  
 Kerr, Isenberg, and Steward (2007) argued that cross-border migration is increasing. **Or**

Paraphrase (all authors' Last names, Year).

Cross-border migration is increasing (Isenberg, Kerr, & Steward, 2007).

For all subsequent in-text paraphrases, first author's Last name followed by "et al." and the publication year.

Isenberg et al. (2007) found that the event resulted in thousands of people flocking to the border.

**Or**

The event resulted in thousands of people flocking to the border (Isenberg et al., 2007).

## 7. Full References

The following formatting rules apply:

- References appear at the end of the manuscript body in alphabetical order by the first word in the reference (usually the author's last name, sometimes the title).
- All references must have a corresponding in-text citation in the manuscript.
- If more than one work by an author is cited, list them by earliest publication date first.
- If the list contains more than one item published by the same author(s) in the same year, add lower case letters immediately after the year to distinguish them (e.g. 1983a).
- If there is no author, the title moves to the author position (filed under the first significant word of the title).
- Reference list entries should be indented half an inch or 12 mm (five to seven spaces) on the second and subsequent lines of the reference list for every entry - a hanging indent is the preferred style (i.e. entries should begin flush left, and the second and subsequent lines should be indented).
- Single-space all reference entries.

Follow APA Referencing Style format for each source type listed as shown below. For any source type not shown below, go to the APA website for references.

- Book

- One Author

Author, F. M. / Organization. (Year). *Topic Title*. City: Publisher.

Nagel, P. C. (1992). *The Lees of Virginia: Seven generations of an American family*. New York: Oxford University Press.

- Two Authors

Author, F. M., & Author, F. M. (Year). *Topic Title*. City: Publisher.

Nagel, P. C., & Sampson, T. (1995). *Seven generations of an American family*. New York: Oxford University Press.

- Three Authors

Author, F. M., Author, F. M., & Author, F. M. (Year). *Topic Title*. City: Publisher.

Nagel, P. C., Sampson, T., & Hubbard, A. J. (1992). *The Lees of Virginia: Seven generations of an American family*. New York: Oxford University Press.

- Journal

Author, F. M. (Year). Title of article. *Title of Journal*, vol. (issue), pp xxx-xxx.

Turner, R. A. (2007). Coaching and consulting in multicultural contexts. *Consulting Psychology Journal: Practice and Research*, 59(4), 241-243.

- Website  
Author, F. M./ Organization. (Year of Publication). Web page title. Retrieved (Date) from URL Address.  
Bogati, S. (2013, October 14). Hospitality Industry in Nepal. Retrieved November 3, 2018, from <http://hospitalityindustryinnepal.blogspot.com/>
- Newspaper  
Author, F. M. / Organization (Year, month, day published). Title of article. *Title of newspaper*, page.  
Parker, T. D. (2009, August 3). Getting rid of side stitches. *The Washington Post*, p. E1, E4.

## 8. Formatting Figures and Table

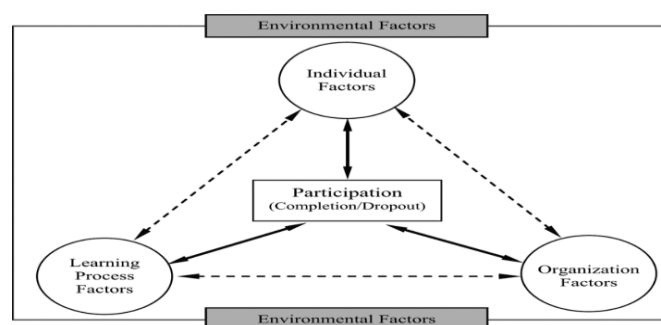
There are two different styles for graphics in APA format: **Figures** (charts, images, pictures) and **Tables**.

- Figures
  - The first graphic (chart, drawing, or image) will be labeled as Figure 1 and be the first one mentioned in the article.
  - Subsequent ones will follow in the appropriate numeral order in which they appear in the article.
  - Follow APA Referencing Style format for each source type listed as shown below. This means that both the Title and the Source are written below the Figure.



**Figure :1** Name of Picture

**Source:** Author's Last name OR Organization's name (Year, Page number OR Online)  
Khomeini (2017, p. 137)



**Figure 1:** Conceptual framework

**Source:** Author's Last name OR Organization's name (Year: Page number OR Online)  
Wang (2019: p. 45)

- Tables  
Tables are labelled separately to Figures and should follow the instructions below.
  - The first Table will be labeled as Table 1 and be the first Table mentioned in the article.
  - Subsequent ones will follow in the appropriate numeral order in which they appear in the article. This means that Tables are labelled separately to Figures.

- The APA Referencing Style format for a Table differs to that of a Figure. A Table has the Title above the Table, and the Source will be listed below.

**Table 2:** Domestic Tourism in Ayutthaya and Sukhothai in 2004

Type of Data (2004)	Ayutthaya	Sukhothai
Visitor	3,023,933	1,915,975
Thai		1,107,958
Foreigners		

**Source:** Author's Last name OR Organization's name (Year: Page number OR Online)  
Tourism Authority of Thailand (2005: Online)

For any source type not shown above, go to the APA website for references.

## References

- APA (2010). *Publication Manual of the American Psychological Association* Washington, D.C.: American Psychological Association (6th ed). Retrieved April 5, 2019, from: <https://opentextbc.ca/researchmethods/chapter/american-psychological-association-apa-style/>
- Bogati, S. (2013, October 14). *Hospitality Industry in Nepal*. Retrieved November 3, 2018, from <http://hospitalityindustryinnepal.blogspot.com/>
- Kerr, W. R., & Isenberg, D. J. (2007) "Take Advantage of Your Diaspora Network." *Harvard Business School* Background Note 808-029, August. (Revised July 2008.) (Featured in a 2008 *Harvard Business Review* write-up.)
- Krugman, P. (2019, May 13) Trump's trade war is killing the 'Pax Americana'. *The Bangkok Post*, p. 9.
- Nagel, P. C. (1992). *The Lees of Virginia: Seven generations of an American family*. New York: Oxford University Press.
- Nagel, P. C., & Sampson, T. (1995). *Seven generations of an American family*. New York: Oxford University Press.
- Nagel, P. C., Sampson, T., & Hubbard, A. J. (1992). *The Lees of Virginia: Seven generations of an American family*. New York: Oxford University Press.
- Parker, T. D. (2009, August 3). Getting rid of side stitches. *The Washington Post*, p. E1, E4.
- Turner, R. A. (2007). Coaching and consulting in multicultural contexts. *Consulting Psychology Journal: Practice and Research*, 59(4), 241-243.