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## **Editorial**

Dear Reader,

Welcome to this edition of the ASEAN Journal of Management & Innovation (AJMI). As the AJMI enters its third year of publication and has been placed in the ASEAN Citation Index (ACI), there is a lot to look forward to and for which to give thanks. I particularly note the consistently high quality contributions from our authors and I would like to offer a word of thanks to all our authors, readers, peer reviewers, and our editorial board for your support of the journal.

In this issue (V3N2), we are pleased to publish twelve selected papers focusing on a diversity of themes - business and public management, banking and finance, accounting and education. These papers explore issues such as the process flow of after sales service in a telecommunication business in Thailand, strategic audit expertise orientation and audit success, the financial performance of Thailand's banking sectors, and modern cost management innovation and firm performance. Other interesting papers explore the understanding of Thai culture and the related impact and effect of academic stress on students' learning orientation, the influence of gender on effective leadership, personnel practices of flight crew officers and their effective performance, public management working based on a qualitative assessment study, and a casual factor study influenced to organizational commitment of generation Y working in the energy business and public utility in Thailand. One article explores the question: "Do factors of age and gender affect accounting anxiety?" and examines this issue by focusing on ESL students studying at an International University.

As always, the success of this journal is built on the efforts of all the authors, reviewers, editors and the AJMI staff. Special thanks to Dr. Alexander Franco for his contribution of book reviews and once again my great thanks to all for your various contributions to this edition of our journal. I look forward to our continuing relationship and to receiving your future contributions to our AJMI which makes a valuable scholarly contribution to our academic and research community. If you have any comments, please do not hesitate to send an email to: [research@stamford.edu](mailto:research@stamford.edu) and/or visit the website: <http://ajmi.stamford.edu>.

Thank you for your continued support of the AJMI.

Sincerely yours,

Apitep Saekow, Ph.D.

Editor in Chief

ASEAN Journal of Management & Innovation

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# Process Flow of After Sale Service in Telecommunication Business in Thailand

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## Abstract

Telecommunication service provider support systems hold the key to a provider's ability to deliver differentiated service. Today, these support system do not meet the requirements of service providers. Lack of process management facilities results in inefficient and inflexible processes. Further, there are inherent limitations to integrating customer requirements into provider support systems. This research discusses the operational challenges that service providers face in eliciting requirements from customers and collecting that information in an organized manner. This paper use qualitative research as the basis for building a template form called "Service Standard Requirements" which can be used to structure the customer requirements process. In addition, service providers are trying to differentiate themselves by rolling out new services such as IP based service, IP VPN, IP transit and unified messaging which allow service providers to target corporate customers with business class service in a more flexible manner. Providing new services to the customer in a fast and efficient manner is essential for the service providers. Service providers are confronted by significant challenges to elicit requirements from the customer. This template will collect all information on the new or existing services required by the customer.

**Keywords:** Presale Engineer, Telecommunication Business industry, Telecommunication Business in Thailand.

## Introduction

Telecommunication industry in Thailand. According to carrier telecommunication industries in Thailand, they provide infrastructure, network services, and internet throughout international territories include services for both domestic and international that's part of product in Telecommunication industry which is problem in communication between front office and back office include requirement from customer as well. This research focused mainly problem on communication between front office and back office in technical term include process flow among delivery service for customer.

## Definition of terms

Presale Engineer in Telecommunication Business or service provider in Thailand Service provider in Thailand such as TOT, CAT, Jastel, Interlink, that's small

market for telecommunication service which can serve enterprise customer. How to keep customer include premium service or total solution for customer.

**Research Objectives**

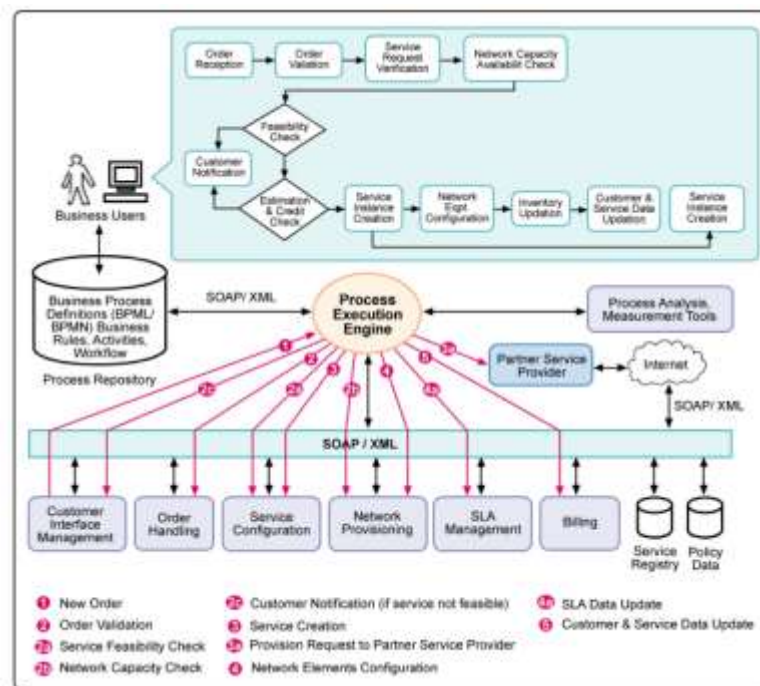
To investigate what is the best way to collect information (elicit requirements) from the customer in order to create the right solution.

To investigate how to distribute technical detail for operation team such as installation team, monitoring team, network planning team.

To investigate how sale get conduct budgetary for customer with right solution.

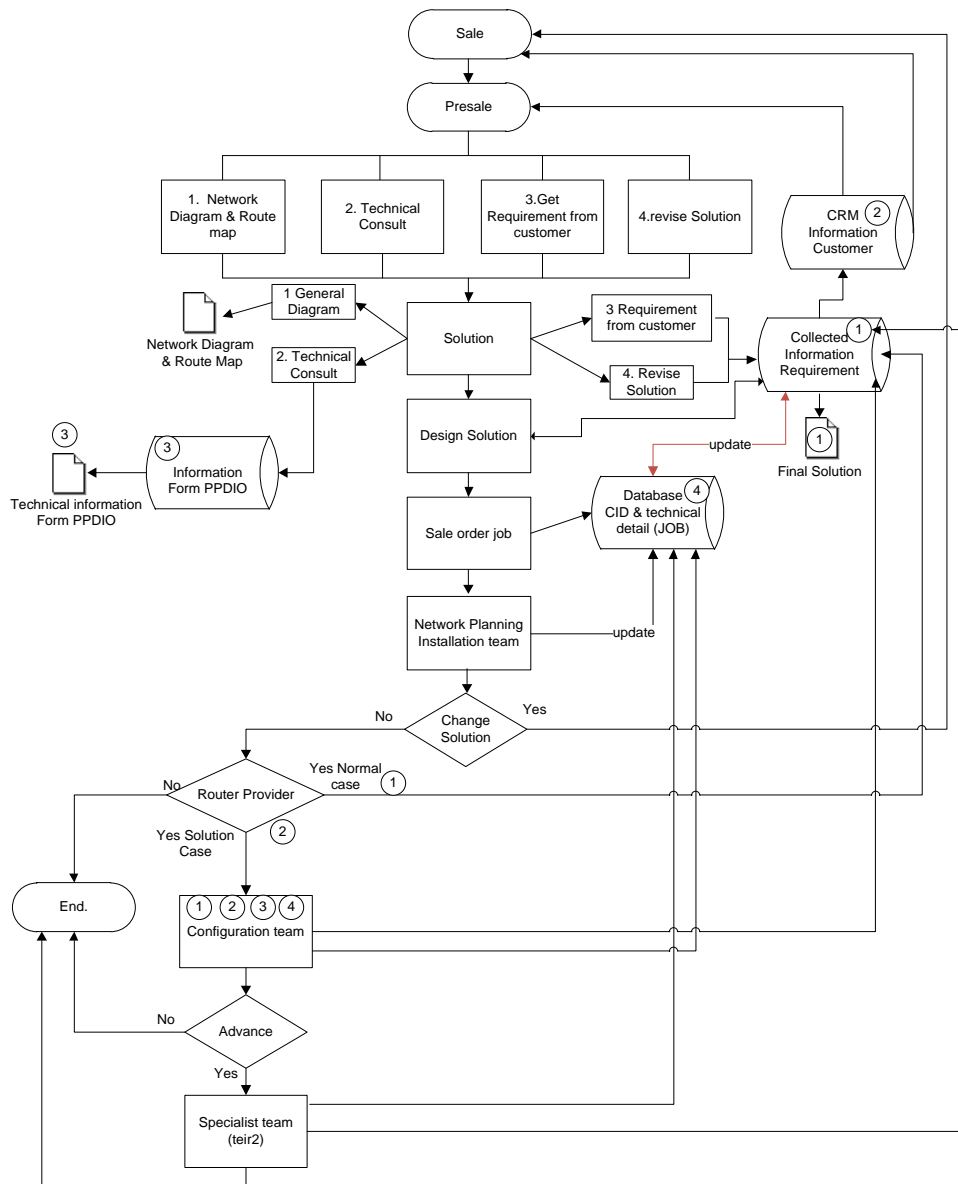
**Literature Review**

Business Process of Telecommunication service Provider In 2003 Infosys Technologies Limited, Automating business processes of telecommunication service providers using BPM and web service for New Generation Operation Support System (NGOSS). In the TeleManagement forum a set of specification for building the next generation of talcum service provider support this theory discusses the operation challenges that service provider creating an automated process execution for service like big picture or overview for service in telecommunication business industry in Thailand.



**Figure 1: Business Process Management (BPM) Infrastructure Illustrating Service Provisioning for work sheet (Conceptual framework for NGOSS)**

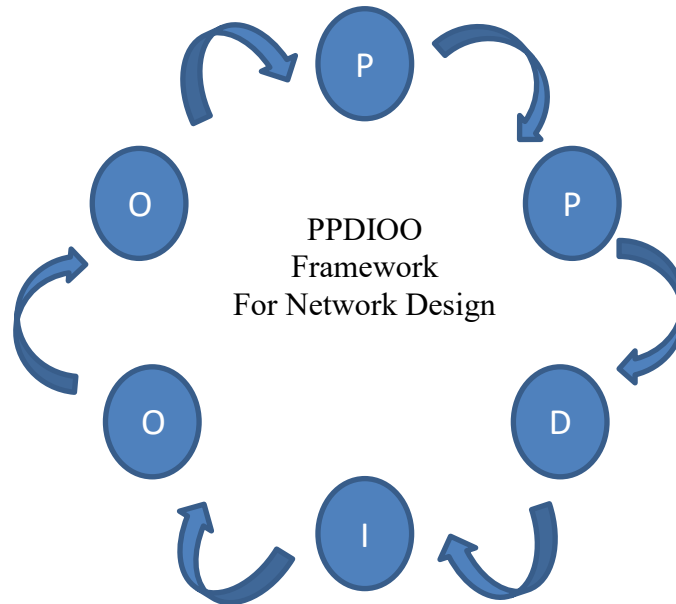




**Figure 2: Research Framework**

The PPDIIO life cycle theory (Network Design Concept by CISCO (CCDA))

Almost enterprise customer in telecommunication business market in Thailand based on using product CISCO. This framework interact with direct operation customer.



**Figure 3: PPDIOO life cycle (CISCO CCDA)**

#### **Prepare Phase:**

This prepare step is an information before get requirement from customers such as address of branch or existing information this step involves establishing the organization requirements, developing a network strategy and proposing a high-level conceptual architecture identifying technologies that provider can support.

#### **Plan Phase:**

This step after get requirement from customer or customer needs involves identifying the network requirements from customer which are based on the merge existing customer network, where the network will be installed, who will require which network service. The plan phase also involves assessing the sites where the network will be installed and any existing networks, and performing a gap analysis to determine if the existing system infrastructure, sites and operational environment can support the proposed system. This project provider will plan helps manage the tasks, responsibilities, critical milestones, and resources required to implement the changes to the network. The output of this phase is a set of network requirements from customer needs.

#### **Design phase:**

This phase involves designing the network according to the initial requirements determined in the plan phase, incorporating any additional internal information from customer gathered during network analysis and through discussion with customer. The network design specification that is produced is a comprehensive detailed design that

meets current budgetary and technical requirements some solution take time because test lab for make sure before delivery service for customer and incorporates specifications to support availability, reliability, security, scalability, and performance. This design specification provides the basis for the implementation activities.

### **Implementation Phase:**

This step Implementation and verification begin after the design has been approved by presale team or technical specialist. The network and any additional components are built according to the design specifications, with the goal of integrating devices merge the existing network from customer or creating points of vulnerability.

### **Operation Phase:**

This step operation is the final test of the design's appropriateness. The operate phase involves installation and configuration follow plan phase that's will approve by customer because some office building not allow operation staff installation in office hours they will prepare license and then after installation complete will include test result for customer such as RFC2544 standard from provide that's prove solution include prove service before delivery service for customer.

### **Optimize Phase:**

This step optimize phase is based on proactive network management, for provider in Thailand they almost escalation level support such as level 0 is call center, level1 first tier for support technical , level 2 troubleshooting critical .The goal of which is to identify and resolve issues before real problems arise and the organization is affected. Reactive fault detection and correction (troubleshooting) are necessary when proactive management cannot predict the failures. Optimize phase might lead to network redesign if too many network problems or error arise or meet up between operation from provider and customer for clear flow of information “ better operation”

### **Research Methodology**

This research is conducted by using qualitative methodologies. In-depth interview include technical question because of Telecommunication provider in Thailand only 8 company such as TOT, CAT, Symphony, Interlink, SBN, Jastel, UIH and TRUE. Some part is concession of area so that mean we can scope of this research to more specification of document, this research is based on interviews (one-to-one and face-to-face) and participatory discussions, during each interview and discussion. When required, the author could ask further questions to the informants in order to obtain more information on a particular answer .That way, new issues arising from a particular answer could also be explored. Possible of data collection methods in a

“document to get requirement from customer” conduct from interview, the fact from investigation impacted the process flow PPDIIO. From this understanding, it follows that the informal discussion and open-ended questions asked during the data collection phase might have actually altered the truth. In PPDIIO life cycle is 3 step of design methodology or “Service Standard Requirement”

1. Identify the customer requirements
2. Characterize the existing network and site
3. Design the network topology and solutions

## **Research Findings**

### **Qualitative Result**

This research integration of PPDIIO (Cisco) framework. These result are consistent with PPDIIO (Cisco) framework theories. Question during interview distribute 2 group (1) general requirement (2) Technical requirement as information below.

#### **Relating General Requirement (1)**

1. What is customer information do you need?
2. What is reference information do you want for customer?
3. What kind of information for customer that help you to verify problem?
4. Do you want customer contact point (technical)?

#### **Relating Technical Requirement (2)**

1. What is technical requirement do you need from customer?
2. Do you want internal diagram from customer?
3. Do you want configuration from customer?
4. Do you backup configuration for customer?
5. In case your company provide monitoring tools for customer, do you think this service is necessary for customer?
6. Do you want technical requirement documentation for sharing information in your organization?

The draft design document will benefit of network design when examined carefully these requirements translate into four fundamental network design goals. (PPDIIO Cisco CCDA).

**Scalability:** Scalable network design can grow to include new requirement that's limited for requirement from customer for agreement with scope of project, moreover for support new plan such application without impacting the level of service delivered to existing user.

**Availability:** A network designed for availability is one that delivers consistent, reliable performance, 24 hours a day, 7 days a week. In addition, the failure of a single link or piece of equipment should not significantly impact network performance.

**Security:** Security is a feature that must be designed into the network, not added on after the next work is complete. Planning the location of security devices, filters, and firewall feature is critical to safeguarding network resources.

**Manageability:** No matter how good in the initial network design is, the available network staff must be able to manage and support the network. A network that is too complex or difficult to maintain cannot function effectively and efficiently without draft documentation planning solutions.

The draft document is performing network characterization the experience of the network engineer include quality of documentation provided by the customer (existing network) and quality of the communication with the customer (presale section), the size and complexity of network, the efficiency of network management and discovery tools, whether or not the network device are carefully managed via SNMP, How much information is needed for the scope of the project.

### **Result of the requirement form for customer**

The theoretical research (CCDA Cisco Certified Design Associate, Designing for Cisco internetwork solutions 20014) presented several different business model definitions. However, to be able to continue with the empirical data research, only one definition can be applied. It has been used in other telecommunication industry in the past. The business model between front office and back office is the expectation for the template and lacks of communication or degrading communication performance. Accordingly, the study pursued telecommunication business perception of quality for communications. This template called “Service Standard Requirement” is customized, in order to distinguish between customer requirement, service order form in sale section, and back office for configuration router or optional service. On the other hand, this template represented the respondent opinion about the overall transactions requirement to build service solution this research will present modification document form that’s interview expert telecommunication business in Thailand and from Cisco structure of design document template (PPDIOO framework). The synthesis and integration with structure of design document and in “Service Standard Requirement” form.

### **Conclusion & Recommendation**

#### **Conclusion**

This research presents the Service Standard Requirement form for customer in telecommunication business in Thailand. Based on research interview and PPDIOO framework it provide a comprehensive description of general and technical customer requirement that specifications, as driven by the PPDIOO framework for reference theory. This deliverable is the result of the research carried activates out in the chapter4, and in particular of the PPDIOO framework task force that have been set up to design of Service Standard Requirements. The telecommunication providers of today face the challenge of connecting an enormous number of diverse, relatively low-

speed access service in to their high-speed backbone. Supporting a wide range of access interface is a potentially complex and expensive undertaking but is necessary if all customer are to be served. How to collect customer requirement and improve service that's satisfaction for customer. The Service Standard Requirement is collection all requirement from customer include general and technical requirement reference model for network to propose to customer. This document Service Standard Requirement also defines the key to collect customer information to conduct network solution for customer include the general network architecture , the general network architecture for supporting the selected service and industry standard such IP address, routing

This original development is automating business process of telecom service provider using Business Process Management (BPM) and web service for New Generation Operation Support Systems (NGOSS). In additional, this research analyzed data from template Service Standard Requirement, which enabled the opportunity to identify the best predictor of overall process flows for after-sale service in Thailand telecommunication business and reduced miss communication between front office and back office including created standard for customer support as can be seen from the preceding chapters of this research, the author researched from various books, journals, reports, and internet sources to construct a theoretical framework, collected empirical data at the presale service and analyzed the finding in the right of the documentation to record customer information.

### **Limitation of this research**

This research had three limitations as follows: (1) the sample is focused only on presale position who works only in Bangkok, Thailand from Nation Broadcasting and Telecommunication Commission (NBTC) only 8 telecommunication companies, (2) due to time constraint, since the research result is based on 8 Thai telecommunication companies, so the data collection is limited to only the selected group of target population and (3) this research applied qualitative research which is heavily depended on internal process of company and the culture of each company.

### **Recommendation of this research**

This research is mainly focused on the specific presales roles of the presale and telecommunication business and how the "Service Standard Requirement" impacted on empirical investigation of telecommunication industries is needed in order to advance the presales knowledge. The author expected that this research will be useful for further research and IT industrials.

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# Strategic Audit Expertise Orientation and Audit Success: Evidence from Cooperative Auditor in Thailand

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## Abstract

Audit environment changes rapidly due to accounting regulations. It is a complex factor that leads auditors to consider strategic orientation. This study aims to provide a better understanding on how strategic audit expertise orientation can lead to audit success. A conceptual framework is developed to investigate the relationship between strategic audit expertise orientation and audit success. This study proposes five dimensions of strategic audit expertise orientation which include dynamic audit learning, excellent audit knowledge, modern audit skills, continuous audit environment education, and valuable audit experience. Strategic audit expertise orientation may positively influence consequence variables audit planning proficiency, audit review quality, audit monitoring effectiveness, best audit practice, audit information utilization and audit report efficiency. Subsequently, these variables may lead to audit success.

**Keyword:** Strategic Audit Expertise Orientation (SAEO), Dynamic Audit Learning (DALE), Excellent Audit Knowledge (EAKN), Modern Audit Skills (MASK), Continuous Audit Environment Education (CAED), and Valuable Audit Experience (VAEX).

## Introduction

Organizations in both private and public sectors are becoming aware of the importance of providing accurate information. In doing so, it reflects the actual performances of an organization's operation. In particular, a financial statement of an organization plays an important role in accurate decision making of stakeholders. To ensure that a financial statement is accurate, it is important that an organization has an auditor who plays a crucial role in providing reasonable assurance which means a financial statement is presented free from material misstatements, and it should be consistent with professional standards. More importantly, an accurate financial statement should provide stakeholders with decision usefulness and faithful representation (Ruhl and Smith, 2013). Aforementioned, these factors may bring the auditor to obtain audit success. It brings the truthfulness of an auditor's report so as to obtain stakeholder acceptance in making accurate decision, and meeting the user's objectives in using different types of information (Ball, Tyler and Wells, 2015).



Professional audit standards require audit expertise, which is obtained through professional practices, especially when auditors practice in specific domains for a period of time (Moroney and Carey, 2011). Auditors with expertise can create an effective audit process that leads to goal achievement (Casterella et al., 2004). Furthermore, they can develop better knowledge regarding changes of accounting and audit standards, which may enhance the degree of assurance for ensuring the client's financial statement accuracy (International standard on auditing: 200, 2009). Therefore, an auditor with a high level of expertise helps promote an audit process which follows professional standards (Giral et al., 2015).

Since cooperative auditors have a job load and complexity of task because of a great number of cooperatives in Thailand. Consequently, cooperative auditors perform in various cooperative types, so that they need more knowledge, skill, and expertise for suitable implementation (Taodankum, 2007). Thus, cooperative auditors might need to consider utilizing strategic orientation in their professions as it may guide them through different environment conditions (Agbejule and Jokipii, 2008). It reflects the attention to create proper actions for continuous superior performance (Gatignon and Xuereb, 1997). Components of strategic orientation deal specifically with the analysis of environment in order to improve comprehensive procedures that conform to environmental changes (Deshpandé, Grinstein and Ofek, 2012). However, little is known about strategic audit expertise orientation, and consequences of the constructs. Thus, this research provides the conceptual model of strategic audit expertise orientation including dynamic audit learning, excellent audit knowledge, modern audit skills, continuous audit environment education, and valuable audit experience. These will have an effect on audit planning proficiency, audit review quality, audit monitoring effectiveness, best audit practice, audit information utilization and audit report proficiency. Subsequently, these variables may lead to audit success. Specifically, the following research question is "what are the consequences between strategic audit expertise orientation and audit success?"

## Literature Review

The theoretical perspectives explain the relationships among all constructs, and they also explain the relationship between the consequences and the dimension of strategic audit expertise orientation. The knowledge-based view (KBV) of the firm emerges as a theoretical concept in strategic management. That is, knowledge is regarded as the most strategically crucial resource of the firm which is not only difficult to imitate, but also socially complex. They are heterogeneous knowledge and capabilities among firms which are considered the main specifications of sustainable competitive advantage. They also enhance superior performance (Teece, Pisano and Shuen, 1997). The knowledge-based view also confirms that knowledge development and implementation may be a truly sustainable competitive advantage (Martin and Salomon, 2003). This theory has an aim to sustain greater than normal profits by continually seeking new knowledge or new solutions that are formatted from unique combinations of existing knowledge.

Therefore, in this research, strategic audit expertise orientation is the process which is linked to the individual auditors in acquiring knowledge for audit task. These processes use dynamic audit learning, excellent audit knowledge, modern audit skills,

continuous audit environment education, and valuable audit experience. They lead to audit planning proficiency, audit review quality, audit monitoring effectiveness, best audit practice, audit information utilization, audit report efficiency, including audit success. Thus, this research utilizes knowledge base view to explain the relationship of the variables in the research, strategic audit expertise orientation and consequence.

### Strategic audit expertise orientation (SAEO)

SAEO is defined as the ability of procedural skill in auditing that enhances the auditors to have the body of knowledge in a professional audit which increases the efficiency of the practice, and acknowledges audit goals well. The auditors can use strategic orientation in audit planning so as to reduce cost effectiveness, allocation resource efficiency to be consistent with environmental factors (Habib and Bhuiyan, 2011). Thus, this research is based on literature review which proposes that strategic audit expertise orientation positively affects audit process, as shown in Figure 1.

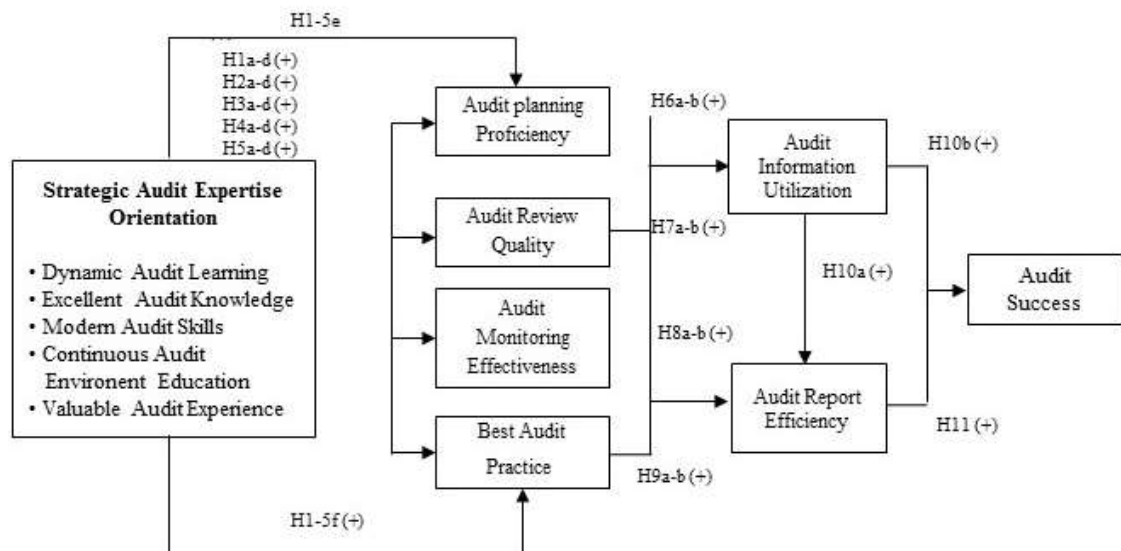


Figure 1: A Conceptual Framework

### Dynamic Audit Learning (DALE)

DALE is defined as the seeking of development knowledge and competencies of auditors are used to find procedures and techniques to practice that emphasize audit quality as well as continuously comprehensive system. Due to the International Education Standards for Professional Accountants (IESs) developed by the International Federation of Accountants (IFAC, 2003), they suggest that high quality operation is by skills, providing continuous improvement and lifelong learning of professional auditing and accounting. Thus, dynamic audit learning brings about technical knowledge by auditors who develop themselves through continuous professional training both formal and informal, providing guidance by the audit senior, and audit team. Hence, the hypotheses are shown as follows:

*H1: DALE is positively related to (a) audit planning proficiency, (b) audit review quality, (c) audit monitoring effectiveness, (d) best audit practice, (e) audit information utilization and (f) audit report efficiency.*

### **Excellent Audit Knowledge (EAKN)**

EAKN refers to a deep understanding including auditing process as well as audit procedure so as to implement audit tasks to accomplish objectives and compliance with professional standard. The auditors gain specific knowledge from working in a complex industry which leads to specific experience. The complex industries such as banking, insurance, finance, and superannuation need to comply with particular legislative and reporting requirements (Moroney and Simnett, 2009). Thus, the auditors have both general and sub-specialty knowledge to express an audit opinion on the financial statements of an entity (Bol and Peecher, 2013). These steps help develop knowledge-based systems in order to benefit storage and sharing process in audit function (Geerts and McCarthy, 2000). Therefore, the hypothesis is shown as follows:

*H2: EAKN is positively related to (a) audit planning proficiency, (b) audit review quality, (c) audit monitoring effectiveness, (d) best audit practice, (e) audit information utilization, and (f) audit report efficiency.*

### **Modern Audit Skills (MASK)**

MASK is defined as the auditor's ability in applying innovation and information technology that integrates modern audit method, and supports audit work for superior performance. The auditors use information technology extensively on several audit applications such as analytical procedures, audit report writing, electronic work papers, internet search instruments, and sampling (Janvrin, Bierstaker, and Lowe, 2008). Hence, this research proposes the hypotheses are show as follows:

*H3: MASK is positively related to (a) audit planning proficiency, (b) audit review quality, (c) audit monitoring effectiveness, (d) best audit practice, (e) audit information utilization, and (f) audit report efficiency.*

### **Continuous Audit Environment Education (CAED)**

CAED refers to the ability of an auditor in analyzing professional standards of change about client attribute, and stakeholder expectation in order to adapt him/herself to efficiency audit task that is consistent with circumstances. Audit environmental change (regulation change, social requirements and stakeholder expectation) is relevant to audit task (Goldberg, Gist and Lindquist, 2011). Audit education influences auditors to improve their understanding of new standards and environments. It can enhance superior performance in auditing. Thus, based on these rationales, the hypotheses are proposed as shown below:

*H4: CAED is positively related to (a) audit planning proficiency, (b) audit review quality, (c) audit monitoring effectiveness, (d) best audit practice, (e) audit information utilization, and (f) audit report efficiency.*

### **Valuable Audit Experience (VAEX)**

VAEX refers to the auditor's accumulated knowledge that derives from understanding of previous tasks to create maximum usefulness in audit task. Valuable means the incremental benefits of knowledge to effectively utilize audit task (Popova, 2013). Therefore, valuable audit experience is a greater important factor that may influence audit goal achievement (Figuroa and Cardona, 2013). Audit experience on individual auditors' judgments that are able to reduce adverse selection problems for the client in a setting due to audit quality is not completely observable (Cahan and Sun, 2015). Hence, the hypotheses are proposed as follows:

*H5: VAEX is positively related to (a) audit planning proficiency, (b) audit review quality, (c) audit monitoring effectiveness, (d) best audit practice, (e) audit information utilization, and (f) audit report efficiency.*

### **Audit Planning Proficiency (APPR)**

APPR refers to the audit scheme that clarifies guidelines which conform to organizational risk nature as well as suitable resource allocation, and applies appropriate operation consistency to circumstances. This is an important step of audit process because it supports auditors in collecting sufficient and appropriate audit evidence that is consistent with the circumstances. Auditors with proficiency will take advantage in identifying problem, assessing risk, evaluating evidence and performing professional judgment (Nelson, 2009). Empirical studies of Bedard and Graham (2002) show that audit planning proficiency relies on their professional judgment in order to concern the nature and extent of audit tests. Based on the information above, the hypotheses are proposed as follows:

*H6: APPR is positively related to (a) audit information utilization, and (b) audit report efficiency.*

### **Audit Review Quality (ARQU)**

ARQU refers to the iterative process of outcome that follows a hierarchical aim to obtain the sufficiency and appropriateness of audit evidence, using reasonable judgments for preparing accurate conclusions. The review process provides a quality control function (Favere-Marchesi, 2006). This concept of audit review is the hierarchical feature and iterative process. All audit evidence gathered by junior auditor, then provide senior auditor who is the next superior in the hierarchy to recheck (Solomon, 2003). The review process depends on characteristics of reviewer if he/she has more experience, knowledge and expertise; they have creditability and ability to reduce error in audit procedures before the audit reporting discloses (Yen, 2012). Thus, the hypotheses are shown as follows:

*H7: ARQU is positively related to (a) audit information utilization, and (b) audit report efficiency.*

### **Audit Monitoring Effectiveness (AMEF)**

AMEF is defined as a process of assessing the quality of audit practice controls, which establish reasonable assurance consistent with professional standards and accomplishment of audit objectives. Audit monitoring provides the competency of audit process and uses the technology in order to ensure monitoring which is operated so as to achieve audit objectives, and compliance with laws and regulations (Alles, Kogan and Vasarhelyi, 2004). It is a factor that enables auditors to improve deficiencies in their functions (Marques, Santos and Santos, 2012). Therefore, the hypotheses are proposed as follows:

*H8: AMEF is positively related to (a) audit information utilization, and (b) audit report efficiency*

### **Best Audit Practice (BAPR)**

BAPS refers to the ability to integrate methods and various techniques that relate to auditing procedure efficiency, and continuously improves audit quality. In terms of auditing, The Public Company Accounting Oversight Board (PCAOB) mentions that “best practices” describe good audit quality, with the intention of learning how to apply those practices more broadly (Martin, 2013) depending on the adequacy of the applied method and techniques that are in accordance with the auditing standards. It is important that the auditors have appropriate and effective techniques for collecting evidence. Therefore, the hypotheses are proposed as follows:

*H9: BAPR is positively related to (a) audit information utilization, and (b) audit report efficiency*

### **Audit Information Utilization (AIUT)**

AIUT is defined as the capability to use information from the audit task for judgment decision making accuracy, which depends on either task or work objective. The role of auditors is to provide assurance to the financial statement. The value of the assurance depends on the information verified by the auditors who support the integrity and independence of the supervision (Lin, and Tepalagul, 2009). They have verified information that receives from the evidence in the forms of documents, interview and confirmation message which appear on the working paper. Hence, the hypotheses are proposed as follows:

*H10: AIUT is positively related to (a) audit report efficiency, and (b) audit success.*

### **Audit Report Efficiency (AREF)**

AREF is defined as the auditor who has formed an opinion to establish reasonable assurance to all users that present fairness of the financial statements along with reliability and timeliness. It is the result used to formally communicate to multiple stakeholders including boards, creditors, investors, and the government (Duréndez, 2003). They utilize audit report to support their decision making, and explicitly understand how to better run business. Hence, hypotheses can be presented as follows:

*H11: Audit report efficiency is positively related to audit success.*

### **Audit Success (ASU)**

ASU refers to the audit process outcome of accomplishment that performs according to professional standards in order to provide assurance, and acceptance by all stakeholders. Audit success provides assurance to users of financial statements that obtain accuracy, and reliability of information. It emerges from auditors who are able to implement technical standards, such as International standard on auditing (ISAs), International Financial Reporting Standards (IFRS) in their work. They have the goal for comprehensibility and reliability of financial statements that shall increase or decrease at the same time (Krishnan, 2003). Furthermore, successful audit emphasizes compliance with regulation and code of ethic (Stanley and DeZoort, 2007). Prior research Schelker (2012) found that successful audit deals specially with the auditors who utilize their deep capability of knowledge, skills, and attitudes for the creation of audit process effectiveness.

### **Research Methodology**

The population and sample are collected from the Cooperative Auditing Office database on the website ([www.cad.og.th](http://www.cad.og.th), 15 February 2015). This database is a good source that provides all complete addresses and includes 771 cooperative auditors. Based on assumptions of business research, a 20% response rate for a mail survey is deemed sufficient (Aaker, Kumar and Day, 2001) and the average response rate of this mail survey of cooperative auditors is greater than 20%. Hence, the sample size is  $100\% = (260 \times 100)/20 = 1,300$  cooperative auditors that are a suitable sample for a distributed mail survey, selected as the sample for data collection. On the other hand, the population has only 771 cooperative auditors. Thus, the questionnaires are directly distributed to 771 cooperative auditors in Thailand. There were 339 replies, of which 27 were unusable. This represented a 43.97% response rate, which was considered acceptable (Aaker, Kumar, and Day, 2001).

### **Results and Discussion**

Hierarchical regression analysis is used to examine the relationships among the dimension of strategic audit expertise orientation, its consequences. Table 3 demonstrated the hypothesis testing results. The findings showed that DALE had the positive influences on APPR (H1a:  $\beta_1 = 0.170$ ,  $p < 0.01$ ), ARQU (H1b:  $\beta_8 = 0.218$ ,  $p < 0.01$ ), BAPR (H1d:  $\beta_{22} = 0.119$ ,  $p < 0.10$ ), and AREF (H1f:  $\beta_{42} = 0.235$ ,  $p < 0.01$ ). This is consistent with Westermann, Bedard, and Earley (2014) found that the auditors are able to integrate thinking system by linking it with client's operating process that promotes best audit practice. Hence, Hypotheses 1a, 1b, 1d, and 1f are supported.

Nevertheless, DALE also has no significant effects on AMEF (H1c:  $\beta_{15} = 0.052$ ,  $p > 0.10$ ), and AIUT (H1c:  $\beta_{15} = 0.120$ ,  $p > 0.10$ ). The possible reason for this is that, in the process of leaning it depends on the ability of learners in searching for incomplete evidence (Blayney, Kalyuga and Kalyuga, 2015). If the auditors lack



complete audit evidence for monitoring process, they will not be able to obtain sufficient information for accurate audit opinion. Hence, Hypotheses 1c and 1e are not supported.

**Table 3:** The Results of the Regression Analysis for Effects of Each Dimension of Strategic Audit Expertise Orientation on Its Consequences

| Independent Variables                                 | Dependent Variables        |                            |                            |                            |                            |                            |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|   | APPR                       | ARQU                       | AMEF                       | BAPR                       | AIUT                       | AREF                       |
|   | Model 1<br>H1a-H5a         | Model 2<br>H1b-H5b         | Model 3<br>H1c-H5c         | Model 4<br>H1d-H5d         | Model 5<br>H1e-H5e         | Model 7<br>H1f-H5f         |
| Dynamic Audit Learning (DALE: H1a-1f)                 | <b>0.170***</b><br>(0.067) | <b>0.218***</b><br>(0.063) | 0.052<br>(0.060)           | <b>0.119*</b><br>(0.070)   | 0.120<br>(0.073)           | <b>0.235***</b><br>(0.069) |
| Excellent Audit Knowledge (EAKN: H2a-2f)              | 0.021<br>(0.080)           | -0.014<br>(0.075)          | <b>0.154**</b><br>(0.071)  | 0.104<br>(0.083)           | 0.138<br>(0.087)           | 0.100<br>(0.081)           |
| Modern Audit Skills (MASK: H3a-3f)                    | <b>0.186**</b><br>(0.077)  | <b>0.300***</b><br>(0.072) | <b>0.253***</b><br>(0.068) | 0.106<br>(0.080)           | -0.038<br>(0.084)          | 0.097<br>(0.078)           |
| Continuous Audit Environment Education (CAED: H4a-4f) | <b>0.330***</b><br>(0.074) | <b>0.132*</b><br>(0.069)   | <b>0.273***</b><br>(0.066) | <b>0.418***</b><br>(0.077) | <b>0.405***</b><br>(0.081) | 0.067<br>(0.075)           |
| Valuable Audit Experience (VAEX: H5a-5f)              | <b>0.101*</b><br>(0.060)   | <b>0.229***</b><br>(0.056) | <b>0.148***</b><br>(0.054) | 0.012<br>(0.063)           | 0.105<br>(0.066)           | <b>0.308***</b><br>(0.061) |
| AGE (AG)  | 0.123<br>(0.116)           | -0.061<br>(0.108)          | 0.035<br>(0.103)           | 0.108<br>(0.120)           | -0.048<br>(0.126)          | 0.061<br>(0.118)           |
| Job Experience (JE)                                   | -0.206<br>(0.116)          | <b>-0.064</b><br>(0.108)   | -0.103<br>(0.103)          | -0.075<br>(0.120)          | 0.045<br>(0.126)           | -0.091<br>(0.118)          |
| <b>Adjusted R<sup>2</sup></b>                         | 0.520                      | 0.581                      | 0.629                      | 0.495                      | 0.435                      | 0.505                      |
| <b>Maximum VIF</b>                                    | 4.502                      | 4.502                      | 4.502                      | 4.502                      | 4.502                      | 4.502                      |

\*\*\* p < .01, \*\* p < .05, \* p < .10      <sup>a</sup> Beta coefficients with standard errors in parenthesis

As the result in model 2, it shows that the finding of EAKN (Hypotheses 2a – 2f) has a significant influence on audit monitoring effectiveness (H2c:  $\beta_{16} = 0.154$ ,  $p < 0.05$ ). These results are consistent with Bailey, Daily and Phillips (2011) who indicate that the auditors obtain sufficient procedural knowledge that promotes accurately judgment decision. This is important for audit partners peer reviewer in confirming effectiveness of monitoring process (Abdolmohammadi, Searfoss and Shanteau, 2004). Hence, Hypotheses 2c is supported.

However, the results demonstrate that EAKN has no significant positive impact on APPR (H2a:  $\beta_2 = 0.021$ ,  $p > 0.10$ ), ARQU (H2b:  $\beta_9 = -0.014$ ,  $p > 0.10$ ), BAPR (H2d:  $\beta_{23} = 0.104$ ,  $p > 0.10$ ), AIUT (H2e:  $\beta_{30} = 0.138$ ,  $p > 0.10$ ) and AREF (H2f:  $\beta_{43} = 0.100$ ,  $p > 0.10$ ). The possible reason for this is that the auditors lack tools to leverage and reuse existing knowledge, transfer knowledge with others, and enhance the development of new knowledge and ideas (Lin and Fan, 2011). Thus, Hypotheses 2a, 2b, 2d, 2e and 2f are not supported.

In terms of modern audit skill (Hypotheses 3a – 3f), the evidence exposes that MASK has positive effects on APPR (H3a:  $\beta_3 = 0.186$ ,  $p < 0.01$ ), ARQU (H3b:  $\beta_{10} = 0.300$ ,  $p < 0.01$ ), AMEF (H1c:  $\beta_{17} = 0.253$ ,  $p < 0.01$ ). Consistently, Yang, Yang and Chen (2014) suggested that the auditor’s skill can be used to establish modern techniques in order to plan for communicating business knowledge to their client with fairness and audit quality. Hence, Hypotheses 3a, 3b, and 3c are supported.

Conversely, MASK has no significant influences on BAPR (H3d:  $\beta_{24} = 0.106$ ,  $p > 0.10$ ), AIUT (H3e:  $\beta_{31} = -0.038$ ,  $p > 0.10$ ) and AREF (H2f:  $\beta_{44} = 0.097$ ,  $p > 0.10$ ). In fact, the organization has different transaction which applies advanced techniques in auditing. Siriwardane, Hu, and Low (2014) suggest that the auditors who lack comprehensive set of skills in application modern technology leads to practice inefficiency. Thus, Hypotheses 3d, 3e, and 3f are not supported.

In term of CAED (Hypotheses 4a – 4f), indicate that CAED significant effects on APPR (H1a:  $\beta_4 = 0.330$ ,  $p < 0.01$ ), ARQU (H1b:  $\beta_{11} = 0.132$ ,  $p < 0.10$ ) AMEF (H1b:  $\beta_{18} = 0.273$ ,  $p < 0.01$ ), BAPR (H1d:  $\beta_{25} = 0.418$ ,  $p < 0.01$ ), and AIUT (H1e:  $\beta_{32} = 0.405$ ,  $p < 0.01$ ). Similarly, prior evidence shows that continuous audit environment education enables the individual's development of knowledge, competency, and skills to become active throughout their professional lives and to be of value in the pursuit of sustainability (Ferreira, Lopes, and Morais, 2006). Thus, Hypotheses 4a, 4b, 4c, 4d and 4e are supported.

On the other hand, CAED has no positive effect on AREF (H4f:  $\beta_{45} = 0.067$ ,  $p > 0.10$ ). The possible reason for this is that the increased oversight and workload resulting from the regulation requirements has changed the attribute of the external audit function. Results in various tasks as well as audit environment have created uncertainty and anxiety in audit activities (Nagy and Cenker, 2007). It will be difficult to for the auditors to implement regulations in their work. Thus, Hypothesis 4f is not supported.

Finally, the results relating to VAEX (Hypotheses 5a-5f) were revealed. The results indicate that VAEX positively relates to APPR (H5a:  $\beta_5 = 0.101$ ,  $p < 0.10$ ), ARQU (H5b:  $\beta_{12} = 0.229$ ,  $p < 0.01$ ), AMEF (H1c:  $\beta_{19} = 0.148$ ,  $p < 0.01$ ), and AREF (H1f:  $\beta_{46} = 0.308$ ,  $p < 0.01$ ). Figueroa and Cardona (2013) indicate that valuable experience is regarded as a more essential role that may influence audit goal achievement. It is accurate with involved professional judgment, assessment risk, and fraud detection (Parlee, Rose and Thibodeau, 2014). Thus, Hypotheses 5a, 5b, 5c and 5f are supported.

However, VAEX has no significant effect on BAPR (H5d:  $\beta_{26} = 0.012$ ,  $p > 0.10$ ) and AIUT (H5e:  $\beta_{33} = 0.105$ ,  $p > 0.10$ ). Previous research explained by Libby (1995) notes that auditors obtain most of their technical auditing knowledge through the general experience acquired during their first five or six years on the job. Consequently, auditors acquire value from previous practice at a decreasing rate. Thus, Hypotheses 5d and 5e are not supported.

The evidence in Table 4 indicates that APPR for Hypothesis 6a, and 6b has a significant and positive relationship with AIUT (H6a:  $\beta_{36} = 0.142$ ,  $p < 0.05$ ), and AREF (H6b:  $\beta_{49} = 0.130$ ,  $p < 0.05$ ). In this regard, APPR provides the guideline for the implementation leading to better audit information; the auditor expresses opinions on appropriate and reasonable audit reports (Chanruang and Ussahawanitchakit, 2011). Hence, Hypotheses 6a and 6b are supported.

With respect to Hypothesis 7, it demonstrates that ARQU has significant and positive effects on AIUT (H7a:  $\beta_{37} = 0.264$ ,  $p < 0.01$ ), and AREF (H7b:  $\beta_{50} = 0.396$ ,  $p < 0.01$ ). According to prior studies, ARQU has shown that the audit review process is a powerful tool to monitor and improve the quality of internal control (Favere-Marchesi, 2006). In particular, the review relates positively to the audit process by detecting error in the working paper (Michael and Robert, 1997). Hence, Hypotheses 7a and 7b are supported.

The hypothesis 8 demonstrates that AMEF has significant and positive effects on AIUT (H8a:  $\beta_{38} = 0.155$ ,  $p < 0.05$ ), and AREF (H8b:  $\beta_{51} = 0.169$ ,  $p < 0.05$ ). Similar to prior research, Alles, Kogan and Vasarhelyi (2004), they found that audit monitoring is relevant to quality process in ensuring audit task effectiveness, and achieving the



objectives. It influences the reliability of financial reporting that performs compliance with laws and regulations. Hence, Hypotheses 8a and 8b are supported.

**Table 4: Results of the Effects of Strategic Audit Expertise Orientation Consequences on Audit Success**

| Independent Variables                              | Dependent Variables |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | AIUT                | AREF                | AREF                | ASU                 |
|  | Model 6<br>H6a-H9a  | Model 8<br>H6b-H9b  | Model 9<br>H10a     | Model 10<br>H10b-11 |
| Audit planning Proficiency<br>(APPR: H6a-6b)       | 0.142*<br>(0.064)   | 0.130**<br>(0.065)  |                     |                     |
| Audit Review Quality<br>(ARQU: H7a-7b)             | 0.264***<br>(0.070) | 0.396***<br>(0.071) |                     |                     |
| Audit Monitoring Effectiveness<br>(AMEF: H8a-8b)   | 0.155**<br>(0.070)  | 0.169**<br>(0.071)  |                     |                     |
| Best Audit Practice<br>(BAPR: H9a-9b)              | 0.240***<br>(0.063) | 0.082<br>(0.063)    |                     |                     |
| Audit Information Utilization<br>(AIUT: H10a-H10b) |                     |                     | 0.751***<br>(0.036) | 0.188***<br>(0.043) |
| Audit Report Efficiency<br>(AREF: H11)             |                     |                     |                     | 0.704***<br>(0.043) |
| Age (AG)   | -0.056<br>(0.115)   | 0.126<br>(0.117)    | 0.170<br>(0.109)    | 0.055<br>(0.087)    |
| Job Experience (JE)                                | 0.163<br>(0.115)    | -0.027<br>(0.116)   | -0.146<br>(0.109)   | -0.072<br>(0.087)   |
| Adjusted R <sup>2</sup>                            | 0.519               | 0.506               | 0.563               | 0.726               |
| Maximum VIF  | 3.475               | 3.475               | 2.320               | 2.332               |

\*\*\* p < .01, \*\* p < .05, \* p < .10\* Beta coefficients with standard errors in parenthesis

The evidence in Table 4 indicates that APPR for Hypothesis 6a, and 6b has a significant and positive relationship with AIUT (H6a:  $\beta_{36} = 0.142$ ,  $p < 0.05$ ), and AREF (H6b:  $\beta_{49} = 0.130$ ,  $p < 0.05$ ). In this regard, APPR provides the guideline for the implementation leading to better audit information; the auditor expresses opinions on appropriate and reasonable audit reports (Chanruang and Ussahawanitchakit, 2011). Hence, Hypotheses 6a and 6b are supported.

With respect to Hypothesis 7, it demonstrates that ARQU has significant and positive effects on AIUT (H7a:  $\beta_{37} = 0.264$ ,  $p < 0.01$ ), and AREF (H7b:  $\beta_{50} = 0.396$ ,  $p < 0.01$ ). According to prior studies, ARQU has shown that the audit review process is a powerful tool to monitor and improve the quality of internal control (Favere-Marchesi, 2006). In particular, the review relates positively to the audit process by detecting error in the working paper (Michael and Robert, 1997). Hence, Hypotheses 7a and 7b are supported.

The hypothesis 8 demonstrates that AMEF has significant and positive effects on AIUT (H8a:  $\beta_{38} = 0.155$ ,  $p < 0.05$ ), and AREF (H8b:  $\beta_{51} = 0.169$ ,  $p < 0.05$ ). Similar to prior research, Alles, Kogan and Vasarhelyi (2004), they found that audit monitoring is relevant to quality process in ensuring audit task effectiveness, and achieving the objectives. It influences the reliability of financial reporting that performs compliance with laws and regulations. Hence, Hypotheses 8a and 8b are supported.

In hypothesis 9, the evidence indicate that BAPR has a significant and positive relationship with AIUT (H9a:  $\beta_{47} = 0.240$ ,  $p < 0.01$ ). According to prior studies, these results suggest that best practice is considered a greater level of capability to apply methods or specific techniques that link to overall audit systems contributing to superior performance (Armitage, 2008). Hence, Hypotheses 9a is supported.

On the other hand, the results indicate that BAPR does not significantly affect audit report efficiency (H9b:  $\beta_{52} = 0.082$ ,  $p > 0.10$ ). In fact, the auditors may not consider the risk of environmental uncertainty that lead to insufficient evidence to

express an opinion (Jovkovic, 2014). The audit evidence obtained from randomly sampling search may not cover important nature of risk and lead to mistake in the opinion on the audit report (Agoglia, Hatfield and Brazel, 2009). Thus, Hypothesis 9b is not supported.

With respect to Hypothesis 10, it demonstrates that AIUT has significant and positive effects on AREF (H10a:  $\beta_{55} = 0.751$ ,  $p < 0.01$ ), and ASU (H10b:  $\beta_{58} = 0.188$ ,  $p < 0.01$ ). According to prior studies, Lin, and Tepalagul (2009) stated that the value of the assurance allows the auditor to depend on the verifiable information obtained. The auditors apply information for supporting decision making accuracy. Audit report is more likely to reflect quality, creditability and timeliness (Favere-Marchesi, 2006). Hence, Hypotheses 10a and 10b are supported.

Finally, the evidence from testing Hypothesis 11 demonstrates that AREF has significant and positive effects on ASU (H11:  $\beta_{59} = 0.704$ ,  $p < 0.01$ ). The result of audit report is used to formally communicate to multiple stakeholders including boards, creditors, investors, and the government (Duréndez Gómez-Guillamón, 2003). Carson et al. (2013) showed that the investor uses audit report to assess financial statements of firms and to aid accurate decision making. Thus, Hypothesis 11 is supported.

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

In this research, it examined specific cooperative auditors who are government officer of Thailand. It excluded the freelance auditors since it would have an impact on the size of demographic data. Consequently, the result cannot be generalized to all population. Therefore, the population of future research might be collected from freelance auditors of cooperative auditing department of Thailand in order to increase the level of reliability of the results.

### **Conclusion**

Strategic audit expertise orientation is essential for auditors to improve overall audit process. They can continuously develop their audit procedural knowledge correspondent with environment which changes all the time. The auditors apply strategic audit expertise orientation by using specialized knowledge in order to enhance overall audit work which can lead to superior performance. It is essential that the auditors create their excellence practice for audit objectives. Moreover, the study adopts five dimensions of strategic audit expertise orientation from the reviewed previous research. This is the ability of an auditor to implement strategic audit expertise orientation to establish outcome which includes audit planning proficiency, audit review quality, audit monitoring effectiveness, best audit practice, audit information utilization, and audit report efficiency. These factors enhance the auditors to obtain accomplishment.

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# The Financial Performance of Thailand Banking Sector

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## Abstract

This study investigates the performance of Thai commercial banks that have been in operation from 2008 to 2014. Jensen's alpha model is used to calculate the risk-adjusted returns of commercial banks. Based on the sample of 8 commercial banks, the findings indicate commercial banks are unable to outperform the banking market in any meaningful sense over the 2008-2014 period. It is show that according to the Jensen's alpha the best performer is Kasikornbank Public Co Ltd. Thus, the study concludes that the return based on expected return and standard deviation is no longer the best performers after deduction of the risk free asset to its expected return.

**Keywords:** Performance measurement; Thailand banks

## Introduction

The performance of the banking sector is a subject that has become increasingly important to researchers and investors, particularly after the Asian financial crisis in 1997. The banking sector in Thailand is a major part of the financial institutions industry and has been earning consistent profits since 2001. As at the end of 2005, Thai financial institutions have total deposits of 8 trillion baht. The commercial banks controlled approximately 76.62 percent of total deposits. Therefore, the domestic commercial banks captured 87 percent of the total deposits in 2008. The Thai banking sector's return on average assets is reported to be 0.8 percent and 1.1 percent for domestic commercial banks and foreign banks, respectively (Fadzlan & Muzafar Shah, 2010). The domestic banks in Thailand cover 17 out of the total of 29 commercial banks as at January 2015. It can be seen that the Thai financial sector has recovered after struggling for several years.

With regards to Thailand banking sector literature, the previous studies have measured comparative performance across bank types. For example, Kwan (2003) finds that bank operating efficiency are not related to the degree of openness of the banking sector during the period 1992 to 1999. Chantapong (2005) evaluates the profitability of the Thailand banking sector. The empirical findings suggest that foreign bank profitability is higher than the average profitability of the domestic banks. Moreover, the gap between foreign and domestic profitability has become closer in the post-crisis period. Chantapong and Menkhoff (2005) claim that the cost efficiency of Thai domestic banks improved after the post-Asian crisis period, a finding which may be due to an increase in banking industry market competition. Chansarn (2006) investigates the efficiency of the financial sector in Thailand by using the total factor productivity in post-Asian crisis period and concludes that the commercial bank sector is less efficient



than the overall financial sector, particularly during the period 1998 to 2004. Pathan et al. (2007) investigate the impact of board size and independent directors on Thai domestic banks performance by using panel data on 13 domestic commercial banks from 1999 to 2003. They find that there is a negative relationship between Thai banks' board size and their performance, while there is a positive relationship between Thai bank board independence and performance. Chunchinda and Li (2010) evaluate the profit and cost efficiencies of Thai commercial banks. They conclude that the commercial banks have been less profitable and inefficient during the post-crisis period than in the pre-crisis period. Fadzlan and Muzafar Shah (2010) measure Thai commercial bank efficiency between 1999 and 2008 by using the data envelopment analysis method. Results reveal that the domestic banks have exhibited higher technical efficiency levels compared to foreign banks.

It can be seen from these studies that Thai research has focused on the efficiency of commercial banks. As far as the authors know, there have been no academic studies investigating Thai commercial banks' performance using Jensen's alpha to calculate the risk-adjusted returns against the SET banking index. So the few studies to have examined commercial banks performance in Thailand require closer examination in a number of respects. First, they represent a Thailand financial market where the performance levels of the banking sector are conditional on the state of the economy. It is thus of crucial interest to investigate whether there are differences in the performance levels of commercial banks across bank types. Second, the bank sector plays a vital role in Thailand in terms of saving, capturing total deposits of 11 trillion baht at the end of January 2015, according to the Bank of Thailand. New evidence from the Thai bank sector allows individual investors to obtain commercial bank stock performance in a modern portfolio context. Third, the intent of this study is to update the performance evaluation of shares of commercial bank stocks, including the most recent seven-year time period, 2008-2014.

This paper is structured as follows. The next section describes the data and methodology used to examine how domestic commercial bank performance relates to the rest of the banking market. Section 3 discusses the results and, finally, Section 4 provides some concluding remarks.

## **Methodology and Data**

The theoretical framework of the study is built from the theory of efficient markets. In order to analyze the performance of the commercial banks of Thailand, relevant benchmarks have been chosen, and the purpose of this research is to explore whether the commercial banks are able to outperform from SET banking sector index. This study examines the risk-adjusted return of the commercial banks using Jensen's alpha based on estimation of the Capital Asset Pricing Model (CAPM), and there are several reasons of that. Firstly, the interpretation of Jensen's alpha is easier, as it shows the percentage in excess of risk premium that a share has earned compared to its benchmark. Secondly, Jensen's alpha is calculated using regression analysis, meaning that it can directly be seen from the output, depending on the statistical results. Therefore, Jensen's alpha (1968) suggests a different concept of risk. Jensen is concerned only with systematic risk (Beta) for scaling the returns of the share.

Based on the above-mentioned, Jensen's alpha will be used for the commercial banks' performance in this study. This measure of abnormal return can be defined as:

$$\alpha_{it} = (R_{it} - R_{ft}) - \beta_{it} (R_{mt} - R_{ft}) \quad (1)$$

where,

- $\alpha_{it}$  = Abnormal risk-adjusted return for commercial bank  $i$  which is a measure of the ex-post risk-adjusted return in period  $t$ ,
- $R_{it}$  = Return of commercial bank  $i$  in period  $t$ ,
- $R_{ft}$  = Risk-free rate of return in period  $t$ ,
- $\beta_{it}$  = Beta of commercial bank  $i$  in period  $t$ ,
- $R_{mt}$  = Return of SET banking sector index in period  $t$ .

In the above models,  $\alpha_{it}$  is the regression intercept or abnormal returns of commercial bank shares, that is, the return that is in excess of that which is caused by the portfolio's exposure to risk factors. Investors would receive a greater return than that which they could have expected on a risk-adjusted basis if the alpha value is positive. On the other hand, a negative alpha value indicates that investors received a lower return than expected on a risk-adjusted basis. In Equation (1), coefficient  $\beta_{it}$  measures the portfolio's exposure to a market factor in the CAPM.

The efficient market hypothesis (EMH) posits that current stock prices reflect all available information (Fama, 1970). The hypothesis is that all information is quickly and efficiently incorporated into asset prices at any point in time and profit (abnormal returns) cannot be made from trading information. Therefore, analysis, such as fundamental analysis and technical analysis, cannot be used (Bishop, Crapp, Faff, & Twite, 2004). Fundamental analysis is used to evaluate investments in securities from characteristics of a security by attempting to measure the intrinsic value. Technical analysis is the evaluation of securities from the chart using historical price behavior to predict future movement. The term "market efficiency" means security prices are rational and an investor cannot systematically beat the market (Statman, 1999). Thus, yielding abnormal returns cannot be made in an efficient market.

The hypothesis relating to commercial bank performance is based on the efficient market hypothesis. This means that positive or negative alpha values would indicate an inefficient Thai banking sector. The hypothesis relating to commercial bank performance is made between the commercial banks and the SET banking sector index benchmark and asserts that the performance of commercial banks is significantly different from that of the stock market. In other words, the alpha value of commercial bank shares would not be expected to be significantly different to zero. When testing the significance of Jensen's alpha, the p-value of the coefficient will be used. The significance of Jensen's alpha will both be evaluated at a 5% and a 10% significance level. If the estimate of Jensen's alpha shows up to be positive and significantly different from zero, it is concluded that the commercial bank shares has outperformed from the benchmark. Oppositely, if it is significantly negative, the benchmark has outperformed from the commercial bank shares. If Jensen's alpha shows up to be insignificant, it is concluded that the commercial bank shares has performed neutrally compared to the benchmark.

The data employed in this study are monthly closing prices of commercial banks traded on the Stock Exchange of Thailand during the period 2008-2014. Two study periods are considered, namely the alpha value for each commercial bank in the sample



for each year, and over the seven-year period. In addition, the beta and the standard deviation of alpha values were calculated for each commercial bank analyzed. Historical data are obtained from the Morningstar Direct Database. The 91 day bank accepted bill rates are used as a proxy for the risk-free rate for the Thai market and the SET banking sector index is the market benchmark.

The study analyzes eight commercial banks comprising Kasikornbank Public Co Ltd., Siam Commercial Bank PLC., CIMB Thai Bank PLC., Bangkok Bank PCL., Bank Of Ayudhya PLC., TMB Bank Public Co Ltd., TISCO Financial Group PLC., and Krung Thai Bank PLC.

## Results

This section discusses the results of the commercial bank performance evaluations, with the results presented in Table 1. For each of the eight commercial banks, the study provides the annual alpha values and standard deviations of alpha values examined for each year. Accordingly, the difference between the average alpha values and zero can be measured to determine if the difference is significant using *t*-statistic.

**Table 1 Summary alpha values for each commercial bank**

| Commercial Banks   | 2008   | 2009   | 2010   | 2011    | 2012    | 2013   | 2014   |
|--|--------|--------|--------|---------|---------|--------|--------|
| Kasikornbank Public Co Ltd.                                | -0.659 | -1.043 | 1.399* | 0.320   | 1.186** | -0.032 | 1.053  |
| t-Statistic  | -0.512 | -0.770 | 2.643  | 0.385   | 1.868   | -0.048 | 1.065  |
| Siam Commercial Bank PLC.                                  | 0.453  | 0.174  | -0.540 | 1.764** | 0.304   | -0.175 | -0.315 |
| t-Statistic  | 0.362  | 0.132  | -0.630 | 1.944   | 0.261   | -0.148 | -0.348 |
| CIMB Thai Bank PLC.  | -0.078 | -8.736 | 0.479  | -0.210  | -0.918  | -1.243 | -1.950 |
| t-Statistic  | -0.020 | -0.491 | 0.146  | -0.092  | -0.255  | -0.734 | -1.793 |
| Bangkok Bank PCL.  | 1.834  | -1.139 | -0.259 | 0.958   | -1.071  | 0.910  | -0.565 |
| t-Statistic  | 2.052  | -0.616 | -0.401 | 1.100   | -0.956  | 1.094  | -0.595 |
| Bank Of Ayudhya PLC.                                       | -1.197 | 0.113  | -1.405 | -0.542  | 1.458   | 0.137  | 0.688  |
| t-Statistic  | -0.597 | 0.032  | -0.739 | -0.276  | 1.125   | 0.066  | 0.379  |
| TMB Bank Public Co Ltd.                                    | 0.614  | -1.291 | 2.299  | -2.489  | 0.185   | 2.854  | 1.102  |
| t-Statistic  | 0.330  | -0.237 | 0.548  | -1.407  | 0.099   | 1.144  | 0.547  |
| TISCO Financial Group PLC.                                 | -0.824 | 1.712  | 1.970  | 0.320   | 0.127   | -0.001 | -0.632 |
| t-Statistic  | -0.326 | 0.337  | 0.880  | 0.147   | 0.081   | -0.000 | -0.611 |
| Krung Thai Bank PLC.                                       | 0.179  | 1.907  | 2.671  | -0.410  | 0.238   | 1.077  | 1.073  |
| t-Statistic  | 0.083  | 0.532  | 1.490  | -0.382  | 0.130   | 0.712  | 1.155  |
| Annual average alpha values                                | 0.040  | -1.038 | 0.827  | -0.036  | 0.188   | 0.441  | 0.057  |
| t-Statistic  | 0.117  | -0.877 | 1.578  | -0.081  | 0.604   | 1.034  | 0.145  |
| Standard deviation of alpha values for all commercial bank | 0.965  | 3.346  | 1.481  | 1.249   | 0.881   | 1.206  | 1.105  |

**Note:** \* and \*\* denote that the null hypothesis can be rejected at the 5% and 10% significance levels, respectively.

From Table 1, the results show that in all but two years (2009 and 2011) over the seven-year period examined, the annual average alpha values were positive, indicating the above average performance in comparison to the SET banking sector index of 11 commercial banks, while positive, is not statistically significant. Therefore, an inconsistent decrease in average standard deviations of alpha values would suggest an unstable banking industry as measured by return performance. The results support the rejection of the alternative hypothesis and the acceptance of the null hypothesis at the 5% and 10% significance levels over the study periods. This suggests that the commercial bank performance levels are not different to the SET banking sector index. In the case of each commercial bank, the results show that there is a significant statistical difference existing between average alpha value and zero at the 5% and at the 10% significance level for Kasikornbank Public Co Ltd in 2010 and 2012, respectively. Therefore, Siam Commercial Bank PLC. shows that the performance levels are outperform the SET banking sector index in 2011 at the 10% significance level. That claim that domestic commercial banks, at least Kasikornbank Public Co Ltd and Siam Commercial Bank PLC., are efficiently priced in exploitable ways is a myth. Thus, the findings that reveal a high number of domestic commercial banks with insignificant positive alpha values support the efficient market hypothesis, which suggests there is no potential to gain abnormal returns with publicly available information.

Table 2 reports the alpha values and standard deviations of alpha values for each commercial bank over the seven-year period analyzed. Accordingly, the difference between the average alpha values and zero can be measured to determine if the difference is significant using *t*-statistic.

From Table 2, the results support the rejection of the null hypothesis and the acceptance of the null alternative hypothesis at the 5% significance levels over the study period. The results show that the commercial bank performance levels are different to the SET banking sector index. The performance measures reveal that domestic commercial banks achieved superior performance levels to the banking market over the full period. It can be argued that the banking markets are somehow efficient even though they do take a longer period of time to adjust themselves in accordance with relevant information. This corresponds with the efficient market hypothesis (Kuble, Waltber, & Wurtzebach, 1986). The results in Table 1 support this claim. That is, the years 2012 through 2014 reflect a period of low average alpha values for all commercial banks. This trend, if continued, will in theory result in alpha values equal to zero.

**Table 2 Summary alpha value and standard deviation of alpha values, 2008-14**

| Commercial Banks            | Alpha values | Standard deviation |
|-----------------------------|--------------|--------------------|
| Kasikornbank Public Co Ltd. | 0.504        | 0.948              |
| t-Statistic                 | 1.628        |                    |
| Siam Commercial Bank PLC.   | 0.315        | 0.760              |
| t-Statistic                 | 0.857        |                    |
| CIMB Thai Bank PLC.         | 1.415        | 3.160              |
| t-Statistic                 | 0.655        |                    |
| Bangkok Bank PCL.           | 0.052        | 1.146              |
| t-Statistic                 | 0.148        |                    |
| Bank Of Ayudhya PLC.        | 0.151        | 1.021              |
| t-Statistic                 | 0.212        |                    |

| Commercial Banks                                    | Alpha values    | Standard deviation |
|---|-----------------|--------------------|
| TMB Bank Public Co Ltd.<br>t-Statistic              | 0.351<br>0.360  | 1.888              |
| TISCO Financial Group PLC.<br>t-Statistic           | 0.176<br>0.215  | 1.079              |
| Krung Thai Bank PLC.<br>t-Statistic                 | 0.608<br>0.997  | 1.069              |
| Alpha values for all commercial bank<br>t-Statistic | 0.447*<br>2.919 | 0.433              |

**Note:** \* denote that the null hypothesis can be rejected at the 5% significance levels.

In the case of each commercial bank, there is no evidence that the alpha value of commercial banks represents a significant statistical difference from zero at any level of significance. This suggests that none of commercial banks performance level is better than the relevant benchmark over the study period. Given the fact that the results reveal an insignificant difference in alpha values from zero of the eight domestic commercial banks examined, it is an usual claim that the securities with high systematic risk should have high pre-tax returns (Cragg & Malkiel, 1982).

The standard deviation of alpha values show that there is some evidence in relative exposure to investment risk in these commercial banks, and it is strong, with a spread of 2.4 between the highest and lowest investment risk. The results suggest that CIMB Thai Bank PLC. has the a highest exposure to investment risk and the Siam Commercial Bank PLC. has the lowest investment risk for the seven year period. Unfortunately, these commercial banks did earn positive alpha value, but they were not statistically significant.

The beta values reported in Table 3 reflect the relative systematic risk for each commercial bank from equation (1).

**Table 3 Summary beta values for each commercial bank**

| Commercial Banks            | 2008   | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2008-2014 |
|-----------------------------|--------|-------|-------|-------|-------|-------|-------|-----------|
| Kasikornbank Public Co Ltd. | 0.822  | 1.111 | 0.812 | 0.941 | 0.932 | 1.123 | 1.086 | 0.956     |
| Siam Commercial Bank PLC.   | 0.903  | 0.828 | 0.918 | 1.114 | 1.244 | 1.044 | 1.198 | 0.959     |
| CIMB Thai Bank PLC.         | -0.642 | 2.957 | 1.120 | 1.031 | 0.428 | 0.763 | 0.952 | 0.648     |
| Bangkok Bank PCL.           | 1.050  | 0.954 | 0.995 | 0.832 | 1.133 | 1.014 | 0.689 | 0.926     |
| Bank Of Ayudhya PLC.        | 1.143  | 1.313 | 1.114 | 0.894 | 0.656 | 0.319 | 1.312 | 1.047     |
| TMB Bank Public Co Ltd.     | 1.257  | 1.384 | 1.551 | 1.192 | 0.421 | 1.117 | 0.960 | 1.187     |
| TISCO Financial Group PLC.  | 1.330  | 1.259 | 1.042 | 0.696 | 1.031 | 1.047 | 0.846 | 1.177     |
| Krung Thai Bank PLC.        | 1.260  | 1.200 | 0.981 | 1.150 | 1.057 | 1.465 | 0.919 | 1.231     |

The evidence shows that Krung Thai Bank PLC. has a higher systematic risk than other commercial banks, and the SET banking sector index, according to the beta over the study period, indicates that Krung Thai Bank PLC. diversified into higher risk securities than other commercial banks and the relevant benchmark. However, Krung Thai Bank PLC did not show the best performance of any period the study. Referring to the Table 3, it can make conclusion that these commercial banks attempted to adjust the market risk over time and the beta value of the commercial banks were not quite different from one, which shows that, in general, these commercial banks appear to have a market risk similar to the overall banking market.

## Conclusion

A commercial bank is a security traded in Thailand that serves as a direct investment in the Thai stock market. This study offers investor and bank managers a detailed analysis of the performance of domestic commercial banks in Thailand in terms of how domestic commercial banks performed during the period from 2008 to 2014, using Jensen's risk adjustment. The overall conclusion is that the performance of domestic commercial banks is positive, with the exception in 2009 and 2011, which is superior to the average of the banking sector performance for each year. Unfortunately, the annual average alpha values for all commercial banks are not statistically significant. It appears that a significant statistical difference exists between alpha values of all the commercial banks and for none of the seven years analyzed. The standard deviation of alpha values reflect the relative risk for each commercial bank. The results show that the standard deviations of alpha value of the CIMB Thai Bank PLC. was higher than that of other commercial banks over the seven years, while the positive alpha value is not statistically significant. The results imply that there is a greater investment risk for CIMB Thai Bank PLC. Therefore, the results show that the investment risk of the Siam Commercial Bank PLC. is lower than the other commercial banks. Thus, the findings revealing the high number of commercial banks with insignificant alpha values support the efficient market hypothesis, which suggests there is no potential to gain abnormal returns with publicly available information and the commercial bank shares have performed neutrally compared to the benchmark.

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# Modern Cost Management Innovation and Firm Performance: An Empirical Investigation of Electronics and Electrical Manufacturing Businesses in Thailand

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## Abstract

This study attempted to integrate the key components of modern cost management innovation using a new model. The objectives of this study were to examine the effects of modern cost management innovation on firm performance. The effects of independent dimensions of modern cost management innovation were examined, including: value chain cost focus, strategic cost relationship concern, competitive-based cost emphasis, value-added cost orientation and resource-sharing cost concentration. Dependent measures in terms of effect on electronics and electrical manufacturing businesses in Thailand included: cost utilization, operational effectiveness, business excellence, goal decision-making achievement and firm performance. A questionnaire was utilized for data collection and 334 accounting executives of electronics and electrical firms were sampled. Competitive-based cost emphasis and resource-sharing cost concentration had strong, significant positive correlations with all performance outcomes. Furthermore, cost utilization had a significant positive correlation with operational effectiveness, business excellence and cost utilization. Furthermore, operational effectiveness and business excellence had significant positive correlations with goal decision-making achievement and firm performance. The findings supported the new model, and implications and recommendations for future research were examined.

**Keywords:** Modern cost management innovation, value chain cost focus, strategic cost relationship concern, competitive-based cost emphasis, value-added cost orientation, resource-sharing cost concentration, cost utilization, operational effectiveness, business excellence, goal decision-making achievement, firm performance

## Introduction

The competitive intensity of current economic conditions requires businesses to adapt to an ever-changing business environment, including the need to constantly

innovate and maintain technology compatibility. Innovation and technology play a major role in the management of business processes (Balkin, Markman & Gomez, 2000). Managerial accounting system efficiency, in most cases, is a business that requires innovation or technology to be involved from beginning to end. Various sectors of the economy, such as the automotive steel and textile industries, are currently focused on the innovative use of technology in order to upscale production (Kruse, Sorensen & Hansen, 2012). Human labor has quality, cost and risk issues associated with it, and businesses are currently looking for solutions. Tools that can be used by business to meet the needs of business and information are equally important operating costs. As well as the duration of the production process, the cost of doing business includes a basic understanding of accounting knowledge, Accounting knowledge is no less important than the requirement for innovation, because such information must ultimately be presented to management as a basis for planning, monitoring and review of business processes. For instance, such information can be used in planning production, leading to cost savings and efficiency (Fu, 2007). It includes the design of a data management system to determine the long-term operational costs incurred by a strategy or organizational policy.

In addition, high competition in the world of advanced technology that has been applied to manufacturing and innovation is another factor that has played a major role in the development of the competitiveness of the sector. Today's business operations innovations can be classified into three types: product innovation, service innovation, and process innovation. These are generally new processes that affect the production process to increase efficiency and effectiveness (Fayard et al., 2012). Different forms of management efficiency will affect the competitiveness and market positioning of a business. Industry innovation tends to be related to the issue of cost, which is the heart of the manufacturing system. Modern cost management innovation should be applied to control the effective cost in appropriate circumstances, and relies on many factors. Because cost management is still a major issue for the industry during the past Thailand, due to continued cost management approach or production methods in its original form (Terdpaopong & Visedsun, 2014). Thus, value chain cost focus, strategic cost relationship concern, competitive-based cost emphasis, value-added cost orientation, and resource-sharing cost concentration. These factors influence modern cost management innovation incurred during development of the new product.

### **Literature Review**

In this study, a conceptual framework of modern cost management innovation and firm performance is analyzed and discussed. The basic concepts and their interlinkages are provided in the research model in Figure 1.



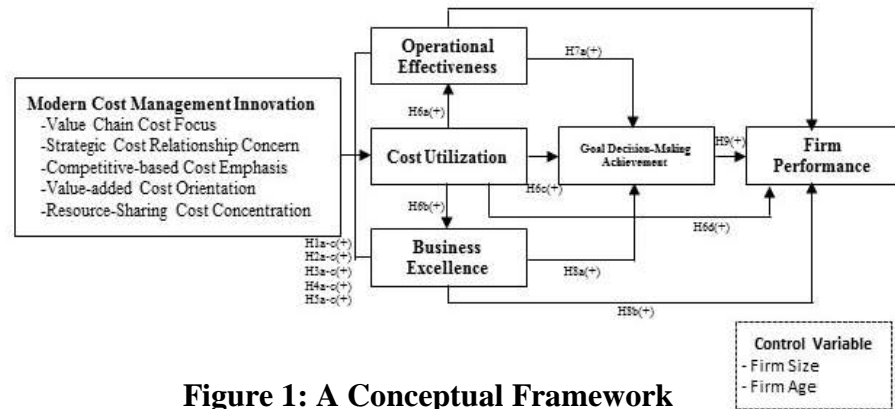


Figure 1: A Conceptual Framework

**Modern Cost Management Innovation (MCMI)** is a model of new product development, which refers to the ability to know the cost to conceive new concepts, methods and techniques for application in the development process to achieve a competitive advantage, while adapting to changing circumstances (Asdemir & Tripathy, 2012; Fu, 2007). The business environment and firms have trended towards new and better approaches to business management (March & Gunasekaran, 1999). These entail implementing new processes, as aspects of quality, reengineering, and other approaches. This philosophy requires firms to be responsive and flexible with regard to profit, and value-adding products.

**Value Chain Cost Focus (VC)** refers to awareness by managers of the need to analyze and manage system costs, reducing activities that do not increase revenues, appropriate to the circumstances, while aiming for a continuous increase in value of the business (Chopra & Garg, 2011). The key concept of the value chain business processes for an organization is not a new idea (Porter, 1985). Therefore, the use of the word "chain" is interesting, and its use by Porter and others is a way to create descriptive concepts. It is an analogy that is very valuable as it identifies a process within companies that are or should be linked. Hence, the first hypothesis is as follows:

*H1a-c VC is positively associated with: (a) cost utilization; (b) operational effectiveness; and (c) business excellence.*

**Strategic Cost Relationship Concern (SC)** refers to a focus on linking the cost of compliance with the company's strategic goal, and development of inclusion criteria for system processes to make operations more efficient (Chitmun & Ussahawanitchakit, 2012). Strategic cost is creating links between the firm and external stakeholders to achieve strategic goals and improve performance. This strategic linkage also enables firms to reduce uncertainty associated with the need for internal organization-wide alignment of values in line with the vision (Nohria & Garcia, 1991). Hence, the second hypothesis is articulated as follows:

*H2a-c SC is positively associated with: (a) cost utilization; (b) operational effectiveness; and (c) business excellence.*

**Competitive-based Cost Emphasis (CB)** refers to recognizing the comparative costs of operation and analytical resources of competitors, so businesses understand the potential of such information to lead to more effective decision-making (Akan et al.,



2006). However, companies must find ways to cut costs and produce more. Cost-cutting opportunities exist in terms of the cost of input technology and resources, sourcing of raw materials, product design and even outsourcing activities where it represents a cost advantage (Chopra & Garg, 2011). Hence, the third hypothesis is conceptualized as follows:

*H3a-c CB is positively associated with: (a) cost utilization; (b) operational effectiveness; and (c) business excellence.*

**Value-added Cost Orientation (VA)** refers to identifying and eliminating non-value cost, including analysis of cost elements, to assess the all-up cost-benefit (Kruse, Sorensen & Hansen, 2012). Modern cost management requires a commitment from senior business management, with the participation of workers at all levels, and the establishment of a self-perpetuating system of improvements that will help improve the efficiency of value-adding activities and reduce non-value adding activities as much as possible (Agrawal & Mehra, 1998). Hence, the fourth hypothesis is expressed as follows:

*H4a-c VA is positively associated with: (a) cost utilization; (b) operational effectiveness; and (c) business excellence.*

**Resource-Sharing Cost Concentration (RS)** refers to a focus on exploring the use of resources for planning, and management of resources in a systematic and concrete way, as well as analyzing the potential to maximize the use of resources (Fu, 2007). This view compares firms in terms of resource usage. Some are superior, and others perhaps increase organizational capability that can enable the firm to deploy better quality resources than its competitors. Therefore, resource usage quality is the ability of a firm to analyze resource requirements, and process the allocation of resources for each department or business unit in order to utilize resources more efficiently (Balkin, Markman & Gomez, 2000). Hence, the fifth hypothesis is elaborated as follows:

*H5a-c RS is positively associated with: (a) cost utilization; (b) operational effectiveness; and (c) business excellence.*

**Cost Utilization (CU)** refers to identifying and analyzing the costs to be recognized and understood by management to be able to make decisions according to the situation and to achieve cost-effectiveness (Chopra & Garg, 2011). Cost utilization is a way of assessing the quality of operational activities. Several studies have investigated the perceived quality costs related to lower costs of operation. Empirical studies by Attaran (2012) states that quality management improves the efficiency of processes that produce products or services. Hence, the sixth hypothesis is stated as follows:

*H6a-d CU is positively associated with: (a) operational effectiveness; (b) business excellence; (c) goal decision-making achievement; and (d) firm performance.*

**Operational Effectiveness (OE)** refers to management and operational processes in line with targets that have been planned to reduce process time and operational efficiency (Boonmunewai & Ussahawanitchakit, 2010). Operational effectiveness can be the key to business competitiveness. However, firms must operate

best practice and commit to improving faster than the competition (Gable & Wolf, 1993). Therefore, organizational capacity is established using processes, based on core competencies within the organization, including excellent performance and continuing excellence in operations. Hence, the seventh hypothesis is detailed as follows:

*H7a-b OE is positively associated with: (a) goal decision-making achievement; and (b) firm performance.*

**Business Excellence (BE)** refers to operating systems, which are powerful and constantly evolving, that enable superior organizational and business performance in a given industry (Gordon, Loeb & Tseng, 2009). However, firms must operate best practice and commit to innovation faster than the competition (Gable & Wolf, 1993). Therefore, it is important to set out clear processes, based on core capability inside an organization that leads to business excellence into the future. Hence, the eighth hypothesis is conceptualized as follows:

*H8a-b BE is positively associated with: (a) goal decision-making achievement; and (b) firm performance.*

**Goal Decision-Making Achievement (GD)** refers to issues that are important to the operations and goals of the company and operational decision-making activities that leads to successfully achieving organizational goals (Deepen, Goldsby & Knemeyer, 2008). Goal achievement is a milestone that represents a final operational process or performance outcome, according to defined objectives such as missions, visions, and strategies. Hence, the ninth hypothesis is elaborated as follows:

*H9 GD is positively associated with firm performance.*

## Methodology

The sample of this research is chosen from the Department of Business Development on its website ([www.dbd.go.th](http://www.dbd.go.th)). Based on this database, there were 1,863 electronics and electrical firms (partnership and company limited), above reasoning, electronics and electrical manufacturing businesses in Thailand are suitable to be the population of this research. Because electronics and electrical businesses is an important contributor to Thailand's economy. Also, the cost of electronics and electrical production a large proportion. Therefore, firms often look closely at the production that must maximize output for a given set of scarce inputs or minimize the cost of producing a given output (Kruse, Sorensen & Hansen, 2012). The data was recorded in 2015 (accessed February 17, 2015). Accordingly, an appropriate sample size is 320 firms under the 95% confidentiality rule (Krejcie & Morgan, 1970). Based on prior business research, a 20% response rate for a mail survey, with an appropriate follow-up procedure, is deemed sufficient (Aaker, Kumar & Day, 2001). Hence, the sample size of 100% =  $(320 \times 100) / 20 = 1,600$  firms are an appropriate sample for a distributed mail survey selected as the sample for data collection.

The sample of electronics and electrical business was drawn from a national business listing database via a standardized selection process to reduce systematic sampling bias. Of the selected 1,600 electronics and electrical firms across Thailand, 1,470 had postal addresses to which questionnaire surveys were mailed out directly to

the accounting executive of each firm. With regard to the mail survey, 334 responses were returned and all were usable. The received questionnaire data was inputted into an SPSS to produce a regression analysis later. The effective response rate was 22.72 percent. According to Aaker, Kumar & Day (2001), a 20% response rate for a mailed survey with appropriate follow up procedure is considered acceptable.

To measure each construct in the conceptual model, all variables were developed for measuring from the definition that was supported by the literature, firm performance is measured by the degree of firm ability to results from the implementation of the plans and goals of the business. A four-item scale was adapted from Chitmun & Ussahawanitchakit (2012). And all variables gained from the survey were measured on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

To address the validity and reliability of the questionnaire, first thirty observations were employed to pre-test procedures as demonstrated in Table 1. The factor loadings of each item are between 0.717-0.952, which is greater than the 0.40 cut-off, and statistically significant, indicating strong construct validity (Nunnally & Bernstein, 1994). Moreover, Cronbach's alpha coefficients for all variables are in the range 0.711 – 0.903, which is greater than 0.70 as recommended by Hair et al. (2010). As a result, all constructs of this research have sufficient internal consistency and the construct validity of all variables is acceptable. The Ordinary Least Squares (OLS) regression analysis examined the hypotheses. Consequently, the proposed hypotheses were transformed into twelve equations that guided the steps to regression analysis.

**Table 1:** Results of Measure Validation

| Constructs                               | Factor Loadings | Alpha Coefficient |
|--|-----------------|-------------------|
| Firm Performance (FP)                    | 0.723-0.923     | 0.822             |
| Value Chain Cost Focus (VC)              | 0.717-0.804     | 0.783             |
| Strategic Cost Relationship Concern (SC) | 0.807-0.893     | 0.797             |
| Competitive-based Cost Emphasis (CB)     | 0.753-0.952     | 0.896             |
| Value-added Cost Orientation (VA)        | 0.758-0.870     | 0.796             |
| Resource-Sharing Cost Concentration (RS) | 0.838-0.916     | 0.746             |
| Cost Utilization (CU)                    | 0.723-0.901     | 0.794             |
| Operational Effectiveness (OE)           | 0.788-0.896     | 0.711             |
| Business Excellence (BE)                 | 0.807-0.905     | 0.877             |
| Goal Decision-Making Achievement (GD)    | 0.839-0.924     | 0.903             |

## Results and Discussion

The descriptive statistics and correlations between variables are shown maximum scale of variance inflation factors (VIFs) was 3.420 which does not exceed the value of 10, indicating no multicollinearity (Hair et al., 2010). With regard to the auto-correlation effect, it was found that the Durbin-Watson (d) scale ranges from 1.572

to 2.289, which is between the critical values of  $1.5 < d < 2.5$  (Durbin & Watson, 1971). Therefore, this study presents no issues in relation to auto-correlation effects.

Table 2 demonstrates the results of hypothesis testing. As shown in model 1, results indicate that the coefficients of VC have a positive and significant impact on CU (H1a:  $\beta_1 = 0.105$ ,  $p < 0.10$ ). The results indicate that superiority of value chain cost tends to support operational and strategic decisions. This is consistent with many researchers' findings regarding the value chain helping explain the links in an industry, and the analysis and explanation of value at a macro level (Butler et al., 2001).

On the other hand, as shown results the coefficients of VC has no significant relationship with OE (H1b:  $\beta_8 = -0.134$ ,  $p < 0.05$ ) and BE (H1c:  $\beta_{15} = -0.159$ ,  $p < 0.05$ ). The results indicate that value chain cost has the possibility of developing strategic advantage in operational. This is consistent with many researchers' findings in terms of the performance of value chain management in the context of linking internal and external organizational processes (Attaran, 2012). Thus, Hypothesis 1a is supported but 1b and 1c are not supported.

As shown in models 1 and 2, results the coefficients of SC have a positive and significant impact on CU (H2a:  $\beta_2 = 0.153$ ,  $p < 0.05$ ) and OE (H2b:  $\beta_9 = 0.118$ ,  $p < 0.10$ ). The results indicate that strategy has positive the firm performance both accounting outcome such as profitability, return on investment and organizational outcomes such as productivity, quality and service. This is consistent with many researchers' findings that firms can achieve continuous firm performance in the long-term by using strategic linkage capability. This is supported by Bucuniene & Kazlauskaite (2012), who have found that the linkage between human resource management (HRM) strategy and corporate social responsibility (CSR) strategy has positive effects on firm performance.

**Table 2:** Results of Regression Analysis

| Independent Variables                            | Dependent Variable         |                            |                            |                            |                            |                               |                                  |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|-------------------------------|----------------------------------|
|  | CU                         | OE                         | BE                         | OE                         | BE                         | GD                            | FP                               |
|  | Multi-regression model 1   | Multi-regression model 2   | Multi-regression model 3   | Multi-regression model 4   | Multi-regression model 5   | Multi-regression model 6,8,10 | Multi-regression model 7,9,11,12 |
| Value Chain Cost Focus (VC) (H1a-c)              | <b>0.105*</b><br>(0.063)   | -0.134**<br>(0.059)        | -0.159**<br>(0.065)        |                            |                            |                               |                                  |
| Strategic Cost Relationship Concern (SC) (H2a-c) | <b>0.153**</b><br>(0.072)  | <b>0.118*</b><br>(0.068)   | 0.109<br>(0.074)           |                            |                            |                               |                                  |
| Competitive-based Cost Emphasis (CB) (H3a-c)     | <b>0.247***</b><br>(0.050) | <b>0.310***</b><br>(0.047) | <b>0.356***</b><br>(0.052) |                            |                            |                               |                                  |
| Value-added Cost Orientation (VA) (H4a-c)        | 0.011<br>(0.069)           | <b>0.231***</b><br>(0.065) | <b>0.143**</b><br>(0.071)  |                            |                            |                               |                                  |
| Resource-Sharing Cost Concentration (RS) (H5a-c) | <b>0.307***</b><br>(0.060) | <b>0.308***</b><br>(0.056) | <b>0.308***</b><br>(0.062) |                            |                            |                               |                                  |
| Cost Utilization (CU) (H6a-d)                    |                            |                            |                            | <b>0.666***</b><br>(0.041) | <b>0.690***</b><br>(0.041) | <b>0.766***</b><br>(0.035)    | <b>0.676***</b><br>(0.042)       |
| Operational Effectiveness (OE) (H7a-b)           |                            |                            |                            |                            |                            | <b>0.669***</b><br>(0.040)    | <b>0.672***</b><br>(0.042)       |
| Business Excellence (BE) (H8a-b)                 |                            |                            |                            |                            |                            | <b>0.741***</b><br>(0.036)    | <b>0.765***</b><br>(0.036)       |
| Goal Decision-Making Achievement (GD) (H9)       |                            |                            |                            |                            |                            |                               | <b>0.785***</b><br>(0.036)       |
| Firm Size (FS)                                   | <b>0.265**</b><br>(0.084)  | 0.000<br>(0.079)           | <b>0.216**</b><br>(0.086)  | -0.104<br>(0.085)          | 0.057<br>(0.084)           | 0.046<br>(0.073)              | 0.066<br>(0.086)                 |
| Firm Age (FA)                                    | -0.085                     | <b>0.173**</b>             | -0.061                     | <b>0.292**</b>             | 0.020                      | <b>0.160**</b>                | -0.091                           |

| Independent Variables         | Dependent Variable       |                          |                          |                          |                          |                               |                                  |
|-------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------------|----------------------------------|
|                               | CU                       | OE                       | BE                       | OE                       | BE                       | GD                            | FP                               |
|                               | Multi-regression model 1 | Multi-regression model 2 | Multi-regression model 3 | Multi-regression model 4 | Multi-regression model 5 | Multi-regression model 6,8,10 | Multi-regression model 7,9,11,12 |
|                               | (0.085)                  | (0.080)                  | (0.087)                  | (0.086)                  | (0.084)                  | (0.073)                       | (0.087)                          |
| <b>Adjusted R<sup>2</sup></b> | 0.499                    | 0.555                    | 0.471                    | 0.466                    | 0.483                    | 0.614                         | 0.457                            |
| <b>Maximum VIF</b>            | 3.420                    | 3.420                    | 3.420                    | 1.125                    | 1.125                    | 1.125                         | 1.125                            |

\*\*\* p < .01, \*\* p < .05, \* p < .10

On the other hand, as shown in model 3, results the coefficients of SC has no significant relationship with BE (H2c:  $\beta_{16} = 0.109$ ,  $p > 0.10$ ). The results indicate that the possible explanation of strategic cost evaluation would be helpful to understand decision making, and value-added information. This is consistent with the study of Nohria & Garcia (1991) who suggest that cross-functional integration and communication quality were positively associated with strategy creativity. Thus, Hypotheses 2a and 2b are supported, but 2c is not supported.

As shown in models 1, 2 and 3, results the coefficients of CB have a positive and significant impact on CU (H3a:  $\beta_3 = 0.247$ ,  $p < 0.01$ ), OE (H3b:  $\beta_{10} = 0.310$ ,  $p < 0.01$ ) and BE (H3c:  $\beta_{17} = 0.356$ ,  $p < 0.01$ ). The results indicate that competitive-based cost implementation is a technique of setting cost targets, future oriented focus, and design emphasis. This is consistent with many researchers' findings that companies must find ways to cut costs and look for ways to produce more cost input technology and resources, access to raw materials, product design and even look to outsource activities with other organizations to gain cost advantages (Akan et al., 2006). Thus, Hypotheses 3a - 3c are supported.

As shown in models 2 and 3, results the coefficients of VA have a positive and significant impact on OE (H4b:  $\beta_{11} = 0.231$ ,  $p < 0.01$ ) and BE (H4c:  $\beta_{18} = 0.143$ ,  $p < 0.05$ ). The results indicate that the performance of value chain management thus is creating by linking the internal processes of an organization and outside. This is consistent with many researchers' findings that value-adding activity utilization has important decision-making advantages. Accordingly, Fu (2007) suggests that a firm should use cost information for operational decision-making. That includes suggesting ways to improve a process by eliminating non value-adding activities (or waste) and minimizing non-essential activities. Value-adding activities are those that are judged to contribute to customer value or to meet the needs of an organization.

On the other hand, as shown in model 1, results the coefficients of VA has no significant relationship with CU (H4a:  $\beta_4 = 0.011$ ,  $p > 0.10$ ). The results indicate that possible the influencing of value-added cost is intended to decision affect the behavior of persons and in the management context. This is consistent with many researchers' findings that multidisciplinary cross-fertilization of ideas, resulting from different individuals working together (Everaert et al., 2006). Therefore, the possible reason that target cost implementation does not have a positive impact on operational cost effectiveness, strategic goal achievement, customer responsiveness efficiency and firm performance is the unclear definition of change in scope of work leading to unnecessary disputes (Butler et al., 2001). Thus, Hypotheses 4b and 4c are supported, and 4a is not supported.

As shown in models 1, 2 and 3, results the coefficients of RS have a positive and significant impact on CU (H5a:  $\beta_5 = 0.307$ ,  $p < 0.01$ ), OE (H5b:  $\beta_{12} = 0.308$ ,  $p <$



0.01) and BE (H5c:  $\beta_{19} = 0.308$ ,  $p < 0.01$ ). The results indicate that resource-sharing cost concentration is generally the key factor for implementation in a management system. This is consistent with many researchers' findings that accuracy of the allocation of resources is one of the challenges of modern operations management (March & Gunasekaran, 1999). Allocation accuracy awareness is related to the analysis of resource requirements and the accurate and appropriate allocation of resources to the various departments. Thus, Hypotheses 5a - 5c are supported.

As shown in models 4, 5, 6 and 7, results the coefficients of CU have a positive and significant impact on OE (H6a:  $\beta_{22} = 0.666$ ,  $p < 0.01$ ), BE (H6b:  $\beta_{25} = 0.690$ ,  $p < 0.01$ ), GD (H6c:  $\beta_{28} = 0.766$ ,  $p < 0.01$ ) and FP (H6d:  $\beta_{31} = 0.676$ ,  $p < 0.01$ ). The results indicate that cost utilization leads to goal and firm performance. This is consistent with many researchers' findings that cost utilization is related to operational cost effectiveness. Empirical studies by Agrawal & Mehra (1998) state that quality management improves the efficiency of the process that produces the product or service. Any quality cost that is reported, such as scrap or rework, will support improving operational cost effectiveness by quantifying specific quality levels and ultimately improving productivity (Chopra & Garg, 2011), and higher information quality assists managers to improve decision-making. Thus, Hypotheses 6a - 6d are supported.

As shown in models 8 and 9, results the coefficients of OE have a positive and significant impact on GD (H7a:  $\beta_{34} = 0.669$ ,  $p < 0.01$ ) and FP (H7b:  $\beta_{37} = 0.672$ ,  $p < 0.01$ ). The results indicate that the ability of operational cost effectiveness has an impact on operational effectiveness, involvement on strategic goals, create competitive advantage and subsequently increased firm performance. This is consistent with many researchers' findings that firms that perform better should gain in terms of quality, which leads to organizational operational efficiency, financial success, and a sustainable competitive advantage (Akan et al., 2006). Modern cost management techniques can significantly contribute to an operation's efficiency gains (Asdemir & Tripathy, 2012). Thus, Hypotheses 7a and 7b are supported.

As shown in models 10 and 11, results the coefficients of BE have a positive and significant impact on GD (H8a:  $\beta_{40} = 0.741$ ,  $p < 0.01$ ) and FP (H8b:  $\beta_{43} = 0.765$ ,  $p < 0.01$ ). The results indicate that firms attempting to meet objectives need to pay attention to their operational excellence as this is a driver of business performance excellence. This is consistent with many researchers' findings. For instance, Attaran (2012) found that using business excellence as a operating framework allows firms to assess the achievement of firm goals and gain new perspectives. Thus, Hypotheses 8a and 8b are supported

Finally, as shown in model 12, results the coefficients of GD have a positive and significant impact on FP (H9:  $\beta_{46} = 0.785$ ,  $p < 0.01$ ). The results indicate that firms that have better performance should win quality of the companies which leads to organizational operational efficiency, financial success, and a sustainable competitive advantage. This is consistent with many researchers' findings that goal decision-making achievement has a positive relationship with survival of business operations. Quality has a strong relationship with achievement of quality and innovation and subsequently reflects the extent to which revenue, growth, or financial performance has exceeded their competitors (Balkin, Markman & Gomez, 2000). Thus, Hypothesis 9 is supported.

However, the evidence of the control variables, as shown in models 1, 2, 3, 4 and 6 indicate that the coefficients of FS have a positive and significant impact on CU ( $\beta_6 = 0.265, p < 0.05$ ) and BE ( $\beta_{20} = 0.216, p < 0.05$ ); FA has a positive and significant impact on OE ( $\beta_{14} = 0.173, p < 0.05$ ), ( $\beta_{24} = 0.292, p < 0.05$ ) and GD ( $\beta_{30} = 0.160, p < 0.05$ ). The results indicate that bigger firms tend to improve firm performance and firm growth more than smaller ones. This is consistent with many researchers' findings that new business is always innovating, so it is an easy decision to welcome innovation and accept new ideas (Buciuniene & Kazlauskaite, 2012).

## Conclusions and Recommendations

The key purpose of the study was to investigate the relationship between MCMI and performance outcomes in electronics and electrical manufacturing businesses in Thailand. The sample included 334 observations from 1,863 firms that were conducted by stratified random sampling methods. The OLS regression results showed that VC has positive significance for CU; SC has positive significance for CU and OE; CB has positive significance for CU, OE and BE; VA has positive significance for OE and BE; and RS has positive significance for CU, OE and BE. Furthermore, CU has positive significance for OE, BE, GD and FP; OE has positive significance for GD and FP; and BE has positive significance for GD and FP. Finally, GD has positive significance for FP.

To conclude, the findings of this study shed light on guidelines applying modern cost management innovation to redirect organizational resources in support of an organization's goals and vision. Modern cost management can even be used to build superior business performance or renew a lagging venture.

The results are beneficial contributions for practitioners. The research provides evidence for the role of MCMI influencing business operations to achieve competitive advantage and enhance firm performance by focusing on MCMI factors, such as value chain cost focus, value-added cost orientation and resource-sharing cost concentration, which affects an organization's behavior. In addition, MCMI helps lead to important organizational capability, which includes cost utilization, operational effectiveness and business excellence, facilitating firm competitiveness. Accordingly, these organizational competencies eventually enhance goal decision-making achievement and firm performance.

However, this research has some limitations that should be mentioned. Limitations on the period of time; the data collection procedure was relatively short, in a context where the process and follow-up method only took approximately a month. Moreover, the results of this research are derived only from electronics and electrical manufacturing businesses in Thailand.

In addition, future research should investigate the antecedent and moderating effects of MCMI. For example, the antecedents might be organizational policy for long-term operations, accounting knowledge richness, managerial accounting system efficiency, business technology complementary and competitive intensity. Future research may also consider either a different population, or compare the results with other samples, such as the automotive industry that has a high level of modern cost management innovation application.



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# Understanding Thai Culture: Exploring the Effect of Academic Stress in Students' Learning Orientation

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## Abstract

In an increasingly globalized world, businesses are now expecting graduates to have the skills and merits that would add value to their organization. In as much as the higher education sector in Thailand would want to deliver this need, changes have been made in order for programs to cater to these requirements. These challenges of being up to date to the needs of the business sector put forth a certain level of expectation from Thai university students, which would test their norms not only socially but also academically. Thai cultural values play an important part on how they would accept the challenge and how they would react to these changes. Would they be able to cope with the changes by adopting to the change or would they stick to what is the norm and oppose the change? In this regard, this study aims to identify and understand Thai culture as it affects academic stress and student learning orientation. Empirical evidence is gathered for the purpose of evaluating Thai culture and how it affects academic stress which in turn affects student's learning orientation. Conclusions derived from this research study will assist universities in understanding the Thai culture and how it is currently evolving, and in identifying opportunities on how universities can support their students in terms of coping with academic stress to maximize students' learning orientation.

**Keywords:** Academic Stress, Students' Learning Orientation, Power Distance, Uncertainty Avoidance, Masculinity

## Introduction

An understanding of culture is important in understanding one's behavior and how others' behavior can affect their conduct and performance as an individual. Culture has a powerful influence on the behavior of societies and how it handles stress. Hofstede offers different cultural dimensions that produced a general view on how to understand and respond to different cultures. While culture has been previously investigated a lot of times, this study assesses Thai culture and its effect on academic stress of Thai university students. Previous studies indicated the cultural values of Thailand based on Hofstede's Cultural Value Dimensions, as having a strong collectivist value rather than individualist, a high uncertainty avoidance, high power distance, highly feminine country with a short term orientation (Buriyameathagul, 2013). Furthermore, Komin (1990) described in her study, Thai national characteristics categorized into nine value clusters. Among the nine clusters, five value clusters relate

to this study. Ego orientation which is based on three principles (face-saving, criticism avoidance and *kraeng cai*) is very important to Thai social interactions as preservation of other's ego is always present in these interactions. The second cluster is smooth interpersonal relationship orientation which suggests that Thais opt for a conflict-free relationship preferring courtesy and humility for a pleasant interaction. The third cluster is education and competence orientation which states that Thais value 'form over content'. This suggests that Thais would opt for education, not because of education itself, but because it adds to their social status. The fourth cluster refers to fun-pleasure orientation or the attitude of *sanuk* (enjoy oneself and have a good time) which enables them to maintain social relationships with others. The last cluster which relates to this study is achievement-task orientation, which suggests that Thais experience distress whenever they are given tight deadlines as they value social relationship more than ambition and hard-work.

Adaptability is an essential tool to people's survival in the fast-paced stressful modern world. To successfully do so, individuals must adjust their emotions, thoughts and regulate their behaviors toward their personal and social resources. Individuals who can manage their stress levels well affect not only the nature of the stress or their personal abilities and motivations but also affect the culture wherein they are currently in. An individual's social environment, goals and beliefs are attributed to his or her cultural background (Lazarus, 1999) which attests to their coping mechanism towards stress. Even students from universities experience stress in their academic work. Learning how to adapt and respond to challenges, helps them attain a level of expectation the society requires of them.

Additionally, student learning orientation refers to general student outlooks toward their education. Students could conceptualize this as pursuing goals and competence in achievement situations. Learning orientation of students will motivate them and influence their learning behavior. It will also assist them in responding to task difficulty.

As the business sector demands more from graduates, universities adopt innovative ways in order to supply the needs of both students and the competitive market for highly-skilled graduates. Universities implement a continuous curriculum development which provides up-to-date courses, knowledge creation and business collaborative efforts. This places pressure on Thai university students to perform well in their academic studies. In order to determine if there is a relationship between Thai culture, academic stress and students' learning orientation, this study aims to respond to two research questions: does culture affect academic stress of Thai university students and does academic stress affect Thai university students' learning orientation?

## **Related Literature and Research Hypothesis**

### ***Dimensions of Culture***

"Culture", as a widely used term, seemed to follow a multitude of definitions. In academe, it has been referred to it as "shared cognition, values, norms and expressive symbols" (DiMaggio, 1994). Hofstede's (1989) developed the five dimensions of culture: individualism – collectivism, masculinity-femininity, power distance, uncertainty avoidance and long term – short term orientation.

### ***Power Distance***

Hofstede's power distance refers to the power inequality between the higher-ups and the lower-downs of a society. In power distance organizations, hierarchy is crucial. In contrast, low power distance organizations follow flat organizational structure. Hofstede classified Thailand as a high power distance culture in which "superiors and subordinates consider each other as existentially unequal... [And] subordinates are expected to be told what to do" (2001). There is considerable high amount of dependence displayed by subordinates towards their superiors which is deemed to be in a form of an autocratic or paternalistic superior. Due to this high amount of dependence, subordinates avoid approaching or contradicting their superiors directly (Hofstede, 1991; Thanasankit and Corbitt, 2000).

### ***Uncertainty Avoidance***

Hofstede's uncertainty avoidance refers to society's tolerance to ambiguity or uncertainty. In high uncertainty avoidance organizations, rules and regulations are implemented to reduce the uncertainty. In contrast, low uncertainty avoidance organizations have fewer rules and regulations. At a larger scale, other people perceived Thailand as one of the most relaxed countries and considers Thai people as one of the world's happiest people. Thais are perceived to be relaxed and calm as attributed to their "mai bpen rai" mentality (translates to "don't worry" or "nevermind"). Thai society exhibits high levels of uncertainty avoidance. Employees resist change and avoid to take risks while people in the managerial level tends to focus on short-term planning allowing them with a closer examination of the organization's overall performance (Bagchi et al., 2004; Erumban and Jong, 2006; Laoserthakul and Boulton, 2007).

### ***Masculinity***

Hofstede's masculinity refers to society's depiction of gender roles. In high masculinity organizations, men are seen superior and assumes the higher-roles or better-paying jobs than women. In contrast, low masculinity allows a more equal status between women and men. Among the Asian countries, Thailand ranks the lowest in masculinity (listed at 34) compared with the Asian average of 53 and the world average of 50. This indicates a society with less assertiveness and competitiveness as well as reinforces a more traditional male and female role assumed within the society (Hofstede, 2001).

### ***Collectivism***

Hofstede's collectivism refers to how individuals value themselves and their groups. In high collectivist organizations, individuals are more concerned about their own interests such as their career progression. In contrast, individuals in low collectivist organizations tend to value the organization above their own interests. In Thai society, collectivism is highly valued as evidenced by their importance given to their family,

extended family or any social cluster. Thai society values social interest instead of individual interests.

### **Long Term Orientation**

Hofstede's long term orientation (originally named Confucian work dynamic) refers to values such as "changing customs in the face of new situations, persistence and the concept that the most significant occurrences in life will take place in the future" (Hofstede, 2001; Erumban and Jong, 2006; Gong et al., 2007; Bouaziz, 2008). Thai society is characterized by short term orientation accounting for the past, valuing the traditional customs and aiming for stability.

### **Academic Stress**

Stress can be defined as "any environmental, social or internal demands which require the individual to readjust his/her usual behavior patterns" (Thoits, 1995). Poor coping mechanism and different personality types may contribute to additional stress for some individuals which results to negative patterns of behavior and/or decreased in their academic performance (Abouserie, 1994; Tyssen, Dolatowski, Rovik, Thorkildsen, Ekerberg et al., 2007). Individuals must adjust themselves to adapt to the changing environment they are in (Lazarus & Folkman, 1984). However, Thais are perceived to be experiencing stress differently as compared with other cultures for instance, "critical self-reflexivity is a cultural anomaly in Thais, meaning that they tend to accept situations as they are" (Tiwasul and Hackley, 2012). This easy acceptance of a situation would cause less of a need for behavioral readjustments caused by stress as ones homeostatic state has not been adversely affected.

### **Student Learning Orientation**

Student learning orientation is perceived as a hierarchical system (Salonen et al., 1998; MaEkinen, 2003; Olkinuora et al., 2000). It is defined as the "manifestation of an individual's propensity to learn and adapt" (Mavondo, Chimhanzi & Stewart, 2005). Its essential characteristics includes commitment to learning, openness to the outside world, motivation to learning and overall commitment to knowledge (Bennet, 1998). Individuals who have high regards on learning or increasing their skills, abilities and competencies place a high regard towards learning orientation (DeShon & Gillespie, 2005). Individuals who have high regards toward learning orientation display adaptive behaviors and adjusts well in challenging situations (Elliot & Dweck, 1988). Learning orientation is seen on students who further develop their newly acquired knowledge (Argyris & Schon, 1978). Learning orientation leads to new knowledge development and influences an individual's behavior through its values and beliefs (Huber, 1991). Students who have superior learning orientation results to positive learning outcomes such as high GPA, graduating with distinction / honors, applying their acquired knowledge beyond where its taught etc.

### **Hypotheses of the Study**



- H1: There is a significant difference between gender and academic stress factors.
- H2: There is a significant difference between students' status in the current university and academic stress factors.
- H3: There is a significant difference between values of Power Distance in Thai Society and academic stress factors.
- H4: There is a significant difference between values of Uncertainty Avoidance in Thai Society and academic stress factors.
- H5: There is a significant difference between values of Masculinity in Thai Society and academic stress factors.
- H6: There is a significant difference between academic stress factors and students' learning orientation.

### **Objectives**

The purpose of the study is to investigate Thai culture and how it affects academic stress in Thai university students. It also aims to identify if there is a relationship between academic stress and student learning orientation. There are three different cultural dimensions by Hofstede that were used in the study: power distance, uncertainty avoidance, and masculinity cultural dimension. Those cultural dimensions were chosen for further study after the pilot study. These three dimensions showed different results in the pilot study to previous studies. Therefore, the researcher wanted to concentrate and study these three dimensions further. As for the other two dimensions that were left out of this study, the pilot study confirmed that Thai culture as indicated by Hofstede has a high collectivism value and is in congruence with previous studies. Previous studies stated that Thai culture is more on short-term orientation. Results of the pilot study indicated that the respondents have a short-term orientation value. In order to explore the ideas stated in this paper, the researcher gathered empirical evidence on Thai culture, academic stress and students' learning orientation. The researcher set the study's objectives as follows:

- a. To investigate Thai culture and how it affects academic stress of Thai university students.
- b. To compare academic stress factors and how it affects students' learning orientation.

### **Methodology**

The scope of the study outlines the impact of Thai culture with academic stress experienced by students and how academic stress affects student learning orientation. A descriptive research was conducted to obtain data and information which helped the researcher understand, analyze and reach to conclusions which respond to the objectives of the study.

### **Instrument**

The questionnaire used by the researcher to collect general information about students in Thai universities were adopted from different resources in order to cater to



the needs of the study. A four-part questionnaire was derived by the researcher wherein demographics, culture, academic stress and students' learning orientation factors were listed.

Hofstede's CVSCALE, a 26-item five-dimensional scale of individual cultural values which assesses the cultural dimension at an individual level, was used in order to determine Thai culture. Out of the 26 items from the scale, only 14 items from three dimensions were adopted after the pilot study. The study concentrated on determining Thai culture based on these three dimensions: Power Distance, Uncertainty Avoidance, and Masculinity. Likert scale was used to determine the degree of agreement of respondents with the statements in the questionnaire.

Academic stress was also investigated throughout the study. There were 12 academic stress indicators included in the study that were adopted from the 21-item LASRS or Lakaev Academic Stress Response Scale (Lakaev, 2006). Likert scale which indicated the degree of frequency in experiencing academic stress of students were used.

Students' learning orientation was another part of the questionnaire used. There were 7 items in the questionnaire that were adopted from the study of Kisac et al (2014). Likert scale with the degree of agreement of respondents was also used to collect the necessary data for analysis.

## **Respondents**

The study which aims to investigate Thai culture and how it affects academic stress and students' learning orientation, was directed at Thai university students in Bangkok. There were three universities in Bangkok who were asked to participate in the survey. 150 questionnaires were distributed in each university to collect the information needed by the researcher (450 questionnaires in total). Only 358 questionnaires were completed and are viable for analysis.

## **Pilot Study**

To validate the appropriateness of the instrument of the study, the researcher conducted a pilot study on 100 Thai university students in Bangkok. 89 completed questionnaires (89% response rate) were received and analyzed. After conducting the pilot study, the first instrument was then narrowed down to cater to the needs of the study. The first instrument which included the 26-item Hofstede CVSCALE for cultural dimension was included along with the 21 academic stress indicators and 7 student learning orientation factors.

The pilot study confirmed that Thai culture as indicated by Hofstede have a high collectivism value. Out of the 89 respondents, 71 respondents (79.77% of the total number of respondents) agreed to statements regarding collectivism, 12 respondents (13.48% of the total number of respondents) stated a neutral stance while 6 respondents (6.74% of the total number of respondents) disagreed. Thailand with a collectivist value as seen by the pilot study is in congruence with previous studies. The second dimension which was long-term or short-term orientation value was analyzed. Previous studies stated that Thai culture is more on short-term orientation. According to the pilot study, only 16 respondents (17.98% of the total number of respondents) agreed to the

statement in the questionnaire, 13 respondents (14.61% of the total number of respondents) stated a neutral state and 60 respondents (67.41% of the total number of respondents) disagreed. This indicated that the respondents have a short-term orientation value than a long-term orientation value. Again, for this dimension, it reflects that same outcome from previous studies wherein Thai respondents showed a high short-term orientation value than a long-term orientation value. Another dimension in Hofstede CVSCALE is power distance. Most of the previous studies stated a high power distance cultural value from the Thai society. The pilot study showed results which is opposite to what was stated in previous studies. A total of 53 respondents of the study (29.21% of the total number of respondents) agreed to the statement in the questionnaire, 10 respondents (11.24% of the total number of respondents) stated a neutral state and 53 respondents (59.55% of the total number of respondents) disagreed. This indicated that the respondents disagree more with the statements about power distance which resulted in a low level of outcome for power distance. The fourth dimension that was tested was uncertainty avoidance. Thai culture from previous studies indicated a high score for uncertainty avoidance. The pilot study revealed a mid-level outcome for the Thai respondents. A total of 22 respondents of the study (24.72% of the total number of respondents) agreed to the statement in the questionnaire, 56 respondents (62.92% of the total number of respondents) stated a neutral stance while 11 respondents (12.36% of the total number of respondents) disagreed. This indicates a midlevel outcome for uncertainty avoidance for Thai respondents which is not in accordance with related literatures that state that Thai culture is more on high uncertainty avoidance. The last dimension that was included in the pilot survey was masculinity vs femininity. Previous studies stated that Thai culture is more on femininity rather than masculinity. The pilot study indicated 9 respondents of the study (10.11% of the total number of respondents) agreed to the statement in the questionnaire, 52 respondents (58.42% of the total number of respondents) stated a neutral stance while 28 respondents (31.46% of the total number of respondents) disagreed. The results revealed that the Thai respondents are at mid-level with this dimension which again is not in matching previous studies.

The results that were generated for academic stress was used to identify the top 12 statements with the highest mean scores. The 12 statements were then used for the questionnaire of the study. The results that were generated for students' learning orientation proved to be useful in answering the objectives of the study.

### **Data Analysis**

A descriptive analysis was used by the researcher to analyze the data gathered and present conclusions. Demographics of the respondents were summarized and presented as well as descriptive statistics for the other three parts of the questionnaire, namely level of agreement on the statements of Hofstede's cultural dimensions, level of frequency on academic stress experienced by Thai university students and level of agreement on students' learning orientation. Frequencies and means were generated through the use of a statistic software. ANOVA or analysis of variance was used to determine the effect of culture with the academic stress experienced by the students and how that stress affects students' learning orientation.

## Limitations

This study is limited to responses from undergraduate Thai students in three universities in Bangkok, Thailand, three cultural dimension from Hofstede, and 12 academic stress factors. A more comprehensive study is ideal wherein a larger number of Thai students would be asked to participate from different university locations in Thailand, which is not limited to Thai urban universities so as to get a more comprehensive national cultural values of Thai university students.

## Discussion, Conclusion and Implications

Demographics of the subjects of the study were summarized and presented in graphs. Out of the total respondents, 66% were female while 34% were male. Most of the respondents were in their second year (32.4 %) and their fourth year (30.7%) while only 22.3% were in their third year and 14.5% in their first years.

Descriptive statistics were generated for the rate of occurrence of academic stress. Findings revealed that on average, 32.4% of the total number of respondents 'sometimes' feel the burden of academic stress while 43% stated 'never' or 'rarely', and 24.5% stated 'always' or 'often'. Descriptive statistics were also generated for the level of agreement of respondents on students' learning orientation. Findings revealed that on average (72.8%), all statements were agreed upon by the respondents. In addition, descriptive statistics were generated for each cultural dimension used in the study. Results presented on the level of agreement for power distance revealed that on average, 57.3% of the total number of respondents disagreed with the five statements in this cultural dimension. As for the second cultural dimension, uncertainty avoidance, respondents stated that they agreed with the five statements under this cultural dimension (an average of 62.8% agreed). The last cultural dimension wherein descriptive statistics were generated is masculinity vs femininity. Respondents felt a neutral stance in three of the four statements under this dimension. This resulted to an average of 46.8% neutral responses from the subjects of the study.

An analysis on the significant differences of factors of the study was carried out using ANOVA in order to address the hypotheses of the study. Statistical differences between demographics, level of agreement on statements under cultural dimensions, the rate of occurrence of academic stress factors and level of agreement of students' learning orientation were generated. All factors that rejected the hypothesis mentioned below generated a significant factor at a 95% confidence level of below .05. A summary on the ANOVA results are as follows:

- a. H1: There is a significant difference between gender and academic stress factors.

The hypothesis is accepted for seven out of twelve academic stress factors. Females are more prone to getting overwhelmed by the demands of study, having trouble remembering notes, getting worried about coping with studies, inability to study, getting distracted in class and procrastinating on assignments than male respondents while male respondents would avoid class more often than female respondents.

- b. H2: There is a significant difference between students' status in the current university and academic stress factors.

The hypothesis is accepted for seven out of twelve academic stress factors. Results showed that fourth year students gained the highest rate of occurrence of academic stress. First year students gained the lowest rate for five out of seven factors that is 'Trouble concentrating in class', 'Lazy when it came to university work', 'Worried about coping with studies', 'Distracted in class', and 'Procrastinated on assignments'. Second year students gained the lowest rate of occurrence with statement 6, 'Avoided class' while third year students gained the lowest rate of occurrence with statement 3, 'Overwhelmed by the demands of study'.

- c. H3: There is a significant difference between values of Power Distance in Thai Society and academic stress factors.

The hypothesis is accepted for all twelve academic stress factors in relation to the first, second and third factor of power distance, while the hypothesis is accepted only for 9 academic stress factor in relation to the fourth factor of power distance and 11 academic stress factors in relation to the fifth factor of power distance. Average results for this dimension states that a strong power distance creates a higher rate of occurrence of academic stress.

- d. H4: There is a significant difference between values of Uncertainty Avoidance in Thai Society and academic stress factors.

The hypothesis is accepted for six academic stress factors in relation to the first and third factors of uncertainty avoidance, accepted for ten academic stress factors in relation to the second and fourth factors of uncertainty avoidance, and accepted for 11 academic stress factors in relation to the fifth factor of uncertainty avoidance. On average, a high uncertainty avoidance for the first factor results in a high frequency of academic stress. A low uncertainty avoidance for factors two, three, four and five results in a high rate of occurrence of academic stress.

- e. H5: There is a significant difference between values of Masculinity in Thai Society and academic stress factors.

The hypothesis is accepted for seven academic stress factors in relation to the first factor of masculinity, accepted for eight academic stress factors in relation to the second factor of masculinity, accepted for all academic stress factors for the third factor of masculinity and accepted for ten academic stress factors in relation to the fourth factor of masculinity. On average, the first factor of masculinity resulted with a low rate of occurrence for academic stress while the second, third and fourth factor of masculinity resulted with a high rate of occurrence for academic stress.

- f. H6: There is a significant difference between academic stress factors and students' learning orientation.

The hypothesis is accepted for seven learning orientation factors in relation to the first, second, eighth and ninth factor of academic stress, accepted four learning orientation factors in relation to the third and fourth factor of academic stress, six learning orientation factors in relation to the fifth and sixth factor of academic stress, five learning orientation factors in relation to the seventh, tenth and twelfth of academic stress, two learning orientation factors in relation to the eleventh of academic stress. As for this analysis, the results suggested that on

average, the higher the rate of occurrence with academic stress, the lower the learning orientation.

An insight and a deeper understanding on Thai culture and how it affects academic stress and students' learning orientation was obtained after gathering and analyzing the data collected. The two research objectives mentioned in chapter 1, guided the study on how to examine the data collected and how the results of the analysis respond to the objectives to formulate conclusions.

The first objective which focused on investigating Thai culture through the use of Hofstede's three cultural dimensions, namely power distance, uncertainty avoidance and masculinity, identified some differences as what Hofstede presented as the culture of Thailand. Although Thailand is seen as a country with high power distance, the results of the study revealed that more than half of the respondents disagreed with the statements under this dimension. This indicates a mid to low power distance among the respondents of the study. The analysis of variance indicated that the higher the power distance, the higher rate of occurrence with academic stress and vice versa. Students who experience low power distance experiences less academic stress. Since Thai culture also reflects the love of hierarchy and power inequality, the results from the respondents are a bit surprising of the younger generation. Although culture has been ingrained in their lives, they might now be open to changes in order to cope with challenges. Another cultural dimension investigated is uncertainty avoidance. Thailand has a high uncertainty avoidance as they prefer to accept what is given in order to avoid the risk of the unknown. All five statements received more positive responses than neutral or negative responses. This indicates that the respondents of the study, Thai university students, still reflects the high uncertainty avoidance that was presented in previous studies. Their calm and less confrontational nature allows them to go with the flow and not question for fear of an unknown consequence. Out of the five statements under this dimension, the first statement, 'It is important to have instructions spelled out in detail so that I always know what I'm expected to do', resulted in high uncertainty avoidance that leads to high rate of occurrence of academic stress. The other four statements indicated that a high level of uncertainty avoidance results to a low rate of occurrence of academic stress. Since the study revealed that most of the respondents have a high level of uncertainty avoidance, they too have a low rate of recurrence of academic stress. The last cultural dimension examined in the study is masculinity vs femininity. Thai culture as per previous studies indicates a more feminine rather than a masculine culture. The study revealed that respondents are in mid-level for this dimension. Most of the respondents stated a neutral stance on four of the statements while they disagree with the first statement, 'It is more important for men to have professional career than it is for women'. The first statement indicated a more feminine culture also resulted in a high rate of occurrence of academic stress. The other 3 statements under this dimension resulted to a more masculine culture but also indicated a high rate of occurrence of academic stress. In summary, results of the study reveals respondents with mid to low power distance, high uncertainty avoidance and mid-level in masculinity cultural dimension, indicates mid-low rate of occurrence for academic stress. This responds to the first objective of the study.

The second objective of the study is to evaluate academic stress factors as it affects students' learning orientation. The study indicated that the higher the rate of

occurrence of academic stress, the lower the level of students' learning orientation. Taking into consideration the first analysis wherein respondents retain a mid-low rate of occurrence for academic stress, this suggests that respondents maintain a higher level of learning orientation. Although according to the results of the study, students are more receptive to a higher level of learning orientation due to the low rate of occurrence of academic stress, Thai culture still affects their response on whether to act upon this advantage in order to achieve academic excellence. According to Claydon (n.d.), the education and competence orientation of Thai culture focuses more on 'form over content'. This was explained as the gaining of merits and honors are more important than education itself, and that attaining a degree is only a means to increase their social status.

Although the results of the study indicate a mid-low rate of occurrence of academic stress, the 'relaxed' nature of Thais does not erase the fact that Thai university students still feel a certain level of academic stress. Universities should create support groups so as to suppress and overcome any increase in occurrence of academic stress. As Thai culture is also evolving, the rate of occurrence of academic stress has a possibility of increasing over the years. This is due to the fact that the younger generation are becoming more aggressive and innovative in their views of how management in the workplace should be and how to respond to the expectations of the business sector. In lieu of these changes in the business sector, more pressure will be in place as uncertainties, struggle for equality for both power and gender in society comes into play.

### **Recommendation on Future Research**

A primary and secondary research on the comparison between different generations' perception (baby boomers, generation x, generation y and millenials) would provide a deeper understanding of how Thai culture, based on Hofstede's cultural dimensions, evolved through the years. A future research could also include different status of respondents such as students, working class and retirees. It can also be a comparison of culture of Asian countries, and if nationality affects academic stress and students' learning orientation.

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# The Influence of Genders on Effective Leadership: A Case Study of Banking Industry in Bangkok

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## Abstract

Gender inequality in assigning top management positions is one of major problems in business world today. This research has conducted in order to discover whether there is any relationship between genders and effective leadership. In fact, stereotypical beliefs stress on women's disability in management whereas some research outcomes have proven that female leaders are performing effectively. Thai commercial banks of Bangkok were the target population of this study and the research instrument that has been deployed is self-completed questionnaire which have distributed by hand among respondents and collected data were analyzed by SPSS. Present research has identified that gender has no significant effect on effective leadership while there is a significant relationship between leaders' favorableness and their leadership effectiveness; however, major part of employees prefer male leaders rather than female leader in total.

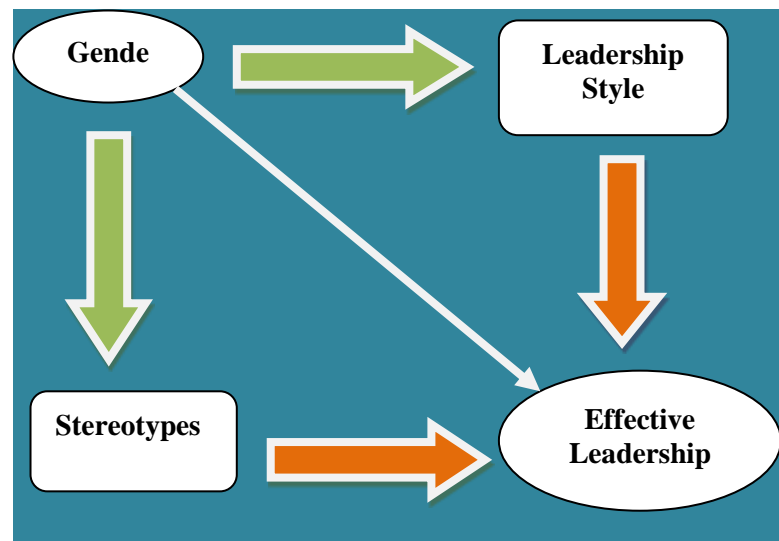
**Keywords:** Gender, Gender-based Stereotypes, Gender-based Discriminations, Effective Leadership, Thai Banking industry

## Introduction

Studies indicate that there are no significant differences between different genders (Catalyst, 2005; World youth report, 2003); despite this fact, there are still stereotypes over genders which cause discriminations between male and female workers. In fact, gender-based discriminations start with families (World Youth Report 2003) and extend to labor market and subsequently people's social life. Even today, despite the globalization, women are still perceived as people who lack the quality of management (Dzuhayatin & Edwards, 2010). Thus, stereotypes and prejudices over gender have made an invisible barrier (Akpinar-Sposito 2013) for women in the way of getting higher positions in organizations, despite their capabilities and skills. On the other hand, there are studies that pointed out where female leaders applied their own leadership style and policies, they were successful and effective; the productivity increases and pay gap decreases in female-led organizations (Tate & Yang 2012), since female leaders care more about employees than their male counterparts. But, despite their good performance, there are few female leaders in top management positions in most organizations (Black 2011); this gender inequality shows the depth of stereotypical beliefs of business owners and shareholders.

Present research will point out the gender diversity issues as dominant elements of interest, to investigate their effects on effective leadership; underlining that the focus

of the research will not be on men and women in biological terms, but on their social roles (Dzuhayatin & Edwards, 2010) which are known as femininity and masculinity. To provide the related data that is required in the present research, some of the leadership theories have been used to portray an understandable conception of effective leadership; On the other hand, there is the concept of “gender”. as a matter of fact, the equal rights and feedbacks from society to each gender is expected theoretically, since there is no excellence in one gender rather than the other; but, in reality, there is a huge impact coming from the stereotypes and misconceptions over different genders as it was found through the research; Stereotypes and prejudices (Eagly & Karau 2002) play an important role in relevance of gender and leadership effectiveness; thus, “gender” would be the independent variable or IV and then “effective leadership” is the dependent variable or DV. On the other hand, there are two other factors related to gender and effective leadership that are required to be examined which are leadership style and stereotypes.



**Figure 1.1 Conceptual Framework of this study**

### **Objectives of the study**

- 1) To examine the correlation between gender and effective leadership.
- 2) To find out the effect of leadership style on effective leadership.
- 3) To identify the influence of gender-linked stereotypes on effective leadership.
- 4) To study the relationship between gender and leadership style.
- 5) To identify the relationship between gender-based stereotypes and gender.

### **Significance of the study**

Investigating all aspects of a problem and updating the researches from time to time is required until solving the problem. This study will inform human resource managers, shareholders and managerial board to make the best decision in recruitment; especially when assigning someone to managerial positions. Also, understanding the relationship between genders and leadership styles would help Thai commercial banks

make the right decisions in recruitment; institutions may benefit from possessing the knowledge of strengths of each gender and the leadership styles that they perform their best.

## Literature Review

This chapter comprises an overview of main concepts which are gender and gender-based stereotypes, effective leadership, leadership style, Thai socio-cultural perception over genders and hypothesis.

### Gender and Gender-based Stereotypes

According to Crespi (2004), Gender is the fact that people notice about each other at first sight. Femininity has been subjected to stereotypes of dependency and submissiveness through the years; these stereotypes resulted in the perception that women lack the leadership qualities (Dzuhayatin & Edwards 2010). The prevalence of discriminations in workplaces put managers and leaders in difficult situations (Mujtaba & Sungkhawan 2009).

Eagly & Karau proposed the role congruity theory which says women have lower chance than men to become leader because of prejudices, since female leaders do not match the expectations of people from a leader (Ritter & Yoder 2004). Based on this theory, prejudice made difficulties for women in attaining leadership positions as well as declining the female leaders' effectiveness (Eagly & Karau 2002).

The number of female labor force has increased today than before (World Youth Report 2003), but higher job status and positions are mostly occupied by men (Akpinar-Sposito 2013; Black 2011). Despite the advantages of globalizations and women's efforts to assume better positions, the glass ceiling which is a mental obstacle (Akpinar-Sposito 2013) prevents them to proceed to top managerial positions. Akpinar-Sposito (2013) has conducted a research over the impacts of glass-ceiling on women's career development by focusing on opportunities and barriers in career advancement of French and Turkish middle level managers' opportunities and barriers of their career advancement; one important issue that women face in order to develop their career is balancing work and family life; since some organizations have tough regulations related to top managers' outside commitments, some women leave their jobs and some choose to decline their working hours to spend their time with their families. Further, some women are avoiding top positions to keep their families out of work-related problems which will be another reason for keeping women away from advancing their career to leadership positions. Accordingly, not only women face more difficulties promoting in organizations than men, but also the barriers are getting tougher as they move up to higher positions; stereotypes and cultural norms as well as organizational policies are sources of obstacles that women face in advancing their career; also, women and men value different elements as successful job status and income are important points for men and workplace relationships are more valuable for women, which makes women less likely to move up organizational hierarchy (Akpinar-Sposito 2013). As Elmuti, Jia & Davis (2009) state, nowadays women's demand for higher education and higher job positions has increased. This study indicated factors such as discriminations, family-life demands and stereotypes as preventive barriers of women's advancement to top



managerial positions. 45% of women believe in the barriers that keep them away from managerial positions and men feel unequal opportunities for women in career advancement. Also, Pio & Syed (2013) conducted a research over gender equality at workplaces in South Asia using macro-economic data. They mention the low number of women's presence in ministerial position in South Asian countries; accordingly, they point out some socio-cultural and religious factors as the reason. According to World Bank (as cited in Pio & Syed, 2013), the low number of female labor force, lower job status of educated professional female and subsequently lower income in some countries such as India, also the low number of educated female in some other countries such as Pakistan, lower agency are major issues in South Asian countries; but, they found out that women's demand for employment and assignment to leadership positions are arising. Accordingly, the related hypothesis is:

H<sub>1</sub>: There is a significant relationship between gender and stereotypes.

### **Effective Leadership**

Overall, management has five major functions that all managers carry out them; one of them is leading (Olum 2004). Leaders have specific skills, traits and roles (Olum 2004; Armstrong & Stephens 2005; Bass 2008; Siddiqui 2009; Ali 2012) which help them thinking strategically, manage employees and make employees participate in works and attain to the group goals. According to Siddiqui (2009) the ability of being leader may be natural and inherent or obtained by knowledge and experience. What make some leaders more effective than others in the same circumstances is how they became leaders. Hersey & Blanchard developed the situational leadership theory in 1972 by applying some changes to "life-cycle theory of leadership" which has been presented by themselves in 1969. According to this theory, effectiveness varies with regard to the situation (Sethuraman & Suresh 2014) and "*there is no one best way of leadership*" (2014, P. 3). Further, this theory suites male and female leader equally and it may be applied by various cultures and groups of people (Mujtaba & Sungkhawan 2009).

Tate and Yang (2012) have found out that pay gaps are lower when a firm's leadership is undertaken by females; since they implement female- friendly policies within workplace when they holding a leadership position. Another indicated point by this study is related to a change in organizational culture of female-led firms; the results showed productivity in the performance of female workers with female leader since the wage rate of men and women are more equal. Eventually, female leaders are perceived as "helping hand" toward other employees in lower level; the problem is that there are few women with high income, as well as few organizations with dominant female leadership. Melero (2004) believes that the scarcity of women in leadership positions is related to the executive board, since they make the final decision of organizational structure and its implementation at setting the lower level manager. Also, he has examined stereotypical thoughts over different styles of men and women; the result confirming stereotypes showed that, female leaders prefer to lead democratic, supportive, task-based and relationship-oriented styles; further, women are performing better than men in motivating and making subordinate participate in team work. Accordingly, the related hypotheses are:



H<sub>2</sub>: There is a significant relationship between stereotypes and effective leadership

H<sub>3</sub>: There is a significant relationship between gender and effective leadership

### **Leadership Style**

There are various ways that leaders do lead people which are demonstrating their leading style. According to Blake & Mouton's grid (as cited in Hersey & Blanchard 1996), the ideal leadership style is the combination of the people concerned and production concerned styles; thus, to be an effective leader, it not only requires taking a people-friendly style but also insisting on performance and productivity.

Sethuraman & Suresh (2014) conducted an empirical study over the influence of inborn features of leaders on their leadership style. They believed that effective leaders possess some specific personal traits such as self-confidence, dominance, et al. According to this study, if leaders are aware of their personality, they may understand subordinate's personalities and capabilities as well, and lead them effectively. This knowledge would help leader to choose the right style of leadership that suites her/his group and keeps the team motivated. The solution that Sethuraman and Suresh suggest is changing the style of leadership in order to fit the situation while Fiedler believes that leadership style is a fixed element also the situation that leader operates; Fiedler's suggestion is finding a suitable leader to defined situation since the leadership style is the reflection of personality of leader and it will not change during the time. Fiedler's theory suggests that task-oriented leaders perform effectively in extremely favorable or unfavorable circumstances, assuming a relationship-oriented to those situations would be a wrong decision, and asking the leader to change her/his leadership style would be an illogical expectation.

Elmuti, Jia & Davis (2009) investigate the relationship between leadership style and organizational effectiveness on 700 entities that were randomly selected from the United States industries. The results of study confirmed that participative leadership style leads to organizational effectiveness; since, people despite their differences in gender or ethnic, have a tendency to be a part of decisions that influence their lives.

Melero (2004) discusses the impacts of sex differences on managerial style through an empirical study of organizational policies. According to Melero, organizations with higher number of female managers, apply democratic and relationship-oriented managerial approaches. Female leaders perform their strengths by implementing relationship-oriented methods despite the preventive male-oriented thoughts about their managerial abilities in organizations. Accordingly, the related hypotheses are:

H<sub>4</sub>: There is a significant relationship between gender and leadership style

H<sub>5</sub>: Leadership style has a significant effect on effective leadership

### **Related Socio-Cultural Review of Thailand**

According to Esterik (As cited in Jackson 2004), Thai gender culture is divided into three historical categories including:

1. Native Southeast Asian culture which believes in "complementarity" of genders.
2. Indianised Hindu-Buddhist culture that approves the patriarchal structures.

3. Western culture which perceives male and female equal with dissimilarities. Gender norms in Thailand have remained unchanged during the time pass even if new patterns have been added to it (Jackson 2004). Thai gender culture has some conflicts such as perceptions of being tough and independent about Thai women which are associated with patriarchal behaviors and inequalities against women (Jackson, 2004). According to Dzuhayatin & Edwards (2010), career advancement of women to better positions than men seems too difficult at patriarchal environments; “*In patriarchal cultures, masculinity and male traits are at the centre of social norms, including in lines of kinship, inheritance, leadership, and power.*” (Dzuhayatin & Edwards 2010, P. 214) In conclusion, Thai culture has a good base of accepting the equality between genders; also, the women’s right supporters of Thailand made lots of efforts to make the state accept women’s rights formally (Esara, 2014).

### Methodology

This chapter aims to justify the methodology of conducted research which comprises population and sample size, research design, data collecting procedure and data analysis.

### Sampling Method

Geographical area of the study is Southeast Asia and specifically Thailand, Bangkok which is the business hub of Thailand, and almost all active businesses have placed their head office in Bangkok. According to Bank of Thailand (2015), there are three classes of banks operating in Bangkok which are local commercial banks, local non-commercial banks and foreign banks. Commercial banks are an essential part of banking industry in Bangkok and there are 16 registered commercial banks operating in Bangkok (BOT, 2015). To conduct the study, the presence of both managers and subordinates are essential in order to get better results that reflect the reality; thus, primary sampling units of this study are employees and managers of Thai commercial banks and the sampling method was simple random sampling within each group of sample units. To determine the sample size of the present research, the simplified formula of Yamane (as cited in Israel, 1992) has been deployed; this formula has been illustrated below. In this formula, “n” demonstrates the sample size and “N” is the population size, and “e” is the level of precision. The precision level of ±5% and the 95% level of confidence are chosen to calculate the sample size.

$$n = \frac{N}{1 + N(e)^2}$$

(Taro Yamane Simplified formula for proportions)

According to the earned data from BOT, there are 144,741 employees and 179 directors who have occupied in Thai commercial banks of Bangkok. Thus, the two categories of samples required which are determined as follow:

$$\text{Sample size for employees: } n_e = \frac{144741}{1 + 144741(0.05)^2} = 398.89 \sim 399$$

$$\text{Sample size of leaders: } n_l = \frac{179}{1 + 179(0.05)^2} = 123.66 \sim 124$$

According to the results, there are 523 people who have been placed in the sample out of which 124 leaders and 399 employees would make the final sample. According to the fact that middle-level managers are those who are in more contact with employees compared with top managers and also directors and top managerial board members are hardly accessible, the major part of leaders' sample unit consisted of middle-level managers and a few number of top managers. On the other hand, Employees sample unit are include non-managerial workforce and first-level managers.

### Research Instrument

According to Bradburn, Sudman & Wansink (2004), deploying the questions that were used by other studies before would be helpful in terms of estimations and comparing results. Thus, some scales used in questionnaire design of the present study were adapted from other researchers; The Personal Attributes Questionnaire (PAQ) (Spence & Helmreich 1978), the Path-Goal Leadership Scale (House 1996), the Least Preferred Co-worker Scale (LPC) (Hunt 1967) and Group Atmosphere scale (GA) (Fiedler 1964) were deployed and adjusted to measure the variables of concern in the present study.

The first step was searching for the related researches, theories and scales required to examine the predicted factors that may relate the gender and effective leadership or affect these concepts' relationship. The questionnaires comprise several parts of statements which respondents were asked to indicate their degree of preferred answers; the multiple choice questions are allocated for demographic data section and 5-point likert scale is applied on other sections.

There are two types of questionnaire are designed, one questionnaire for managers group and the other one for non-managerial employees group; accordingly, there are different segmentations of queries which have been applied on the questionnaires.

### Data Collection

The procedures for collecting data are as follows:

1) Collecting secondary data from various sources such as books, academic journals, government publications, government or international organizations annual reports, and online data bases.

2) Developing the structured questionnaire as research measure instrument by using standard scales and pervious research results; and then, taking IOC test to find out the validity of questions and pilot testing the questionnaires to get the reliability of questionnaires.

3) Conducting research over Thai commercial banks operating in Bangkok. To collect the data, first and foremost, the commercial banks that operate in Bangkok and number of the their branches in Bangkok has identified; then, Sample units were selected completely by chance in Bangkok district among branches and sub-branches of 12 Thai commercial banks that operate in Bangkok including Bangkok Bank, Siam Commercial Bank, Krung Thai Bank, Bank of Ayudhya, TMB bank, United Overseas

Bank, Standard Chartered, Thanachart Bank, CIMB Bank, Kiatnakin Bank, Land and House Bank, Tisco Bank. The questionnaires were distributed by hand among sample units including employees and managers of Thai commercial banks in Bangkok which already have been chosen randomly among local commercial banks of Bangkok.

In the next step, questionnaires were collected in around 3 weeks; since, gathered questionnaires were raw data, to apply the analysis, all collected data were entered into Data Analysis Program's data sheets.

### **Data Analysis**

Research variables were analyzed using data analysis software program (SPSS). Demographic data which are categorical variables such as age, gender, education level, income, occupation, and marital status were analyzed through descriptive statistic techniques by using tables and charts of mean, frequency distribution and percentage. Also, inferential statistics have been used to test the hypotheses and the relationship between the concepts of the study. The techniques deployed in the analysis were Chi-Square; according to the fact that most items in the questionnaires were interval data type, to ease the process of analyzing and using simple techniques, most of interval data has been transformed to nominal and ordinal data; then, the Chi-Square test has been applied in analyzing all hypotheses, since all dependent and independent variables were nominal type data.

### **Results and Discussion**

The overriding purpose of this study was to determine the existence of the relationship between genders and leadership effectiveness. To accomplish that goal, it became necessary to reach some prerequisite goals. Related to that effort, it became necessary to reach an understanding about the nature of effective leadership and gender-based stereotypes as a barrier to female leaders' advancement. The next step was creating a suitable model to reach the objectives.

According to previous studies, there are gender-based discriminations in education and labor market (Mujtaba & Sungkhawan 2009; Dzuhayatin & Edwards 2010; Pio & Syed 2013); also, some researchers mentioned that there is a shortage of female leaders in top management positions (Black 2011; Tate & Yang 2012; Akpinar-Sposito 2013) which is caused by stereotypes over gender differences and misconceptions about women's ability of leading and management (Eagly & Karau 2002; Catalyst 2005; Dzuhayatin & Edwards 2010).

Companies prefer male CEOs rather than females usually; they prefer elder leaders with much experience than catching younger skilled talents (Black 2011). Gender-based stereotypes lead to discriminations (Mujtaba & Sungkhawan 2009) and also make invisible barrier to women (Akpinar-Sposito 2013) in advancing their career to higher levels while the results of the present study indicated that it is important for most women to get higher job status like their male counterparts; for instance, only 33.4% of female leaders disagreed that reaching higher position and job status is important to them which means that most of them want to advance their career but there are barriers.

According to the results, when leaders were asked if they see their genders as advantage or barrier to their career and the result indicates that 78.8% of female leaders never or rarely perceive their gender as advantage whilst only 56.1% of male feel the same. Also, 33% of females think their gender always or usually posed barriers to access their leadership positions whereas 92.3% of male leaders answered never or rarely to perceiving their gender as barrier question. In addition to these statistics, there are results of testing hypothesis which are provided as follow:

### **Gender, Leadership Style & Effective Leadership**

According to outcomes, 32.2% of leaders are achievement-oriented leaders; while supportive leadership style was preferred by higher range of employees which is 36.1%. Thus, leaders with supportive style which are mostly females, have higher chance to influence employees and lead them effectively. By testing  $H_4$ , the Chi-Square value were 6.495, and P-value is 0.483 which means that there is a significant relationship between leaders' gender and leadership style that confirms the results of Melero(2004)'s study; This study shows that female leaders are mostly supportive whilst males are achievement-oriented at most. Furthermore, Chi-Square value in testing  $H_5$  were 5.371 and P-value is 0.615 which is higher than 0.05 and shows that leadership style has not any significant effect on effective leadership. Thus, according to the results of these two tests, different genders may apply different leadership styles, but it does not have any influence on leadership effectiveness.

### **Gender, Stereotypes & Effective Leadership**

Most people believe that women lack the quality of being a leader because they do not possess the attitude of a leader which is being masculine in most people's mind. With regard to understanding the relationship between stereotypes and leadership effectiveness, there are some steps; after transforming the gathered interval data into nominal data, Chi-Square technique is the best option to compare the effectiveness with stereotypical gender roles. To get the stereotypical data over each gender, the personal attribute scale has been deployed which identifies the degree of femininity or masculinity based on some stereotypical characteristics. By applying Chi-Square test on  $H_1$ , the Chi-Square value was 47.280 and P-value was 0.000, which shows that there is a significant relationship between stereotypes about gender roles and leaders' gender; then, to understand the correlation between concepts, Cramer's V has been calculated because one of the variables has more than two categories. The Cramer's V value is 0.617 and the level of significance is 0.000 which means the correlation between gender and gender-based stereotypes is significant. Accordingly, this result indicates that leaders' gender and their gender role are generally related, which means female leaders mostly perform feminine acts and male leaders behave the way that is stereotypically called masculine manners. But, testing  $H_2$  shows that there is no significant relationship between gender-based stereotypes and leadership effectiveness, because the Chi-Square value is 0.049 and P-value is 0.976 which is rejecting the null hypothesis. This outcome eliminates wrong beliefs and misconceptions over females' ability in leading, since stereotypically being female and being effective leader is not common in people's mind.

According to this test there is no relationship between a leader's stereotypical gender role and his/her leadership effectiveness.

In order to find out employees' perception about their leaders' gender by adapting the census that Gallup conducted in America (Newport & Wilke 2013), employees were asked some questions and the results illustrated that 40.1% of employees who are working with female leaders prefer female leaders and among employees who are currently working with a male leader, 53.9% prefer male leaders; also, among employees, 42% of females and 52.6% of males prefer male leaders whilst 32.4% of females and 25% of males prefer female leaders. Accordingly, employees who work with female leaders prefer females mostly, and employees who work with male leaders now, prefer to work with male leaders; furthermore, both male and female employees prefer to work with male leaders most, which could have come from a stereotypical mindset.

In general, outcomes are partially confirming the research findings of Dzuhayatin and Edwards (2010) about gender-based discriminations in patriarchal cultures by reminding the low number of women in top managerial board of Thai commercial banks which is confirming Black (2011)'s study, too. On the other hand, it seems that inequalities are not too heavy and remarkable in lower management levels which may be because of their cultural beliefs as Esara (2014) mentions.

### **Gender & Effective Leadership**

Despite the stereotypical beliefs about female leaders' orientation, 6.1 % of female leaders are relationship-oriented and 93.9% are task oriented; likewise, 7.7% of male leaders are relationship-oriented and 92.3% are task-oriented; thus, both male and female leaders prefer to be task-oriented in Thai commercial banks; this outcome indicates that leader's favorableness plays an important role in his/her effectiveness. As mentioned before, according to Fiedler (1964), matching the leadership style to situation would lead to an effective performance of leadership; the results demonstrated that 44.3% of task-oriented leaders are very favorable and 20.9% are very unfavorable which made them effective leaders accordingly. In total, 65.2% of task-oriented leaders are effective in this industry.

Finally,  $H_1$  have been tested using Chi-Square test, since both variables are nominal; subsequently, Chi-Square value was 0.015 and P-value was 0.902; the results accepted the null hypothesis and demonstrated that there is no significant relationship between gender and effective leadership. This result was expected, reviewing past researches and theories over leadership brought out that people may earn leadership skills (Olum 2004; Armstrong & Stephens 2005; Ali 2012) to be successful leaders, also some people have talents in leading others (Catalyst 2005; Akpinar-Sposito 2013) despite their gender; and also, there was no stress on leader's gender during release of leadership-related theories (Fiedler, 1964; Hersey & Blanchard, 1996; Bass 2008).

Based on the results of analysis, 63.6% of female leaders and 64.8% of male leaders are performing effectively; since these statistics are too close, it seems that leadership effectiveness is not related to leaders' gender which is confirmed by Chi-square test.



## Conclusion

As it was justified, three hypotheses were rejected and also there is no significant relationship between two main concepts of the study which are gender and effective leadership. Thus, managers need to be selected and hired based on their merit to accomplish the required tasks rather than putting more value on work force's inherent features. In brief, it's a win-win situation if companies hire workforce based on what they are best at and use their strengths where they need, rather than put pressure on them by refusing talented labor force. Some of the outcomes of this study might have achieved because of work condition in banking industry or socio-cultural facts of Thai people, or organizational structures of Thai commercial banks; but, the culture, organizational structure, business type, globalization, high working experience of leaders and other factors may cause the variety of responses in different geographical places or industries and may affect the results of researches similar to the present study which completely depends on peoples' perception. Making female friendly policies might be helpful to overcome the gender-based discriminations in work places; since using talents to run businesses regardless of their gender would satisfy business owners as well as shareholders.

## Recommendations for managerial application

Present study by pointing out the gender issues those occur to leaders in Thai commercial banks currently, would inform human resource managers, shareholders and managerial board to make the best decision in recruitment, especially when assigning managerial positions in this industry; as Catalyst (2005) mentions, with regard to the fact that leadership talent is a rare and important, organizations need to overcome stereotypes and pay more attention to keep each and every part of this "talent pool" instead of eliminating parts of it.

Understanding the relationship between genders and leadership styles would help organizations and they may benefit from possessing the knowledge of each gender's strengths and the leadership styles that they perform their best; Acquiring a proper diversity of genders by organizations will make a win-win situation for both organizations and job seekers and improve the productivity; as Elmuti, Jia & Davis (2009) suggests, the cooperation of men, women and organization is the solution of overcoming glass ceiling-type barriers, which helps women advance to higher levels of corporate hierarchy. Also, Pio & Syed (2013) suggested the improvement in female's educational level beside the enforcement of gender equality policies by organizations and society.

## Limitations

There are several limitations to this study: First one is the specific geographical area and industry; the sample is focused just on managers and employees in Bangkok, and the employees are all from the Banking industry. The other point is there was time and budget limitation in conducting this research; to accomplish the study on time, some adjustments were applied on sampling and data analysis procedure and not all related researches and books were reviewed. Also, finding respondents who were willing to

answer a foreign language questionnaire was difficult, since the questionnaires were written in English language while the respondents were Thai.

### Recommendations for future studies

One focal area of interest in present study was leading while future researchers may investigate other management functions, or use different scales and methods in conducting research.

Gender was another focal point of this study, while there are many other factors that potentially affect leadership which could be subject to a new research.

The data used in the present study was gathered from the local commercial banks in Bangkok; therefore, changing the target population may lead to different results because of socio-cultural differences of different countries; also, different task structures and working conditions could be a good aim for a new study in the related field.

A new research may investigate other types of discriminations and their impacts on managers' performance or employees are also recommended.

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# Personnel Practices of Flight Crew Officers and their Effective Performance of Thai National Airlines.

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## Abstract

The objective of this dissertation was to propose Personnel Practices of Flight Crew Officers and their Effective Performance of Thai National Airlines. The mixed methods research (Deduction and Induction) based on indepth interviews from 24 key informants for ground theory and for grand theory using instruments were 204 questionnaires for collecting data by a review of reports, research papers, and information retrieval via the internet. The Delphi and Matrix techniques, enhanced by face-to-face interviews, were also used to collect data. The population and sample were airlines administrative personnels in the Department Civil Aviation of Thailand officers, Boeing Company, Airbus Company and Thai Airways International. The data were collected by a review of reports, research papers, and information retrieval via the internet as well. The Delphi and Matrix techniques, enhanced by face-to-face interviews, were used to collect data. The Delphi Method is based on structured process for collecting and distilling knowledge from a group of experts by means of a series of questionnaires interspersed with controlled opinion feedback. For this study, twenty experts in airlines completed questionnaires to determine the components in management strategy. Moreover, the data were analyzed by median, mode and interquartile ranges and four professionals were asked to evaluate and verify the management model of the study.

**Keywords:** Effective Practical performance reduced global warming and environment care, news and media exposures.

## Introduction

In recent years, many national premium airlines of the world were being shocked about fast growth of the low cost airlines. They are very popular in airlines business world. The operational personnels are concerning about many parts of the management theory for the basic needs of humanity such as eating, living, sleeping etc; traveling is the one as well. For contraralily same cases compare to low cost airline can manage and succeed. How could they do to manage their operational personnel? It is the main surprising thing that able to be found and disserting.

## Significant of the Study

According to the inquiry concerning to the Personal Practices of Flight Crews Officers Efficiency, therefore the new management strategy of the airlines may change their vision to comply with the low cost airline concept instead of premium or legacy concept to win the need of economic passengers.

Refusing to fly the aircraft of the flight crew personnel is always big problem to every single airliner. The aircrafts are the main resource of making airline business. The airlines managements have to have the wise strategy to manage the operation personnel for using them.

### **Objectives of the Study**

1. To examine the Personnel Practices of Flight Crew Officers and their Effective Performance of the Thai National Airlines.
2. To explain how to manage the flight crew personnel of Thai national airlines compare to a low cost airlines in same situation.
3. To explore the difference in all relationships among in above set of variables in the needs of the passengers and airline management.

### **Scope of the Study**

Using an integration of mix method) Quantitative and Qualitative analysis( through a survey study and interviews of key informants who are immediate managers of national airline and low cost airlines.

**Conceptual Framework;** Nowadays airway transportation is the fastest type of transportation. With advancement of the aviation technologies, the plane's and a lot of companies that entering to the airway transportation sector, leads to the conclusion that rising competition and decreased prices. It will only be framed an important factor, each type of investments have to be feasible and logical. For this reason in this paper we study The Personal Practices of Flight Crew Officers and their effective Performance for the National Airlines compare to some low cost airlines using one of the multi criteria-decision making techniques, Analytic Network Process.

**Expected Outcomes** In recent year, decreasing of the ticket prices in the aviation sector caused the passengers to prefer airline transport rather than others, because these prices almost can be compared with the ticket prices in other transportation types. This change also created a competitive airline market. For this reason airline companies need professional decisions for all of their activities.

### **Developing Management Theories, Flight Personnel Conceptual**

The airlines business is running by the several duties and job assignment to many functions. Those functions are managed by men. The teams try their best to work and establish the airlines concerning jobs. These are the main concept of dissertation problem which concerning many confusing things but can be managed by human. Many theoristes had studied a lot about the resultant of these theories.

### **Using Airlines Personnel Resources**



The Personal Practices of Flight Crew Officers of National Airlines is a lot of works, especially the steps of ordering. This is a good time to call upon your fellow aviators, mechanics and aircraft owner to help. They have to be the member of professional aviation organizations, review their membership benefits and use the resources that are available.

### **Operational Personnel**

|                 |   |
|-----------------|---|
| PIC:            | Pilot in Command  |
| Co-pilot:       | Assistance Pilot  |
| Steward:        | male flight attendant which is able for both safety and service mind set.   |
| Air hostess:    | female flight attendant which is able for both safety and service mind set. |
| Mechanic:       | able unisex which are full knowledge and hold mechanic FAA license          |
| Ground service: | able unisex which are trained for many ground facilities functions.         |

### **Research Methodology**

In this study, the intent was to gain insight into the future of managing flight crew personal of Thai national airlines through the knowledge and experience of selected interviewees and then to apply this to the circumstances in airlines business. Sampling was purposive and individuals were selected to represent a constituency comprising Flight Crew Personal Strategy Management.

### **Population**

The population of the study was representative the flight crew personal of Thai National Airlines were the pilots of Thai airways International, cabin attendents of several airlines including Thai Airways International, several front line operation staffs of low cost and Thai National Airlines, Department of Civil Aviation staffs, Test pilots from Boeing and Airbus Company in term of bad weather condition flying.

Participants of this study include pilot administrators, Engineers and pilot Technician of aircraft acceptance team of National Airlines, Front lines staff of several airlines staffs of several Airports.

### **Research Instrument and Data Collection**

The in-depth interviews were of people who possessed knowledge and had the responsibilities in managing flight crew strategy management. A document review was used in order to identify the factors that were related to the management process for improving them. After reviewing the literature, the tentative management model was developed. In addition, the interview questions were proposed to an advisory committee for approval.

The interview questions were open-ended in design and concerned how flight crew strategy management is managed in the bad weather condition ) Meteorology ( or in several aerodynamic crises. In addition, there were questions addressing management problems and the needs to improve management in the Airlines management business.

### Data analysis

The results obtained from correlation analysis in revealing the correlation coefficients among all independent variables included in the model in order to investigate the multicollinearity problem are resented in table.1 The table also includes the descriptive statistics of mean, standard deviation, and minimum and maximum values of all the independent variables for the total samples in the study.

**Table 1** Correlation Matrix and mean, standard deviation, minimum and maximum values of variables

| Variable | Oclimate | Particip | Politics | Autonomy | Commit | Gperform |
|----------|----------|----------|----------|----------|--------|----------|
| Oclimate | 1.000    | -.380    | .016     | -.012    | -.187  | .017     |
| Particip |          | 1.000    | -.164    | .426     | .346   | .068     |
| Politics |          |          | 1.000    | .040     | -.053  | .016     |
| Autonomy |          |          |          | 1.000    | .298   | -.065    |
| Commit   |          |          |          |          | 1.000  | .018     |
| Gperform |          |          |          |          |        | 1.000    |
| Mean     | 94.75    | 23.64    | 65.18    | 38.47    | 72.52  | 6.34     |
| SD       | 14.27    | 7.68     | 15.52    | 10.18    | 12.39  | 0.71     |
| Min      | 49.00    | 4.00     | 17.00    | 6.00     | 26.00  | 5.00     |
| Max      | 147.00   | 40.00    | 100.00   | 60.00    | 90.00  | 8.00     |
| N        | 204      | 200      | 204      | 200      | 204    | 204      |

Table 1 reveals that there is no multicollinearity problem when using all independent variables in multiple (path) regression analyses to be followed.

The correlations among variables are very low; the lowest is at .016 which is the correlation between perceptions of organizational politics and group performance. The highest correlation is that of autonomy and participativeness which is at an acceptable coefficient level of .126.

Table 1 also indicates that most of the respondents are homogeneous in their perception of relatively moderate control and rigidity in the organization climate, the mean score being approximately half of the total of 180 scores (the summed up score from 18 scale items measured).

### **Data Analysis about the Current Status, Problem and Needs of Flight Crew Personal of Thai National Airlines.**

Data analysis about the current Status, Problem and Needs of Flight Crew Personal of Thai National Airlines, the sources of employees' commitment to the organization might come from other factors such as prestige and benefits offered by the organization and rewards offered both tangibly and intangibly. This deserves further investigation in future research.

The statistical values from path analysis of low cost airline personals (n = 204) can be presented in the equation form based on the presented structural equations, the variables excluded in the results of stepwise regressions are excluded from the equations.

### **Data Analysis Using the Matrix and Mean to Describe the Problem.**

The data analysis using the Matrix and Mean to describe the problem. The results obtained from correlation analysis in revealing the correlation coefficients among all independent variables included in the model in order to investigate the multicollinearity problem are resented in table shown. The table also includes the descriptive statistics of mean, standard deviation, and minimum and maximum values of all the independent variables for the total samples in the study.

Purport of the Interview are as following: The high competition of airlines business making more problems not only the management personals but the burden to the staffs for operation their businesses. In term of airlines business they have to work hard and get to know many functions as following.

- 1) To get more several information of Flight Crew Personnel.
- 2) To get more advisories from Expert Management Personals.
- 3) To get more information for comparing between the Airlines.

### **To get more several information of Flight Crew Personnel, advisories, from expert management Personals for comparing between the Airlines.**

All of the items above may generally known by the Airlines transportation. The more detail might make us understanding about this business. Last 50 years ago the airlines were very hard to operate but easy to get money due to still low technology and few airlines competitions.

1. Passengers need
2. Stations for operations
3. Types of the aircraft business's services

The statistical values from path analysis of low cost airline personals (n = 204) can be presented in the equation form based on the presented structural equations, the variables excluded in the results of stepwise regressions are excluded from the equations.

**Table 2** Causal Relation between Independent Variables and Dependent Variable

| Independent Variable    | Sources of Causation |          |       |
|-------------------------|----------------------|----------|-------|
|                         | Direct               | Indirect | Total |
| Organization Climate    | 0.00                 | -0.03    | -0.04 |
| Participativeness       | 0.00                 | 0.14     | 0.14  |
| Perceptions of          |                      |          |       |
| Organization Politics   | 0.00                 | 0.03     | 0.03  |
| Autonomy                | 0.24                 | 0.10     | 0.24  |
| Organization Commitment | 0.55                 | 0.00     | 0.45  |
| Group performance       | 0.00                 | 0.00     | 0.00  |

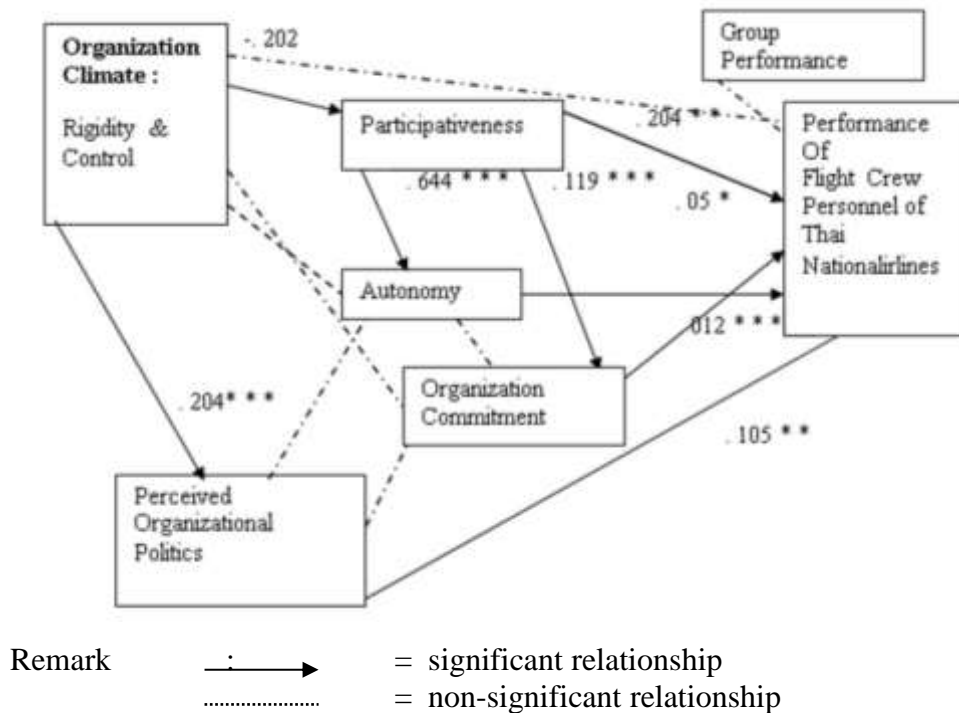
From table 2, organization climate is found to be only indirectly related to performance of some low cost airlines staff. This is explainable in terms of the moderate level of control perceived by respondents and the low variation in data, so, no significant direct relationship exists. The relationship between organization climate of control and rigidity is mediated by autonomy. The employees do not feel the level of control is too high. They still feel a high autonomy level despite in the workplace and can live with it.

Similarly, perceptions of organizational politics have only an indirect relationship with performance of low cost airlines staff. The relation is also mediated by autonomy.

Among all the variables in the model of study, organization commitment and autonomy are major factors directly affecting performance of low cost airlines staff while organization climate, participativeness, and perceptions of organizational politics pose only indirect causal influence on performance of low cost airlines staff.

In order to compare interrelationships among variables in the two groups of employees divided by their nature of work, the data obtained from the total sample in the survey were segregated into two sets, passenger-contact and non-passenger contact subgroups.

Path analyses were conducted on the two sets of data. The following figures present the results of path analyses for the two data sets.



**Figure 1 Path Model for Passenger-Contact of airlines staff (n = 204)**

Figure 1 present the results from path analysis of data obtained from 204 samples of passenger contact public enterprise airlines staff. In comparison to the results of total samples of 134 low cost airlines staff, there are some differences in terms of the existence and non-existence of relationships among variables in the study as follows:

- 1) The relation between organization climate and autonomy.
- 2) The relation between participativeness and performance.
- 3) Perceptions of organizational politics and organization commitment.
- 4) Perceptions of organizational politics and performance.
- 5) The relation between autonomy and organization commitment.
- 6) The relation between organization commitment and performance of low cost airlines staff.

In the passenger-contact low cost airlines staff subgroup, the relation between organization commitment and performance is found to be relatively higher compared to that of the national airline staffs. The explanation for the strong influence of organization commitment to performance in passenger-contact employees can be made in terms of pride in the organization. As revealed by interview data, the employees feel highly committed to the company mostly because they believe in the airline’s prestige.

As their job require that employees who have interactions with passengers wear uniforms, they feel the pride of bearing the corporate identity. Other than the provision of standard allowances and relatively higher benefits both tangible and intangible, they feel that the organization provides them with an opportunity to play a significant role as service providers and have an active role in making decisions concerning work procedures and service improvement. Moreover, the participatory management is conducive to higher commitment to the organization and the higher quality of service

as it creates the atmosphere which poses influence on employees such that they extend their extra efforts probably more than are required by their job descriptions.

The executive of this study introduces the new model for further studying about the Personal Practices of Flight Crew Management. It is the Meteorology Impact to the Strategy Management of Flight Crew Personnel of Thai Airlines )MIM ( created by Chusak. The proposed of the MIM model is to present the bad weather condition that impact to the airlines business management. There are three major factors that errored by them, detail are as following;

- 1) Human error
- 2) Technical error
- 3) Bad weather condition

Moreover this chapter presents a detailed discussion of the proposed management model for flight crew strategy management of Thai National Airlines, which was developed from the study of principles, concepts, management theory, document reviews and research papers together with the panels of experts' opinions by using several techniques such as Matrix and Delphi technique. The respondents are processed through a system for statistical analysis. Results of the study as well as discussion of the findings are presented as following:

Moreover, the interview data reveal that most of the low cost airlines staff is highly committed to the organization despite the existence of control and politics in the organization. Most of the Thai National Airlines staff feels proud to work for a national flag carrier which is recognized as an airline offering world class standard services. They also feel that they get well paid by the airline and the benefits, both tangible and intangible, offered are more than adequate.

Besides, the levels of control and power distortion perceived by the low cost airlines staff are not high enough to tarnish their high level of commitment to the organization. The mean score of the control climate is half of the total score for the organization climate measure, signifying that the control level in the organization is at an acceptable degree.

Anyhow, interview data suggest that coaching and supervisory support is essential to encourage an atmosphere of trust and confidence in passenger-contact employees. Supervisory support might be an alternative variable worth exploring in future for its possible association with low cost airlines staff commitment to the organization.

In Public Administration term, the simulation will be as following:-

A aircraft is the villages, big or small is depending on aircraft size. Some aircraft can carry 500 passengers) A380-800 (but some are only 150passengers ) B737-900, A320(. Same like the village are depending on the number of their citizens.

A captain is the chief of village, other pilots and flight attendants are his assistances. They can manage the the aircraft like village. Some might be the security, judge, policeman but other might become judge meanwhile the other might serve the meal to the passengers as well.

All passengers are the village citizens. They pay ticket airfare alike the pay government tax. They may have right to preserve the public resources but unable to deny the other human right. They have to use the same toilets, galley, multi purpose area together, and the other public equipments without any complaint.



All cabin equipments are the public using resources. They are toilets, galleys, side walk, armrest, overhead bin or hatrack, coatroom, all inflight entertainment such as movies on board, lifevest, and survivor kit in case of emergency evacuation.

Meteorology Bad weather condition (is similar to the ground disaster such as forest fire, big flood, thunderstorm, and so on. These disasters can be occurring at any time on air and on ground depend on the situation. It can be counted to be the management obstacles.

### **Implementation of MIM**

The implementation of MIM have to begin with the knowhow of nature of work in the passenger-contact subgroup which requires a participatory management style can explain the difference in relationships and non-relationships in these two groups of employees. The reservation on the importance of participatory management to passenger-contact employees should there be observed by management personnel as a tool for enhancing organization competitiveness. Perceptions of safety policy are significantly related to services policy only in non-passenger-contact low cost airlines staff. However, the relationships turned out to positive when they have same Meteorology knowledge.

### **Evaluation outcome and feed back**

The MIM model is unable to get success if there are no evaluations and feed back to Strategy Management team or CEO for more improvements. In non-passenger-contact like flight crew personnel the explanation given is as given in that of the total sample. That is Strategy Managements team effectively communicate with the non-passenger-contact on the budget constraint problem posed by the economic crisis and compensate by allowing greater opportunity for them to use their own judgment when bad weather condition occur. Thus, the Fight Crew Personnel gain higher confidence and trust despite the higher level of perceived organizational politics.

### **Recommendations**

This study recommend the use of the samples which were shown that the samples taken were 250 questionnaires but the returned usable questionnaires were 204, consisting of 104 from passenger-contact operational personnels respondents and 100 from the non-passenger-contact groups.

Results from path analysis show that relationships between variables are different between the two types of respondents. The two independent variables having direct relations with performance only in passenger-contact of the public enterprise airlines staff are participativeness and perceptions of organizational politics. The explanation can be made in terms of demands from the nature of work with different degrees of exposure to human interactions. The higher degree of exposure to human interactions, the higher the demand for participatory management. Effective communication and supervisory support help turn the relationship between perceptions of organizational politics and performance into a positive one.

## Implication of Future Research

In order to continuously for future research to improve the protection for its amangement strategy , as well as employees and passengers, Aircraft manufacturer has deployed means and resources to monitor and remove the most hazardous substances from its internal processes and outsourced equipment. This takes into account all applicable regulations impacting Airbus operation, such as the remarkable guidelines. Further environmental improvements for air transport requires coordinated actions between stakeholder, which consist of airlines, airtraffic services provident, manufacturers and authorities. Airlines have to have the good strategy to use eco-efficiency or green flight.

In addition, the Flight Crew Personnel of Thai National Airlines Strategy Management have to be improved the overall air transport system by contribution to the modernization of Air Traffic Management and promoting low emission alternative fuel to compete with low cost airlines for world airline business survivor.

## Summary

This study comes to final conclusion to introduce MIM model to ensure the avoidant of the disaster cause by the poor Strategy Management of Flight Crew Personnel of the Airlines. According to the aviation nowadays is fast and safe in mode of transportation, as well as the one that is highly eco-efficient-with excellent lean green and environmental care performance when considering value it provides.

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# Determinants of Embassies Innovative Capability: An Application of Factor Analysis

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## Abstract

The purpose of the study was to investigate the influence of organizational environment, human resource management, learning organization and knowledge sharing on organizational innovation capability in the Foreign Embassies in Thailand. Practical data were collected from 75 embassies by means of a questionnaire. Stratified random sampling was used for the research methods and factor analysis, multiple regression analysis was employed for data analysis. This study identifies three factors that have positive impacts on the organizational innovation capability of Foreign Embassies in Thailand. The result showed that the leader's support to change, training and development are most influence factor on organizational innovation capability.

**Keywords :** Organizational Innovation Capability, Organizational Environment, Human Resource Management, Learning Organization and Knowledge Sharing.

## Introduction

Every organization has the capability to achieve competitive advantage with stability and production efficiency. As long as these capabilities and abilities may not well known and realize it may be turned to be an obstacles. The competitors and help enterprises through competition. Therefore, in the first step, which these factors and in second step, identifying correlated factors of the same group can help organizations to promote them. The ability of organization and the ability to consider elements from two sides' relative power in the organization, and strategic of important elements. At first, it is better to collect those components which can be recognized as organizational capabilities, from valid books and articles and then investigate them after above two aspects. To resolve these issues, a sample of the Foreign Embassies in Thailand is investigates to determine the effect of three key organizational environment, human resource management, learning organization and knowledge sharing views from the literature on organizational innovation capability. Findings can help the embassies official management team to better

understand an organizational innovation capability should be promoted improve the level of organizational innovation capability of foreign embassies in Thailand.

The purpose of this study is to investigate the factors that support the foreign embassies organization that will become the innovative organization. In this paper, literatures on innovation, organizational innovation capability and factors supporting an innovative organization are reviewed in section 2. Section 3. presents the details of research framework model and Hypotheses Section 4. shows Research Method e data are analyzed by correlation analysis to investigate the correlation and the important factors that influence an organizational innovation capability, the factor analysis–exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) was performed to test the measurement model, multiple regressions are also analyzed to determine which key factors have significant influence to the determination of the organizational innovation capability Section 5. Research Finding. Section 6&7. Conclusion & Recommendations presented conclusion contains a discussion and recommendations.

### **Literature review**

Three areas of literature has been reviewed to address different aspects of innovation, the characteristics of an organizational innovation capability, innovative organization, and the key components for an organization to become innovative.

### **Innovation**

The innovation involves the development of products, services and processes, which start from the idea or ideas that are available. Innovation is not only intended to use for increasing employee and internal external customer satisfaction. But also to add value to the organization and its stakeholders (Huselid, 1995; Shipton, West, Dawson, Birdi, & Patterson, 2006; West, Hirst, Richter, & Shipton, 2004).

Innovative is related to the development of products and services and processes that can be started from the idea of a new or existing ideas. The aim for innovation not only to increase customer and employee satisfaction, but also to increase the value of your stakeholders and organizations )Amabile, 1997; Keogh, 1999; Levin & Scherer, (1986. The type of innovation can be classified as follows.

- Product Innovation refers to the creation or development of new product and service including the creation of value to the customer, such as the development of a mobile phone and a personal computer.

- Process innovation means the development of work process. Which lead to the improvement of production or services efficiency. The invented process may be different from the original. But it creates more value to customers such as reducing waiting time or eliminating waste.

- The strategy or business model innovation means developing business models from concept to conduct business in new business models, such as Barnes & noble to open a bookstore and Amazon in the online business to push the boundaries of the new e-commerce business )Keogh, (1999.



## Organizational Innovation Capability

Organizational Innovation Capability - The Organization's overall innovation capability, innovation activity to guide new products as services, new process, business model to the internal and external environment or open new markets through strategic orientation with the behavior and innovation process(Wang & Ahmed, 2004). In fact, the study of innovation in the organization may not have received proper design to preclude understanding of innovation processes in the organization. They are designed appropriately, and the objective is to study the characteristics of the Organization, more and less innovation, but most of the results found that "features of the organizational structure, without meaning that the sole factor of acceptance of innovation"(Kimberly, Miles, & Snow, 1978) with quite modest structure variable's relation to enterprise innovation. At least help understand organizational innovation capability or organizational innovativeness. Innovativeness means the ability of the organization involved in innovation is the introduction of new products, new services, new process, new business model or ideas in the organization (Hult, Hurley, & Knight, 2004). In the current research, the ability to dynamically initiate and develop new ideas, products and services or technologies and ease the organization adopts innovative(Becker & Whisler, 1967).In support of innovativeness as a process (Stevenson & Jarillo, 2007). activity and innovation the innovation point is to focus on results measurement, such as "the success of new products and services.(Ayers, Dahlstrom, & Skinner, 1997), innovativeness captures the organization-level orientation toward innovation (Hurley & Hult, 1998). In other words, innovations in the measurement of organization favoritism are involved in creative behavior. Innovation has become a necessary foundation for enterprise competitiveness and survival. (Hall, Lawrence, & Lorsch, 1968) in a research titled "determining entrance time: company abilities and environmental conditions" refers to cross-effects and interaction between environmental effects and organizational capabilities and states that behavior deployment is just not when using environmental opportunities, also is for stimulating competitive advantage in undesirable environmental conditions along organizational capabilities.

## Organizational Environments

Organizational Environments include both external and internal environment– the batch of troops surrounding the organization that may affect how to process and access to scarce resources. Organizations need to properly understand the environment for effective management.

Organizational structure is important to create the right environment for innovation (Burns & Stalker, 1994) states that organizations with innovation should be restructured in a rapid pace to keep up with the dynamic environment. Innovation requires cooperation in the organizations such as manufacturing, research and development, marketing, purchasing, administration.

Cooperation - Co-innovation partnerships between members of the organization are essential(Van De Ven & Rogers, 1988). Described as "cooperation" occurs when individuals within the organization coordinate together.

In addition, a joint working between organizations in term of "partnership" propose on recognition of a common vision, sharing knowledge, resources and responsibilities as well as power (Arad, Hanson, & Schneider, 1997).

Communication – Kraut (1992) divided communication into two categories: formal and informal communication (Fish, Kraut, Root, & Rice, 1992). (Dixon, 1992; March, 1991; Nadler & Tushman, 1990; Tushman, 1981) claimed that communication was not officially on the lines of a hierarchical organization. Most of the organizations with organic structures (Tushman, 1981). because communication is not officially open to the unexpected and allow individuals to express their views. This results in giving satisfaction and reduce interpersonal conflict. Many researchers agree that no formal communication can help in the development of innovative enterprise.

### **Human Resource Management**

Human Resource Management – Support for human capital, innovation, organization, demonstrate the power of the company. The training program was designed and built by the company. Can promote the professional skills of employees. If employees are the basic professional knowledge and skill, they can have the opportunity to observe, absorb and use external resources and knowledge. Executives must communicate organizational goals with employees to make sure they have the same understanding. In addition, the administrators should support each other The aspects such as the freedom of expression. The necessary resources to support, motivation for innovation and taking the risk of developing long object event (Amabile, 1997; Cohen & Levinthal, 1990; Delaney & Huselid, 1996; Huselid, 1995).

Human Resource Management – Integrated strategies and how they relate to employment. The development and well-being of the people working in the organizations' top management jobs, trying to create a competitive advantage by using strategic commitment. And the staff can use include an array of culture. The structure and technical personnel (Storey, 1995).

Elkin(1990), in a research titled “human resource training based on competency and approach of competecies formulation” state that, understanding and fostering capabilies, competencies and human resource capabilies, play as a determinant in durance and surveillance of organization in competitive enviroments and any inattention to these capabilies and competencies of human resources as strategic resources and knlowledge capitals can rise to loss of competitive advantage. So, organizations that follow a strategic and systematic plan in order to developing intangible capitals and assets, certainly provide more value for their customers, which is aong approaches for deploying capacities and capabilies of human resource toward producing value of” competency-based training” (Elkin, 1990).“human resources training based on competencies and approach of competencies formulation”(Sun & Shi, 2008).

### **Learning Organization and Knowledge Sharing**

As the organization that people in the Organization have expanded the scope of their competencies continuously. In both the personal level and group-level enterprise to contribute to engaging individuals in various levels. Truly want is organization with new ideas and branching of thoughts have been accepted in the Organization in which the person is entered, and learn continuously. On the subject of how to learn together the entire organization (Burton, 1984; Crossan, Lane, White, & Djurfeldt, 1995). The direction of learning such as the development of new knowledge. Or insights that have the potential to influence behavior, values and belief in the organization's culture (Sinkula, 1994). This means the demo or learn more, be aware of the capabilities of the program. Some level of knowledge than to learn (Calantone, Cavusgil, & Zhao, 2002). The activities of the learning organization. And increase the use of knowledge in order to enhance the competition. Literature found learning has positive impact on organizational capability or organizational innovativeness (Dyer & Reeves, 1995; Hult & Ferrell, 1997; Simon, 1991).

Learning Organization - The organization is a group of individuals, groups, with the development of the culture, with the strength of culture depends on the length of the existence of the group. The stability of individual members in the group. And the intensity of emotions in actual history. The experience that they have shared (Wilkins, 1985). Knowledge sharing activities to educate (the information, skills or expertise) are exchanged between people, friends, family, community or organization (Serban & Luan, 2002). However, it is just one of the many factors affecting enterprise knowledge sharing in technology such as organizational culture, trust and motivation (Read, 2000).

Knowledge Sharing – Knowledge sharing is another important factor for innovation in organizations. Knowledge can be divided into three categories: knowledge and deep process knowledge, explicitly or implicitly (Mowery, 1983; Ikujiro Nonaka, 1994; I. Nonaka, 2000). Organizational innovation to transform information into knowledge. This is a fundamental factor in the development of new ideas and should promote the development of knowledge to create an atmosphere of learning (Ikujiro Nonaka, 1998; Sikdar, 1998).

### **Research model**

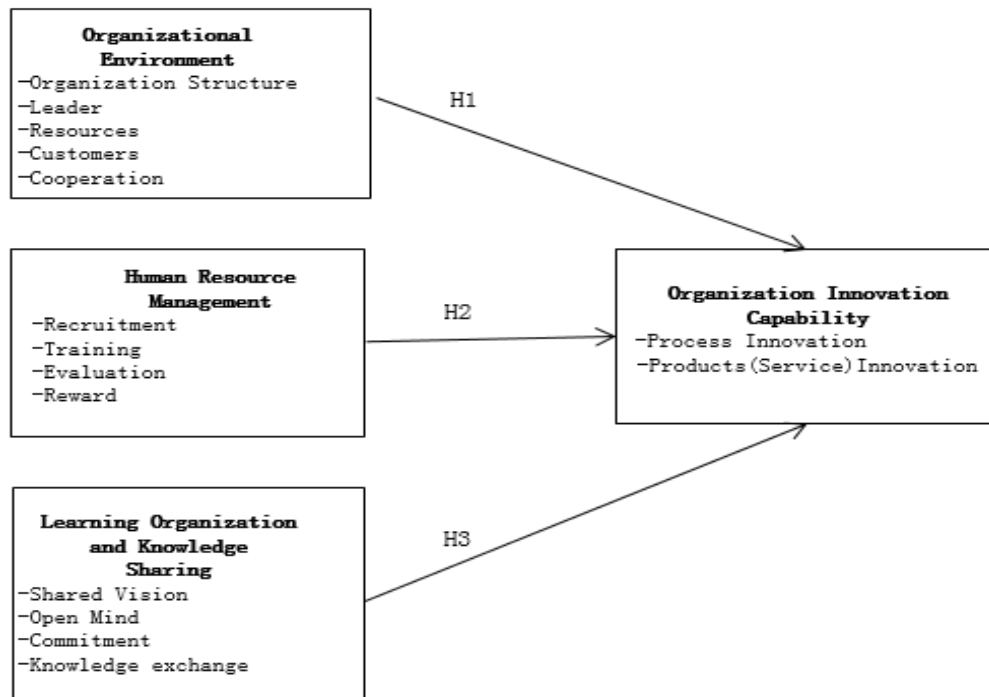
The literature and key factors relations on organizational environment, human resource management, learning organization and knowledge Sharing, organization innovation capability. These relationships as stated in the literature can be verified by testing the hypothesis as follows.

Hypotheses:

H1: Organizational Environment had a direct positive relation to organization innovation capability.

H2: Human Resource Management had a direct positive relation to organization innovation capability.

H3: Learning Organization and Knowledge sharing had a direct positive relation to organization innovation capability.



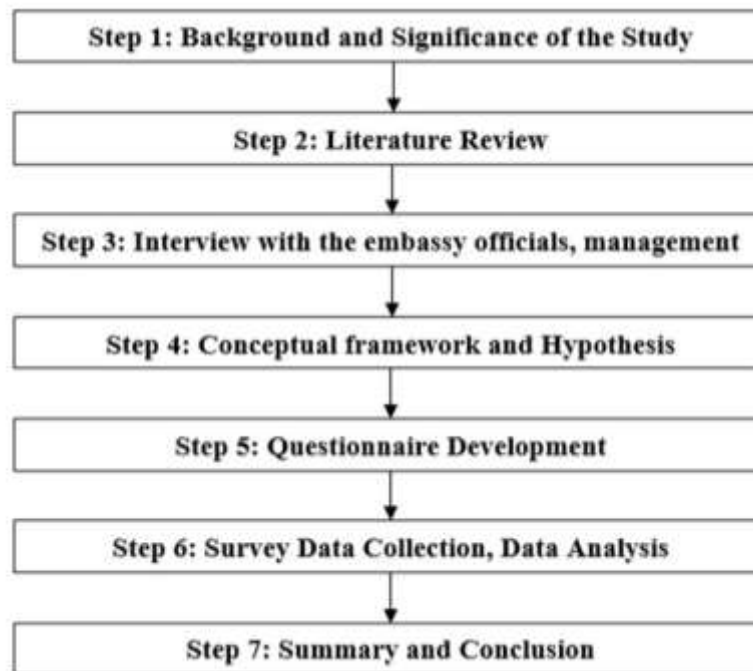
**Figure 1. Presents key factors relations research framework model**

**Source: Developed for this study**

## Research method

### Research design

The study was designed as an exploratory study to analyze and investigate the influence of organizational environment, human resource management, learning organization and knowledge sharing on organizational innovation capability in the foreign embassies in Thailand. Direct interviews with the embassy officials, management team were conducted along with the literature review to construct a set of components, the key factors, innovation activities to foster organizational innovation capability. The content validity was also tested. The questionnaires was developed based on the results of construct analysis. Questionnaires are distributed to the designated sample group of embassy officials and management team of 75 embassies. Correlation analysis and multiple regression are used to explore the key factors and test the statistical significance. The research design is shown in Figure 2.



**Figure 2. Research design**

### **Data Collections**

The data for this study was collected from the foreign embassies in Thailand a total of 75 Embassies. of approximately 500 questionnaires were distributed with 400 returns response rate of 80%. After editing 385 were used in the final analysis, some part of questionnaires used the four-point Likert scale from "strongly agree", "slightly agree", "slightly disagree" and "strongly" to measure level of satisfy. The scale was adapted from (Van De Ven & Rogers, 1988) that consisted of 27 items and assessed the components of organizational structure, the leader's support to changes, sufficient resources, to meet the needs of both internal and external customers and cooperation among agencies. Innovativeness was quantified using the 8 items scale from (Hurley & Hult, 1998). The scale for human resource management used 18 items from (Cohen & Levinthal, 1990) and assessed components of recruitment, training and development, performance evaluation and reward. Learning organization and knowledge sharing was measured using 17 items from (Mowery, 1983; Ikujiro Nonaka, 1994; I. Nonaka, 2000) to assess the components of commitment to learning, shared vision and open mind. The scales were refined using the responses to the main survey.

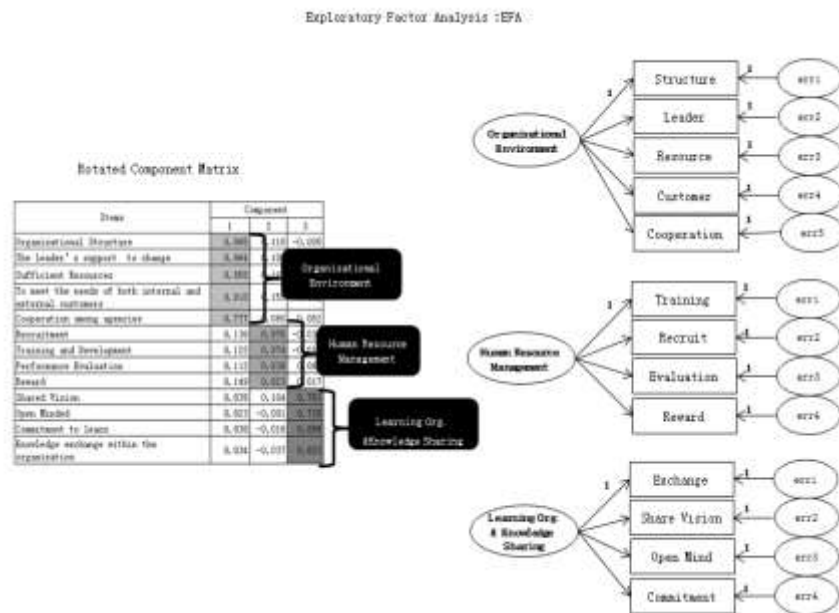
### **Data Analysis**

The statistical software, SPSS-AMOS is used to analyze the data. Using Factor Analysis, Pearson Product Moment Correlation Analysis and Multiple Regression Analysis. (1) Factor Analysis-exploratory factor analysis (EFA), to explore the underlining theoretical structure of the phenomena, and to identify the structure of the relationship between the variable and the respondent and,

Confirmatory Factor Analysis (CFA) was used to test the measurement model that relates the individual items and underlying constructs (Anderson & Gerbing, 1982). (2) Pearson Product Moment Correlation Analysis demonstrates the correlations between 13 independent variables and the components factors affecting organizational innovation capability. (3) Multiple Regression Analysis is applied to explore the effects of influencing factors on the organizational innovation capability.

**(1) Factor Analysis**

The analysis starts from factors extraction applying the principle component and varimax factor rotation methods to reduce the number of constructs. The reliability is validated based on Cronbach’s Alpha test, which is acceptable as the Cronbach’s Alpha is 0.860 which is higher than 0.7 (Peterson & Kim, 2013). The Kaiser-Meyer-Olkin (KMO) is 0.843 and Bartlett’s Test of Sphericity is equal to Approx. Chi-Square = 2366.251, df = 78, Sig. 0.000. These indicate that the collected data is appropriate for factor analysis application. The Eigenvalues is set to be higher than 1.0 and factor loadings exceed 0.4 (Meyers, Gamst, & Guarino). Consequently, thirteen components are extracted with 80.25% of total variance explained. These thirteen factors are named as: 1) Organizational Structure 2) The leader’s support to change 3) Sufficient Resources 4) To meet the needs of both internal and external customers 5) Cooperation among agencies 6) Recruitment 7) Training and Development 8) Performance Evaluation 9) Reward 10) Shared Vision 11) Open Minded 12) Commitment to learn 13) Knowledge exchange within the organization. The results of factor analysis are presented in Figure 3



Cronbach's alpha coefficient = 0.860 Kaiser-Myer-Olkin Measure = 0.843 Bartlett's test  $\chi^2 = 2366.251$  (df = 78, p < 0.01)

**Figure 3. The Exploratory Factor Analysis :EFA**



Confirmatory factor analysis: The CFA was performed with communalities placed on diagonal of the correlation matrix. Hence, the resultant correlation estimates have been corrected for attenuation (Hunter, Gerbing, & Boster, 1982). The estimates of the items factor loadings and their significance are shown in Table 1 and 2.

Table 1. The estimates of the items factor loadings and their

| Key Factors Indicator  | Key Components Indicator | b     | SE    | t     | R <sup>2</sup> |
|--|--------------------------|-------|-------|-------|----------------|
| Organizational Environment<br>b = 1.000***<br>R <sup>2</sup> =1.00                 | Structure                | 0.850 | -     | -     | 0.370          |
|  | Leader                   | 0.860 | 0.080 | 8.040 | 0.410          |
|  | Resource                 | 0.840 | 0.070 | 6.600 | 0.240          |
|  | Customer                 | 0.790 | 0.080 | 8.150 | 0.430          |
|  | Cooperation              | 0.710 | 0.070 | 7.000 | 0.270          |
| Human Resource Management<br>b = 0.63***<br>R <sup>2</sup> =0.390                  | Training                 | 0.860 | -     | -     | 0.430          |
|  | Recruit                  | 0.840 | 0.090 | 7.060 | 0.390          |
|  | Evaluation               | 0.780 | 0.080 | 6.680 | 0.310          |
|  | Reward                   | 0.770 | 0.070 | 7.000 | 0.270          |
| Learning Organization and Knowledge Sharing<br>b = 0.54**<br>R <sup>2</sup> =0.300 | Exchange                 | 0.740 | -     | -     | 0.580          |
|  | Share Vision             | 0.600 | 0.070 | 9.720 | 0.510          |
|  | Open Mind                | 0.550 | 0.670 | 9.40  | 0.450          |
|  | Commitment               | 0.440 | 0.550 | 8.150 | 0.430          |

significance

Note: All loadings are significant at  $p < 0.01$ ; CFA Chi Square=59.224;  $df = 51$   $p = 0.201$  GFI= 0.976, RMSEA=0.020

Table 2. The Measurement Model: Confirmatory Factor Analysis Results

| Factors included items   | Standardized item factor loading |
|--|----------------------------------|
| <b>Organization Environment(OE)</b>                            |                                  |
| Organizational Structure(OE1)                                  | 0.85                             |
| The leader's support to changes(OE2)                           | 0.86                             |
| Sufficient Resources(OE3)                                      | 0.84                             |
| To meet the needs of both internal and external customers(OE4) | 0.79                             |
| Cooperation among agencies(OE5)                                | 0.71                             |
| <b>Human Resource Management(HR)</b>                           |                                  |
| Training and Development(HR1)                                  | 0.86                             |
| Recruit(HR2)   | 0.84                             |
| Performance Evaluation(HR3)                                    | 0.78                             |
| Reward(HR4)  | 0.77                             |
| <b>Learning Organization and Knowledge Sharing(LO)</b>         |                                  |
| Knowledge sharing within the organization(LO1)                 | 0.74                             |
| Shared Vision(LO2)   | 0.60                             |
| Open Mind(LO3)   | 0.55                             |
| Commitment to learn(LO4)                                       | 0.44                             |

| Factors included items   | Standardized item factor loading |
|--|----------------------------------|
| <i>Note:</i><br>All loadings are significant at $p < 0.01$ ; CFA Chi Square=59.224; $df = 51$<br>$GFI = 0.976$ , $RMSEA = 0.020$ |                                  |

The confirmatory factor analyses using SPSS : AMOS . (1) Factors included items organization environment (OE) 5 key components indicator - It was found that the Standardized item factor loading between 0.71 – 0.86 key components indicator:(OE2) The leader’s support to changes contained the most positive influence on organization innovation capability, Reliability( $R^2$ ) between 0.240 – 0.430. (2) Factors included items Human Resource Management (HR) 4 key components indicator - It was found that the Standardized item factor loading between 0.77 – 0.86. key components indicator:(HR1) Training and Development contained the most positive influence on organization innovation capability, Reliability( $R^2$ ) between 0.270 – 0.430. (3) Factors included items Learning Organization and Knowledge Sharing(LO) 4 key components indicator - It was found that the Standardized item factor loading between 0.44 – 0.74. key components indicator:(LO1) Knowledge sharing within the organization contained the most positive influence on organization innovation capability Reliability( $R^2$ ) between 0.430 – 0.580. The standardized Estimates of the items factor loadings and their significance are shown in figure 4 and 5.

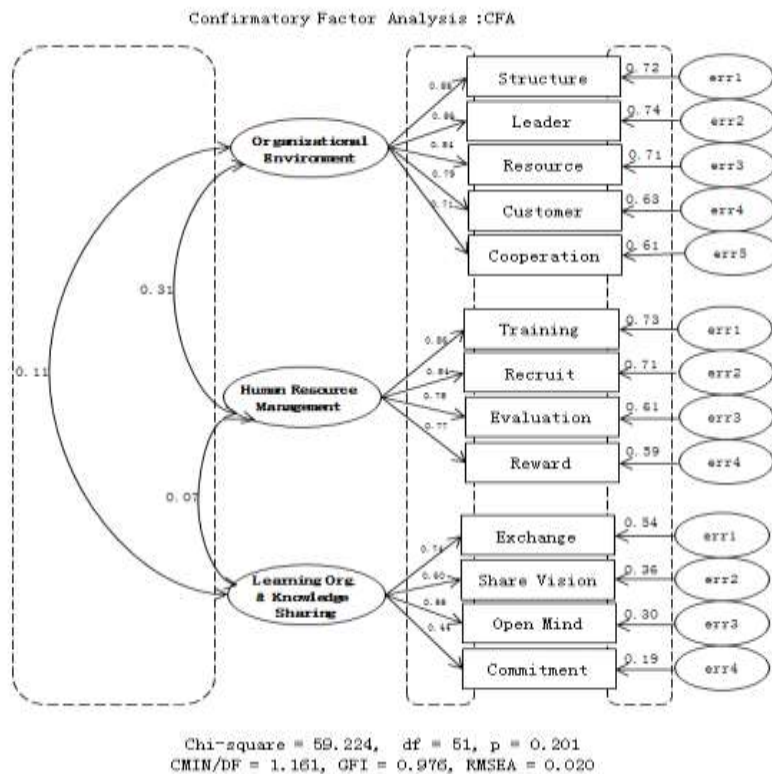
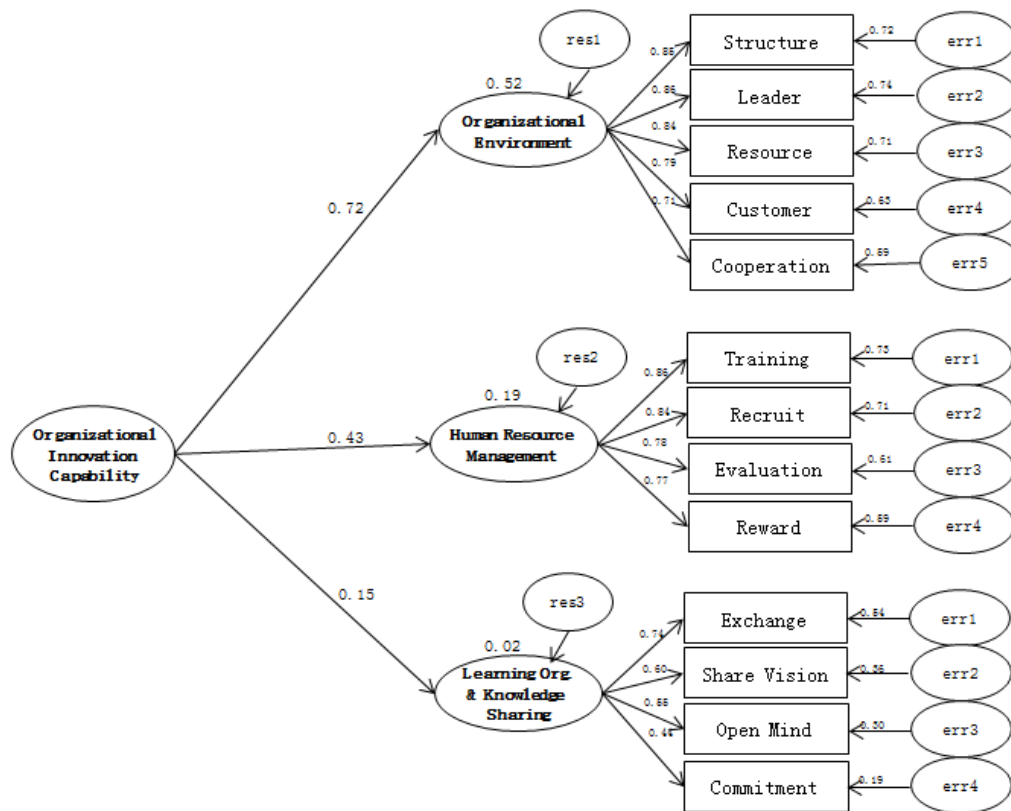


Figure 4. The Confirmatory Factor Analysis : CFA

Second-order Confirmatory Factor Analysis :S-CFA



Chi-square = 59.224, df = 51, p = 0.201  
CMIN/DF = 1.161, GFI = 0.976, RMSEA = 0.020

Figure 5. The Second-order Confirmatory Factor Analysis : S-CFA

## (2) Correlation Analysis

The study found that foreign embassies in Thailand, it requires a high level of organization innovation capability (Mean=3.60, Std. Deviation=0.65), the high level of organizational environment. (Mean = 3.98, Std. Deviation = 0.50), a high level of human resource management (Mean = 3.97, Std. Deviation = 0.48) and level of organization learning and knowledge sharing (Mean=2.96,Std.Deviation=0.76) Coefficient of relationship, it was found that the relationship, which is in the same direction. All of the variables associated with the 0.05 and each using the correlation coefficient between the 0.336-0.650. According to table 4 bivariates. A correlation coefficient was lowest, organization innovation capability and learning organization and knowledge sharing, while the correlation peak is found in the organizational environment and human resource management. On the multiple regression analysis of factors influencing organization innovation capability , the results were in Table 3.

**(3) Multiple Regression Analysis**

Table 3. Multiple regression analysis results

|   | Unstandardized Coefficients | Standard Error |
|---|-----------------------------|----------------|
| Organizational Environment                  | 0.460***                    | 0.081          |
| Human Resource Management                   | 0.450***                    | 0.078          |
| Learning Organization and Knowledge sharing | 0.243***                    | 0.042          |
| F-Value=95.15***R2=0.597                    | Adj.R2=0.594                |                |

From Table 3, the multiple coefficient of determination ( $R^2$ ) signified that the model could predict the trends of the factor of organization innovation capability and the prediction’s reliability was 0.597 or 59.70%. As for adjusted R square (Adj.  $R^2$ ), it was 0.594 or 59.40%. In connection with F-statistics, the overall model could account for the factors affecting innovativeness (F-Value= 95.15,  $p<0.01$ ). The study found that organizational environment contained the most positive influence on organization innovation capability ( $\beta=0.460$ ,  $p<0.01$ ) leading to the approval of Hypothesis 1, followed by human resource management ( $\beta=0.450$   $p<0.01$  causing the approval of Hypothesis 2 and learning organization and knowledge sharing ( $\beta=0.243$ ,  $p<0.01$ ) resulting in the approval of Hypothesis 3.

**Research Finding**

Our the study focuses on the impact of the organizational, human resource management, organizational learning and knowledge sharing on innovative capability. The he organizational environment key components, the leader’s support to changes (OE2) is the most positive influence on organization innovation capability. Followed by the human resource management key components training and development(HR1), Learning organization and Knowledge Sharing key components is knowledge sharing within the organization(LO1). All the factors that are important move to the "innovative organizations” need to change of leadership. Organizational changes to make a difference in learning and knowledge sharing.

**Conclusions**

The result of this study indicates that the most important factor to foster organizational innovativeness are the leader’s support to change, training and development the following factors are organizational structure, sufficient resources, recruit, to meet the needs of both internal and external customers, performance evaluation, reward, knowledge exchange within the organization, cooperation among agencies, shared vision, open minded, commitment to learn. The result of this study also indicates that for foreign embassies to become innovativeness, Therefore, the embassy official, the management team of any organization aiming to organizational

innovativeness has to provide proper supports to employees by offering different kinds training, knowledge and skill development as well as incentive, reward for change of measurements supporting to change.

### **Recommendations**

To drive the organizational innovation capability the embassy official and the management team should adjust the policy, process starting from the leadership. The direction of cooperation between the agencies, and focus on the needs of customers, both internal and external with sufficient resources. Human Resource Management including recruitment, selection, evaluation and reward are the means to make a commitment to learning and knowledge sharing. Actually Training and development should also be focused to create Innovative organization need to enhance the participation of the staff at all level . Changing the work culture from the past management must focus on the changes and the cooperation with non-governmental organizations and private institutions to build links improve knowledge sharing.

#### ***In light of this study, the following suggestions are proposed:***

(1) The leader's support to changes and training and develop have the most positive influence on organization innovation capability. Therefore, the embassies should take advantage of these factors as mention earlier to strength the innovativeness.

(2) The organizational innovation capability empirical findings confirm organizational environment, human resource management, and learning organization and knowledge sharing as an important determinant of organizational innovativeness. Accordingly, The embassy officials, management team are advised to improve organizational environment, human resource management and learning organization and knowledge sharing of their foreign embassies and public sector efforts to achieve superior organizational innovativeness.

(3) The next study should be applied to international organizations. Non-profit organization to understand the factors that influence the organization innovativeness.

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# Does Public Expenditure Management Work? A Qualitative Assessment Study on Tambon Administrative Organizations in Thailand

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## Abstract

Thai budgeting system has undergone continuous development since the early 1980s under a major administrative reform initiated by the central government. One important aspect of restructuring took place in financial allocation process where the decision making in planning, implementing and executing of the annual budget must reflect the needs of citizens. The Public Expenditure Management (PEM) program was embraced to accentuate the new shift of 25% allocation of budgeting from central to the provinces in the area of policy formulation, planning, allocation of resources, budgeting and implementation. The local government institution, being physically close to local constituents, is anticipated to be more aware of local needs and play their chief role under these reforms. This paper investigates the implementation of PEM specifically examining the problems faced by the Tambon Administrative Organizations (TAOs) which is the largest unit of local government institution with reported more financial issues ranging from lack of transparency, accountability, politics and public dissatisfaction. This study utilized semi-structured interview with key-personnel persons of TAOs officers in nine provinces in Southern Provinces of Thailand. The study found out that most problems faced are human-based errors. Political agenda, topped in the list of problems has been played for personal and to some degree it caused disrespect for PEM elements and the power handling of the superior is difficult to be criticized. Politics also inherited in other decision making such as setting the priorities and disbursing allocation. Citizens involvement were insufficiently promoted and waste of public resources were still an issue.

**Key word:** Allocation of Public Resources, Public Expenditure Management, Tambon Administrative Organizations

## Introduction

Thailand has implemented a major administrative reform which comes with new restructuring of financial allocation process from the central to local government (Office of Decentralization to Local Government Organization Committee, 2010). To the effect, the Thai budgeting system has undergone continuous development since the early 1980s and today, citizens' involvement on what development should be right for them has been promulgated (Teeravekin, 1985, Khongto, Pruangwong and Nimoy,

2015). The idea of public participation has been well accepted in today's new governance of public funded institution as government and client partnership paradigm continue to strive (Herguner, 2015). In line with this, current Strategic Performance Based Budgeting System (SPBB), fully executed local decentralization and autonomy process in budget allocation to complement this positive direction (Dixon, 2002). Financial support from the central government are constituted at 25% of the total government revenue to the Local Administrative Organizations (LAOs), meant to optimize the central and provincial relationship in decision making, planning, implementing and executing the budget with focus on public and citizens' needs. Being physically close to local constituents, it is anticipated that local governments should be more aware of local needs, and should work more efficiently than officials from the central government (Phatama, 2015).

In order to streamline the SPBB within the framework of 1999 Decentralization Plan and Process Act, the Thai government at the central and provincial level embraced Public Expenditure Management (PEM) in 2005, seen as a new public financial management program, to accentuate policy formulation, planning, allocation of resources, budgeting and implementation, resulting also from the new shift of 25% allocation of budgeting from central to the provinces (Administrative Policy Committee for Provinces and Integrated Provincial Cluster, 1999).

Phimolsathian (2005) highlighted the fundamental principles of the Thai PEM to include the aggregate long-term fiscal sustainability and control, strategic allocation of resources, operational efficiency, managerial flexibility and accountability and fiscal transparency. The Thai version of PEM anchored on the augmentation and linking of the national priorities and budgeting in planning the sustainability of financial management on one hand and the creation of the legal plan and institutional agreements for public spending. PEM supports the movement toward greater social exchange value, from deliverance of public goods by government who control the decision-making and activities to direct economic efficiency determined by the citizens.

However, the institution of PEM at the central and provincial levels, does not come by without glitches (Office of Decentralization to Local Government Organization Committee, 2010). There are 5,662 Tambon Administrative Organisations (TAOs), constituted as the largest entity type of local authorities, most are located in the rural areas. In a study by Nillaor (2007) he found that the central government is facing difficulties in maintaining and controlling the transparency and accountability of the rural TAOs' budgets as compared to other types of local authorities. Due to the large numbers of TAOs, yearly audit cannot be performed to all TAOs despite it must be a regular exercise marking that only 20% of the rural TAOs are randomly audited every year which means that it takes five years before the a year fiscal audit exercise can be completed. Then, how could any financial transparency and accountability problems can be detected and corrected with a wider audit time gap.

In public expenditure management Sobchokechai (2001) found that many TAOs expenditures were not made in accordance with the local development but rather expenditures are directed to other priorities using the executives' prerogative, leading to the problem of misuse of the allocation (Suwanmala, 2005). There were issues of dissatisfaction among public (Wongarsa and Chairat, 2016) and about how selection of local projects are decided. Even though the law prescribes TAO's responsibilities for

the economic, social, cultural and environmental development at the Tambon level, in dispensing these responsibilities, distortion can occur (Department of Local Administration 2012). There is a preconception among public that TAOs are bias in channeling public resources on new infrastructure projects such as roads, bridges, buildings and village water supply systems. As compared to non-construction project such as education and social welfare services, local executives can exert their interests on the project due to the partial approval power at their disposal (Sobchokechai, 2001) making construction projects more attractive for the TAOs management.

The insufficient revenue exaggerates the resource decision making problems. In general, the TAOs depend heavily on central government for revenue to meet their financial obligations and they are facing with self-generated income they collect (Krueathep, 2004). TAOs revenues come from four main sources, (i) Internally Generated Revenue (IGR) such as specific taxes, fees, and fines; (ii) excise taxes and mineral and petroleum fees collected from the national administration; (iii) taxes and fees from automobiles and cycles collected by the provincial administration that once the central and provincial administrations collect these taxes, they are then allocated to the TAOs; and (iv) grants and loans provided by the government or other organizations. Most local governments in Thailand only generate 10% of their local revenue, while the remaining 90% is augmented by the central government (DLA, 2009). The insufficient fund generated by local governments and relatively unstable funds by the central government are affecting the local expenditure autonomy.

### **The context of PEM**

This section intends to describe main elements of Public Expenditure Management (PEM) that provide insights into the execution of PEM among TAOs. PEM was acknowledged in 1998 by the World Bank when Allen Schick was commissioned to examine the budgeting and financial management conditions of countries by the World Bank (WB). PEM is a management approach for the public sector that calls for sound budgeting and financial management in achieving their socially desired goals (Schick, 1998; IMF, 2011; Zhou, 2012). The report by the World Bank (2000) found out that many emerging economies have the sound budget and well managed financial system, but they are lacking in the area of fiscal management in which they are unable to allocate resources in accordance with strategic priorities on one hand and operate inefficiently on the other. Schick (1998) posited that PEM will improve the decisions of the government in the public expenditure and demands for the essential institutional and management arrangements to support how public money is allocated to alternative uses and in which decisions are implemented. Hayashi (2001) regards PEM as an approach to effective delivery of the government goals by engaging appropriate public expenditure management tools.

The basic elements of PEM put emphasis on three broad areas: Aggregate fiscal discipline (AFD), Allocation efficiency (AE) and Operational efficiency (OE) (WB, 2000; Schick, 1998).

#### ***Aggregate Fiscal Discipline (AFD)***

Fiscal disciplines refer to the ongoing spending within restricted bounds where progress expenditures cannot exceed expenditure limit given and expenditure are

tracked down during its implementation in order to find out the effect on the overall expenditure and baseline budget as soon as possible (WB, 1998). AFD insists on respecting expenditure control and spending limit. In addition, the Thai government agrees that expenditure targets should reflect political commitments but should conform with the fiscal policy.

***Allocative Efficiency (AE)***

AE means apportioning and disbursing resources in places that can propel the greatest contribution to the government’s goals (WB, 1998). The resources are apportioned alongside with the political priorities, should be prioritized and relevance of the effectiveness of the project. Bear in mind, the resource allocation is a highly political, in fact is the most political area of PEM as defined by Wildavsky (2004), budget is “an effort on appropriate financial resources that undergo political processes to support differing human purposes”. Hence, a political leadership must be influenced by national development (JBIC, 2001) where a leader’s decision making on resource availability is made is a crystal clear process and use impartial decision criteria. AE also works by placing the strategic priority accordingly by getting the people’s thought in acquiring limited resources (JIA, 2014) that would best serve the public at large (Schick, 1998; Hong, 2015).

***Operational Efficiency (OE)***

OE refers to the adeptness and productive utilization of available resources in carrying out the strategic priorities (WB, 1998). From the PEM point of view, operational efficiency means; i) independent management of the implementing department and agencies and ii) merit-based evaluation (JBIC, 2001). It necessitates that the distribution of public goods and services by way of the government’s program must be economical and superbly established when it is launched. The independent management of implementing ministries and agencies provides the issues that must be reached in the budgeting process, which include the habitual expenditure and development of expenditures appropriate to programs based on the outputs that show it is feasible. Operational efficiency supports a merit based management and enhancement of civil service reorganization.

The PEM elements and their salient features are summarized in Table 1.

**Table 1: Basic Elements of Public Expenditure Management**

| <b>Elements</b>             | <b>Explanation</b>  |
|-----------------------------|---|
| Aggregate Fiscal Discipline | Budget totals should be the outcome of explicit, enforced agreements; comply with spending demands; spending within restricted bounds, budget totals should be set before individual disbursing decisions are made; and should be possible over the medium-term and beyond. |
| Allocative Efficiency       | Expenditures should be based on government priorities and effectiveness of the public programs. The budget system should spur reallocation from lesser to higher priorities and from less to more effective programs.   |



| <b>Elements</b>        | <b>Explanation</b>  |
|------------------------|---|
| Operational Efficiency | Agencies should offer goods and services at a cost that attained ongoing efficiency gains and (to the extent appropriate) is competitive with market prices; and merit-based system in place. |

Source: Schick, A. (1998)

The Thai government places high hope that PEM mechanisms can enhance the management of public expenditure by the local administrative organizations in Thailand. Is the mission successfully achieved? What are the evidences that TAOs are facing by problems in executing PEM in the context of SBPP and Decentralization Plan? This articles present issues surrounding the implementation of PEM among TAOs.

### **Methodology of the study**

This study utilized semi-structured interview as a method of generating discussions from key-personnel persons in which the researcher could make sense of the derived data (May, 2010). The purpose of the interview is to explore the views, experiences, and actions of TAOs officers on their implementing course of PEM and problems facing in working with requirements of PEM. Interviews are, therefore, most appropriate where little is known about the current conditions of PEM implementation among LGs in Thailand and most data and information offered is non-numeric (Bazely and Jackson, 2013). The interviews, are believed to provide a 'deeper' understanding of institutional phenomena (Scott and Garner, 2013) than would be obtained from a quantitative methods, such as questionnaires The personal interviews are appropriate for exploring intricate topics where they may not want to talk about such issues in a group environment. It is best to study the phenomenon where detailed insights would be better captured from individual participants from formal social organizations.

We used a semi-structured interview with key questions that help to define the areas to be explored. A semi-structured interview allows the interviewer or interviewee to diverge in order to pursue an idea or response in more detail from areas of investigation which help both the interviewer as well as interviewees (Cresswell, 2009). The semi-structured still allows for some flexibility for the discovery or elaboration of information that is important to the interviewees but may not have previously been thought of as pertinent by the researchers.

The respondents of the study were chief administrators of the TAOs (CAOs) coming from nine out of fourteen Southern Provinces of Thailand. The chief administrators of the TAOs are selected because they are the budgeting officer of their TAOs. Due to their better understanding and possession of information, they are the most higher up personnel in the organizations with information at hand. The provinces involved are Surat Thani, Chumphon, Nakhon Si Thammarat, Ranong, Krabi, Phangnga, Phuket, Trang, and Phatthalung. The study excluded five provinces which are Satun, Songkla, Yala, Pattani and Narathiwat as they are considered as special areas under the supervision of the Southern Border Province Administrative Center (SBPAC). Three types of TAOs – large, medium and small size were selected to differentiate the type of problems faced by TAOs in the Southern Provinces of Thailand. Nine respondents who are the chief administrators of the TAOs representing nine provinces under small, medium and large TAOs have been interviewed. Convenience

sampling is used to identify the nine respondents who were qualified candidates that will provide the most credible information to the study.

Prior to the interview the researchers have first pilot the interview schedule on several respondents prior to the proper data collection. This allows the researchers to establish if the schedule is clear, understandable and capable of answering the research questions, and if, therefore, any changes to the interview schedule are required. Chenail (2009) suggests pre-interview exercises to improve their instrumentality and address potential biases of the interview protocol. This exercise also helps to maintain an unambiguous focus as to how the interviews will be erected in order to provide maximum benefit to the proposed research study. In pilot interview several officials who have direct engagement with the implementation of PEM were engaged.

## Result and Discussion

The data of the study were taken from the 9 Chief Administrators of the TAOs which come from 3 small sizes, 3 medium sizes and 3 large sizes. Tables 2 shows demographic data of the respondents.

**Table 2: The descriptive statistics for the respondents**

| Items                             | Percentage of samples |
|-----------------------------------|-----------------------|
| <b>Gender</b>                     |                       |
| Male                              | 66.7                  |
| Female                            | 33.3                  |
| <b>Age</b>                        |                       |
| below 30 years                    | 0.0                   |
| 30 – 39 years                     | 22.2                  |
| 40 – 49 years                     | 66.7                  |
| above 50 years                    | 11.1                  |
| <b>Highest level of education</b> |                       |
| Bachelor degree                   | 44.4                  |
| Master degree                     | 55.6                  |
| <b>Graduate degree in finance</b> |                       |
| Finance                           | 11.1                  |
| Non-finance                       | 88.9                  |
| <b>Experience in PEM</b>          |                       |
| Less than 5 years                 | 1.1                   |
| 5 – 10 years                      | 33.3                  |
| 10 years and more                 | 55.6                  |

Table 2 shows that the majority of the respondents are male, age between 40 to 50 years old, with the master degree as the highest level of education of the respondents and possess more than 10 years' experience in public expenditure management. Most of them are trained in non-finance field.

The information on problems were elicited from 9 chief administrators of the TAOs using the in-depth interview. The descriptive summary of the percentage is given in Tables 3 below as percentage of problems the TAOs in Southern Thailand faced in regard to managing PEM. Respondents coming from different size of TAOs, level of

education and length of working experience narrated problems they faced in managing PEM in different scale of difficulty. From Table 3, 2 out of 3 small CAOs admit that they have problems in AFD and AE. One CAO of large TAO reported problem in AFD. All three large TAOs have problems in AE. One TAO of small and medium size admitted having problem with OE. Interestingly, in regard to AFD and AE, both the small and medium size TAOs has admitted a similar pattern of problem where they were facing more problems AFD and AE than the large counterpart. The large TAOs reported most problems in AE followed by AE and AFD. The issue with large TAOs is the size itself means more problems and challenges to deal with more constituents and council members. AE is the only elements dealing with serving public at large and indeed constitute the paramount issue in allocation of resources to satisfy public needs.

The same trend happened when we analyze the level of education data. 4 out of 5 master degree holders and 3 out of 4 degree holders claimed that they are having a tougher time with implementing AE. We assume here that degree qualification does not warranty a person can overcome problems more easy dealing with larger public demands and complaints. In regard to length of service, CAOs with less than 5 years reported facing problems with all elements in PEM. 2 out 3 CAOs with 5 to 10 years admitted more problems in AFD and AE. 3 out of 5 CAOs of large TAOs complained problems in AFD and 4 out 5 reported problems in AE. We can conclude from these findings that AE is relatively the most problematic element facing by TAOs of all sizes. Allocating scarce resources, independent of sizes of TAOs, is a complicated and perplexing task to human where more people want to maximize their economic and personal gains with limited resources, thus it would be very difficult to achieve without a balance between policy and resources.

**Table 3: The percentage of CAOs facing problems in PEM**

| Variable                 | AFD        | AE         | OE         |
|--------------------------|------------|------------|------------|
| Size                     |            |            |            |
| - Small (3)*             | 66.67 (2)  | 66.67 (2)  | 33.33 (1)  |
| - Medium (3)             | 66.67 (2)  | 66.67 (2)  | 33.33 (1)  |
| - Large (3)              | 33.33 (1)  | 100.00 (3) | 66.67 (2)  |
| Level of education       |            |            |            |
| - Bachelor degree (4)    | 50.00 (2)  | 75.00 (3)  | 50.00 (2)  |
| - Master degree (5)      | 60.00 (3)  | 80.00 (4)  | 40.00 (2)  |
| Working experience       |            |            |            |
| - Less than 5 years (1)  | 100.00 (1) | 100.00 (1) | 100.00 (1) |
| - 5 – 10 years (3)       | 66.67 (2)  | 66.67 (2)  | 33.33 (1)  |
| - More than 10 years (5) | 60.00 (3)  | 80.00 (4)  | 40.00 (2)  |

\* Figures in percentages are number of CAO's

### Aggregate Fiscal Discipline

Concerning the AFD, political agenda, vulnerable budgeting decision and inadequate budgeting information topped the concerns of TAOs.

#### *Political agenda*

Resource allocation is a highly political agenda and in fact is the most political area of PEM. Most TAOs expressed their concerns with political agenda of their superiors who spend the budget fund for political gains where they have selected projects that were favorable to their political agenda. It is difficult to express objection to decisions due to their lower ranking status.

*“...The TAO’s Executive often spends the budget regardless of their financial impact in the long run. They spent only for their benefits, partisan benefits, and they do the project that has the result to the next election. ...The TAO’s Executive often decides to spend the budget of these factors and often inconsistent with the real problems of the community...”* (CAO of the medium size TAOs)

The administrators from the small size TAOs also agreed with the political agenda of the superior yet succumbed to the reasons of the acts. During the election year, the TAOs executives do spend the budget close to the election months to gain fortune.

One had this to say:

*“...The TAO’s Executive will try to do everything to return to their parties in the next election. So, they often set the priorities to spend money on projects that are beneficial for their next election.”* (CAO of the small size TAOs).

*“...During the election time, the yearly budget will be spent at the near time of the election month. The reason is because the TAO’s Executives would like to show their performance to the people in that area. They would like to make the people remember them until the new election. The budget in that year it seems that will be used only on that...”* (CAO of the large size TAOs)

The study found out that political agenda has been played for personal and to some degree it caused disrespect for AFD and all small, medium and large TAOs reported facing the issue.

### ***Altering the Budget***

Altering the budget is quite rampantly been practiced and many TAOs often decided to alter their budgets in response to economic, social and political conditions and were approved based on the discretion of the chief executive and chief administrators. However, eight of TAO’s executive uses natural disaster crisis occurred in their area as a reason for altering the budget but in reality, it was for politically reasons and not for the benefits of the larger public. Some admitted that the approved budget was frequently altered since the executives rely heavily on patronage in managing public resources. Spending decisions still depend on interest groups such as politicians, political parties, and the people who support them. TAOs’ executives as compared to their superior have more difficulty to contain expenditure according to what was approved. Another political reason for altering the budget estimates during the fiscal year could be ascribed on the change in the TAO’s Executive team. This problem takes place after the election with new TAO’s Executive teams. These problems persist in all three types of TAOs of the Southern Thailand.

Interviewees also cited why they are reluctant to object this power handling since their superior officers are in command of promoting reward, job promotion, incentive and/or even penalizing them.

### ***Unreliable budgeting data***

In all TAOs, budgeting data are an issue. First, most TAOs do not refer to budgeting data for planning purposes rather they rely heavily on patronage to execute and implement public expenditure management. Second, budgeting data are doctored such as inflating the budget statistics hoping there are savings incurred and it could be used for extra spending for the following fiscal year. The idea of overestimating is caused by lack of exercise to collect accurate budgeting data. Third, lack of doing budget forecast for the following fiscal year contributes to insufficient generation of essential data and information pertaining for the incoming budget preparation. Having these anomalies, accurate budgeting information was inaccurate and unexploited. Inaccurate budgeting information, cannot discern the available budgeting data and worst, misunderstanding the budgeting information are among problems raised in this regard.

### **Allocative Efficiency**

Disbursing allocation is not an easy and straight forward task. The study found that in regard to AE, three main themes of problems are distorted priorities in the allocation, unfair allocation and inadequate funding.

### ***Unfair allocation***

In the past ten years, the LAOs in Thailand are growing economically but with a wide demarcation in terms of development rate between the rural and urban areas. At the village level, the allocation of resources follows the quota system where every village receives equal budget amount disregard to real needs and geographical area. However, TAOs in the municipality area receive more budgets from the central government to cater for the government, business and tourism needs. Fairness in resource allocation is important to ensure equity is in the right place. Adding to the problems regarding unfair allocation is a close-knit relationship between TAOs executive and national politicians. Take for instance; if the executive is a crony with the national politicians, then he can get a big budget to be used in their area. Especially if the representative in that area belong to the same political party, it's even more likely.

### ***Distortion on budget priorities***

The TAO's councils prefer to channel their interest on infrastructure development project rather than other public services such as education and health. This is due to those projects involve with procurement and investment.

*“...Projects that the TAO's Executive approved to do usually a project involving the development of infrastructure such as roads, bridges, and constructions. The point is every construction project has a contractor.*”

*Maybe because of these projects are easy to corrupt to earn for their own interests and partisan. These projects also can give the tangible results which lead to a good campaign for the next election. Often these projects are contained in the first priority in the local development plans, before the real impetuous problems of the people such as solving drug problems, working development, promoting education, and promoting public health in the community...” (CAO of the medium size TAOs)*

Distortion in budget priorities and unfair allocation are largely human-made errors which persist as long as competition and personal interest exist. However, these issues could be resolved by promoting transparency and accountability among officials. The problems are predominant in the small and medium size TAOs.

### **Operational efficiency**

How productive is the utilization of available resources by TAOs in carrying out their budget and program priorities are also examined in the study. The informants of the study, in regard to the operational efficiency aspect of the study were concerned with three main themes which are work experience in budgeting, rules and regulations and public participations in the budgeting.

#### ***Lack of experience***

The knowledge and experience of the chief executives play an important role in managing financial affairs of an institution. Although most of them have degree qualification, experience and knowledge to run one TAO do not come straightforwardly. Sufficient knowledge on budgeting bring effectiveness and efficiency to the operation of the TAOs. According to some of the interviewees, they said that:

*“...Local politicians, referring to the Executives and the Council’s members of the TAOs, have real influence in expenditure at the TAOs. This year we received many new politicians especially in the TAO’s Executive team; they have very little experience in managing public expenditure. It is the first time for them, so it is very hard to prepare and manage the budget this year. Sometimes they don’t understand what they can do or cannot...” (CAO of the small size TAOs)*

Lack of in-depth information about budget and budgeting process is equally bringing ineffective monitoring at the TAOs. This, in turn, reduces the delivery of services by TAOs. The findings demonstrate that acute knowledge of the budget and budgeting process is a threat to effective operational efficiency in the TAOs. Delivery of public projects and programs are in the hand of the TAOs officers whom their skills, knowledge and experience apparently contribute to the quality of work.

#### ***Rules and regulations***

The relationship between the central government and the local government is always in authoritative mode demanding on rules and regulations to be observed straightly. Liberty is not in full term awarded to the local government despite the 1999



Decentralization Act commanding greater autonomy of the local government. Although, the finance officers of the TAOs are charged with the responsibility of managing public expenditure, the central government takes control of the rules and regulations that govern the public expenditure in the TAOs. In some instances, the rigid and complex rules adding to the difficulties for the TAO's officers to understand the central bureaucracy norms. This eventually contributes to the weaknesses of PEM implementation.

Problems about rigid rule and regulations lead to operational inefficiency at the TAOs. According to the findings of this study, the problems of rigidity and bureaucracy affect all the TAOs. The central government's stand on corruption cases is also perplexing. Although the central government realized the existence of corruption, it seemed that the central government finds it difficult to control the TAOs due to the large numbers of TAOs in Thailand. Currently, it is difficult for the central government office to control and perform audit activities for the TAOs. At times, the problem of public participation in the budget and budgeting process often leads to waste in government expenditure. Therefore, it is important for the TAOs to practice public expenditure management.

### ***Public Participation***

Public participation has been promulgated profoundly in Thailand budgeting process. It involves a practice of consulting and involving members of the public in the agenda setting, decision-making and policy formulation in arriving at issues that affect their lives. Unfortunately, there is insufficient participation reported in the budgeting process and very few officers of the TAOs follow the guidelines on public participation provided. On the other hand the local residents are not aware that they have the right to participate as stated by the law, do not fully understand their rights and duties. With small participations of the people, the TAOs are seen to be corrupted in the administration of the local government in Thailand. An interviewee said that:

*“... The participation of citizens in the preparation of local development plans are defined in the law. But in reality, I think there is no truly public participation not in the real sense. Most of the participation comes only from the needs of the community leaders which are reflecting the most people in the local area. Community forum which held in the village and district levels often looks like to call for certain interests to the group ....”* (CAO of the small size TAOs)

Greater involvements of citizens are required where their voices are heard and considered. The presence of the community leader in the TAO's council meeting is not sufficient but more representatives of the citizens must be promoted. Less participations in the budgeting process brings about inefficiency in the budget budgeting process. The findings of the study reveal that the insufficient participations are peculiar to the small and medium size of the TAOs.

Although the central government realizes the existence of corruption, it seems that the government finds it difficult to control the TAOs due to the large numbers of TAOs. Currently, it becomes more difficult for the central government office to control and perform audit activities on the TAOs. At times, the problem of the public participation in the budget and budgeting process often leads to a waste of the government expenditure.

## Conclusions and Implications

A decade after under national microscope implementation of PEM, many TAOs have successfully embraced basic requirements of the PEM into their work practices, demonstrated by the support of the regional institution to make nuts and bolts of PEM a workable approach to the management of public resource until today. This study examines problems faced by TAOs in the implementing PEM with respect to three elements of PEM.

The study found out that problems associated with fiscal indiscipline are political agenda, vulnerable budget decisions and insufficient. Politics in budgeting are inevitable but this intricacy must be handled well and balanced to the advantage of majority not selected people and villages. In the same vein, the TAOs need to adhere to the principles of strategic priorities (Suwanmala et al., 2005). So, the TAOs should execute projects that are suitable to the needs of the people at large and not on 'pork barrel' or patronage system basis (Banthao, Sonsri and Klangsuwan, 2016). The TAOs should ensure that their staff has the skill and experience on the management of public expenditure. So, budget rules and regulations of the TAOs should be adjusted to provide flexibility for improved performance (Office of Decentralization to Local Government Organization Committee, 2010).

The problems in allocative efficiency aspect of PEM were centred to the issue of distorted priorities in the allocation, unfair allocation and inadequate budgeting information. There are many perplexing issues related to allocative efficiency of resources. In promoting strategic priorities, statutory allocation by the central government should be based on the principle of equality. That is, the central government should allocate the budget without conditions on the TAOs. And, public participation should be promoted in order to ensure value for money in the TAOs. In order to encourage effective operation of the budget and management of public expenditure, there should high rate of public participation, especially on the issue of budget preparation and implementation.

The problems associated with the operational efficiency were lack of experience in budgeting, rigid rule and regulations and lack of public participations in the budgeting process. The TAOs need to be launch on an effective calling for budget information compilation and must be used effectively in budget preparation. Budget information should be made available, reliable and accurate in order to ensure aggregate fiscal discipline. Also, budget information can be made as a reference point for the auditors from the central government.

The study supports for a systematic monitoring mechanism of PEM implementation in the local government (Puangngam, 2015). The mechanism must be formally set-up with involvement of the central and local government representatives, meet and circulate information necessary to improve the execution of PEM. In addition, the central government should set criterion standards in managing public expenditure and to reward the high performing TAOs. The central government should set clear guidelines in terms of budget and schedule for transfer of grants to the local government. Finally, citizens in each local government should be encouraged to participate in managing public expenditure as much as they are wanted in innovation process (Kacharnun and Arkasang, 2016) of the local government. Public participation are

needed from the beginning to the end of the budget and budgeting process. The success of the Decentralization Plan and the SBPP are very much dependent on how well is the execution of PEM among TAOs. An open and transparent venue and opportunity for the problems to be addressed and solved must be provided. Every steps of the budgeting process should be followed and checked to detect for defect in the earlier stage. Therefore, with all processes and mechanisms in the management of public expenditure are in placed the success of PEM are warranted.

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# Casual Factor Study Influenced to Organizational Commitment of Generation of Y Personnel Working in Energy Business and Public Utility in Thailand

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## Abstract

This research aimed to study the casual factor influenced to organizational commitment of Generation of Y Personnel working in Energy Business and Public Utility in Thailand as well as examining the direct, indirect and overall impacts of organizational commitment model. Samples were 300 generation Y personnel working in Energy Business and Public Utility in Thailand. Data were collected with questionnaires and subjected to Confirmatory Factor analysis and compiled results with Statistical Program SPSS, having the statistical significance 0.05. Statistical methods involved Frequency, Percentage, Mean, Standard Deviation, including Goodness of fit test with the empirical evidence.

The findings suggest that organizational commitment of Generation of Y Personnel working in Energy Business and Public Utility in Thailand had been impacted by outcomes of non-parametric statistic, having Chi-Square equals to 8.77 at the Degrees of Freedom 11, and the probability near 1 ( $p = 0.64291$ ). Chi-Square showed no statistical significance, whereas GFI and AGFI equal to 1.00 and .96, respectively, indicating the acceptance of main hypothesis in which the research model had passed Goodness of fit test with the empirical evidence and Total Effect on commitment to organization comprised of LEAD, with the effect of .63, and leading job satisfaction (JSAT), OCLI effect equal to .38 and .37, respectively. With regards to Direct Effect, the findings suggest that job satisfaction (JSAT) had the direct effect on commitment to organization (CORG) with the effect of .38, followed by Executive Leadership (LEAD) and the effect of Organization Climate (OCLI) equal to .32 and .31, respectively. The findings also suggest the casual factor explanation on the variation of commitment to organization as much as 84.00 percent ( $R^2 = 0.84$ ) and the structural equation  $CORG = 0.38(JSAT) + 0.31(OCLI) + 0.32(LEAD)$ .

**Keyword:** Organizational Commitment, Generation of Y, Energy Business and Public Utility in Thailand

## Introduction

One of the key factors to organization success for embracing the effective and efficient management as well as coping with operation volatility that will allow the organization to thrive is the commitment to organization. Employees' organization commitment is extremely crucial for the manager, leading to more understanding on



employees' attitude than job satisfaction. Organization commitment is the key to bind employee to work and organization, more steady than job satisfaction. Organization commitment that developed gradually at steady pace becoming the inner force driven employees to devote themselves to personal and organization goals. When the employees felt uncomfortable, unhappy or dissatisfied with work, they would not commit to organization and eventually submit the resignation, leading to dispute, slow down, and inconsistency. The organization high turn-over tends to tarnish the organization image and threaten the employee's confidence and others' job security. The employees most resigned were Y Generation or Gen-Y borne in 1980 to 1994, 22-36 years old, assertive individual with own identity, disregard criticism, extremely self-reliance, preferred shortcut and easy work, quick to learn and possess high technological skill. This group likes to be inform on their contributions to organization, prefers working as a team and demand high pay. Nonetheless, this group has less organization commitment (Academic Resource Centre, Kasetsart University, acquired data [www.km-oas.scs.ku.ac.th](http://www.km-oas.scs.ku.ac.th) on February 13, 2016). According to Hay Group survey, employee's turnover rate in 2015 of the Energy and Utilities sector, the employee's turnover was as high as 18.9%. Engineers aged between 22-36 years and part of Y Generation had the highest turnover (searched from [www.haygroup.com](http://www.haygroup.com) on the 13 of February, 2016).

Nonetheless, organization employees are valuable resources that the organization should maintain and enhance the values consistently in order to develop employees' capacity matching the the need of the organization. If the organization has lost the knowledgeable and capable employee for whatever reasons, it is then the lost of organization valuable resources. Meantime, the organization must invest in many areas to prepare for recruitment, training the replacement in which the organization ended up wasting valuable time and benefits (Karoka Polpanich, 1997) from the time spent to better the administrative system so that the operation could continue to reach the organization goals. Energy Business and Public Utility both industries are essential for man today life existence due to the add-value of natural resources.

However, the energy and utility industry had evolved and developed with advanced technology until becoming part of commercial energy in the country, for example, petroleum, coal and natural gas, including the electrical energy which are the fundamental structure contributed to the country economic development as well as generating tremendous income and highly profitable with enormous growth rate. Then, the companies within both groups should encourage employee for more effective and efficient performances by forming sub-conscious and motivate every employee to apply knowledge and capabilities, give full devotion to the operation in order to raise performance level more effective and efficient, including forming organization commitment. The researcher is interested to find out if the invented model could reduce turn-over rate and develop into the guidelines for encouraging employees to gain more organization commitment.

## Research Objective

1. To study casual factor influenced to organizational commitment of generation of Y personnel working in Energy business and Public Utility in Thailand

2. To explore casual factor direct, indirect and overall influenced to organizational commitment of generation of Y personnel working in Energy business and Public Utility in Thailand

### **Research Hypothesis**

1. Organization atmosphere has direct influenced to job satisfaction.
2. Manager leadership has direct influenced to job satisfaction
3. Job satisfaction has direct influenced to organizational commitment of generation of Y personnel working in Energy business and Public Utility in Thailand.
4. Organization atmosphere and leadership has direct and indirect influenced to organizational commitment of generation of Y personnel working in Energy business and Public Utility in Thailand.

### **Concepts and Theories relevant to Manager Leadership**

Subsequent researches had been developed to display leader traits correlated with the individual behavior and efficiency from the belief that the leader behavior has the direct impact on the group efficiency. The concepts of Manager Leadership derived from the fundamental ideas that individual is being selected as a leader from his personality that separated him from other leader or his followers. Gordon et., al (1990) classified leadership attributes of executive in 5 areas in which these areas separated the leader from the follower by :1) Cognitive Ability 2) Authority 3) Self-confidence 4) Enthusiasm 5) Knowledge about work condition. Nonetheless, he is unable to find the attributes that guarantee the success of leadership since none of the studies revealed long-term results of these attributes (Yukl, 2002). Subsequent researches have led to the search of leader's attributes in correlation with individual's behaviour and efficiency. Since the studies failed to identify modern attributes of leader, the study of leader based on behavioural science with the belief that the leader of behaviour has produced the direct impact on the group effectiveness.

The conclusions from Hawthorne study has led to the belief that there is leadership model existed. The findings from the Ohio State Studies and the University of Michigan studies focus the study of leadership behaviour in 2 dimensions, man relations and task related. These are the two best models, but the Relationship Oriented Behaviour produced higher correlation and satisfaction than Task-Oriented Behaviour, whereas the study on situational leadership believes that the behaviour of efficient leader adapting with the situation from one to another in which being the good leader depended on each situation (Bateman & Teithaml, 1990). For this study, Fiedler's Contingency Leadership Theory is deployed in which Fiedler proposed that the leadership's efficiency depended on the following three fundamental principles,

- 1) Leader identified by his motivation system with the application of Least Preferred Co-worker Seale by divided the leader into the task orientation or concern for people.
- 2) Situation identified by the group atmosphere or relationships between the leader and the follower, work structure and the leader authoritative power.
- 3) Group efficiency that depended on the leader situation and controlling situation considered as the measure to consider the success of group performances.

The Fiedler's situational model could be implemented in the recruitment and training leader to match the organization's need. Bass (1990) proposed the new leadership theory that is Transformational leadership. Presently, the opinion on the correlations between the leader and the transformational leadership in the past. The management that focused on the control has become the delegation, and competition turned into cooperation. The focus on material rewards changed to maintain good relationships pointed to the truth that all things on earth constantly changing through times in which Daft (2003) divided leaders into 4 types as follows: 1) Authoritarian Management in which the leader ordered and control the follower closely, making the follower felt indifference passive and never expected to gain anything for himself, but rather follow the order to work on the assigned task. 2) Participative Management is the type of leader who tried to persuade the follower to take part in decisions-making so the follower would be so eager to work harder. 3) Stewardship is the change his own opinion, from being the one to control due to the given responsibilities and authority to become more follower. 4) Servant Leadership is the leader originated after Stewardship. This type of leader would stop controlling to serve. Meantime, Gary Yukl (2002) proposed the element of executive leadership that focused on the effectiveness of organization leader comprised of: 1) Task oriented 2) Relationship oriented and 3) Transformation oriented

Therefore, it is reasonable to conclude that the executive effectiveness the product of interaction between the work process and leadership in all aspects of society facing transformation and people seeking to combine work with personal and spiritual growth. It is the best search for the fundamental element of leadership to match the nature of work and followers in which the research had engaged the concept of executive leader of Gary Yukl (2009) in this research.

### **Concepts and Relevant Theories on Organization Atmosphere**

Organization atmosphere is the key variable in the study of human organization which is also connected visible organization characteristics such as structures of rules, leadership model and moral with behavior of practitioner. Organization atmosphere is one perception toward own performance that could be obviously seen, which could influence the attempt to identify behavior of the employee. Brown & Moberg (1980) suggest that organization atmosphere plays certain role in designing the expectation model of the organization's member toward various organization elements which would help enhancing good attitude toward the organization and feel content to remain working for the organization. Therefore, if there is the need to change or develop the organization, the first and foremost item that the organization developer must consider is the organization atmosphere because it has been accumulated from the origin of culture and organization strategies in the past. Brown & Moberg (1980) concept is coincided with the work of Helleigal & Slocum (2001) who mentioned that every executive should focus on the organization atmosphere because it could help the management planning the organization changes better. Besides, this is the presentation or matching the employee's satisfaction working in such atmosphere leading to high degree of effectiveness in the organization, whereas the organization atmosphere related to the perception or awareness of the work surrounding or the organization atmosphere which consisted of the mixture between the norms, values and expectation, including

policies and work guidelines influencing individual behavior in the organization and seeking the enabling factor for the teamwork, according to Stringer (2002), who adopted the concept from Litwin of Stringer (1986), including the following six elements: 1) Structure is defined as individual perceiving good division structure as well as clearly explaining roles and responsibilities employee so each and every employee felt that the organization has specified employee's duties and authorities. The feeling of having good organization structure helps motivate employee to work. 2) Standard are individual perceived of agency encouraging the employee's performance in order to raise the degree of pride toward the high standard, leading to individual constantly improving his own work. On the contrary, low standard indicates low level of expectation to improve work. 3) Responsibility is when the individual perceived that he has earned other's trusts and been given the authority to perform the assignment without the supervisor to constantly inspect the work as well as perceiving the outcome from his assignment. 4) Recognition is individual awareness on the organization rewarding the employees when they performed well. Employees' acceptance in the rewarding system is focused on the reward, praise or punishment. Therefore, low acceptance refers to the employees may perform well but the reward may not be distributed regularly. 5) Support is individual awareness on the members' trust and moral support, so high level of support is when the individual learned that he is a part of effective team that willingly assisting team members as well as receiving help from the supervisor. For the low level of support, the individual would feel isolate, lonely and not receive any assistance from teamwork or his superior and 6) Commitment is defined as individual feeling proud as being a part of the organization. With high individual commitment in the organization's goal, individual would hold firm to his commitment to achieve the organization's goal. On the contrary, if the organization commitment is low, the individual could careless on the organization well-beings and its objectives. The literature review mentioned earlier made the researcher interested in further the study on "Casual Factor Study Influenced to Organizational Commitment of Generation of Y Personnel Working in Energy Business and Public Utility in Thailand" by incorporating the concepts and theories of Stringer (2002), which comprised of six sub-elements, namely, organization structure standards, responsibility, recognition, support and commitment in developing the research conceptual framework.

### **Concepts and Theories Relevant to Job Satisfaction**

The findings from literature review suggest that Weitesse & Pud(2005) proposed to elements of job satisfaction as follows: 1) Meaningfulness is when a person was assigned to work on the valuable and significant work, he would feel as if he had accomplished his work. 2) Challenge and Variety is when a person has been working up to his full potential, he would have the opportunity to learn something new, develop skills and capabilities consistently and feel enthusiasm toward work. 3) Autonomy is when a person feels free to work and make own decision, participate and modify work plan. 4) Friendship and Recognition: It involves good work relations between workers as well as gaining recognition and praise from the supervisor and co-worker. 5) Good Pay: Comparing earnings received with expected earnings or earnings that others

received in the same line of work. 6) Security is to focus on the stability that depended on the social economic system during that time.

Luthans (2005) suggested 5 element of job satisfaction: 1) Work itself consisted of responsibility, job easy or difficulty, applying knowledge interesting job, values, challenge, take pride in own work, opportunity to learn and making decision on jobs. 2) Pay which refers to remuneration in term of money or other benefits by making comparison between the remuneration and effort to work or comparing with others to see if it is appropriate and fair. 3) Promotion Opportunity is a person opportunity to advance in his career based on his ability and fairness. 4) Supervisor is the able individual who could assist the subordinates and command them appropriately. 5) Co-worker who is gladly work as a team and totally gained acceptance from his peer, developed job skills, including gaining peer assistance and advice.

Furthermore, Baron of Greenberg (2000) mentioned 3 sub-elements of job satisfaction: 1) Organization policy is focused on the formulation of remuneration system, promotion, including allowing the personnel to participate in decision-making, distribution of responsibilities and commanding subordinates fairly. 2) Work itself refer to amount and varieties of works, opportunities to interact with others challenges, job values, and the surrounding work environment, namely, work space amount of lighting, ventilation, temperatures, noise and social conditions. 3) Individual attributes consisted of self-respect, the confidence in own abilities, work endurance, status and seniority. The aforementioned review gave rise to the study entitled, “Casual Factor Study Influenced to Organizational Commitment of Generation of Y Personnel Working in Energy Business and Public Utility in Thailand” by incorporating job satisfaction concept of Baron & Greenberg (2000), organization policy, work itself and individual attribute.

### **Concepts and Theories Relevant to Organization Commitment**

The findings from literature review suggest that Stress (1977) naming three elements in the organization commitment, accepting organization, employing competency for organization and the need to become the organization member. Once the individual committed to the organization, the benefit is obviously to the organization such as Stress (1977) explained that organization atmosphere could lead to employee absenteeism. The findings indicate that if the organization member strongly committed to the organization, the absenteeism was low. Meyer and Allen (1997) gave three elements of the employee's commitment, namely, consistency of organization commitment, perception on organization commit to social norms in which all three elements caused different commitments as follows: 1) Factors contributing to consistency of organization commitment consisted of age performance duration, occupation satisfaction and intention to resign. 2) Factors contributing to perception on organization commitment are freedom at work, work specification work priority and challenge. 3) Social norms factors are relationships with Superior and co-workers, dependency on organization and participation in organization administrative affairs. In addition, Burke (2003) of Human Resources Development Consultant Company conducted the research on Employer commitment to the organization named six factors contributing to the employee's commitment by introducing Employer Engagement Model. These factors are: 1) Company pays good remuneration and benefits. 2)

Manager must manage subordinates fairly. 3) Work group must assist each other in work. 4) The job must be challenge with good evaluation system. 5) Career Advancement where the organization allows the employee to participate in further his career 6) Customers are crucial element where the organization must be able to meet true customer demand. Allen & Meyer mentioned the organization commitment relating to: 1) Identification which is the display of individual reaction resulting from organization target and values. 2) Organization involvement through performing the assigned duties to the fullest of one's ability. 3) Loyalty is the love and commitment on the organization.

From the aforementioned reasons, the researcher is interested in studying the research entitled, "Casual Factor Study Influenced to Organizational Commitment of Generation of Y Personnel Working in Energy Business and Public Utility in Thailand" by incorporating Steers' (1977) Concepts of Organization Commitment, namely, accepting organization, employing competency for organization and the need to become the organization members in this research.

### **Research Theoretical Framework**

The research study on casual factor influenced to organizational commitment of generation of Y personnel working in energy business and public utility in Thailand involved the study of documents and researches relevant four variables, namely, manager leadership, organization atmosphere, job satisfaction and organization commitment. Each element had the following components:

1. Manager leadership from the concept of Yukl (2002) comprised of three sub-elements, namely, task-oriented leadership, relationship-oriented leadership and transformational leadership.

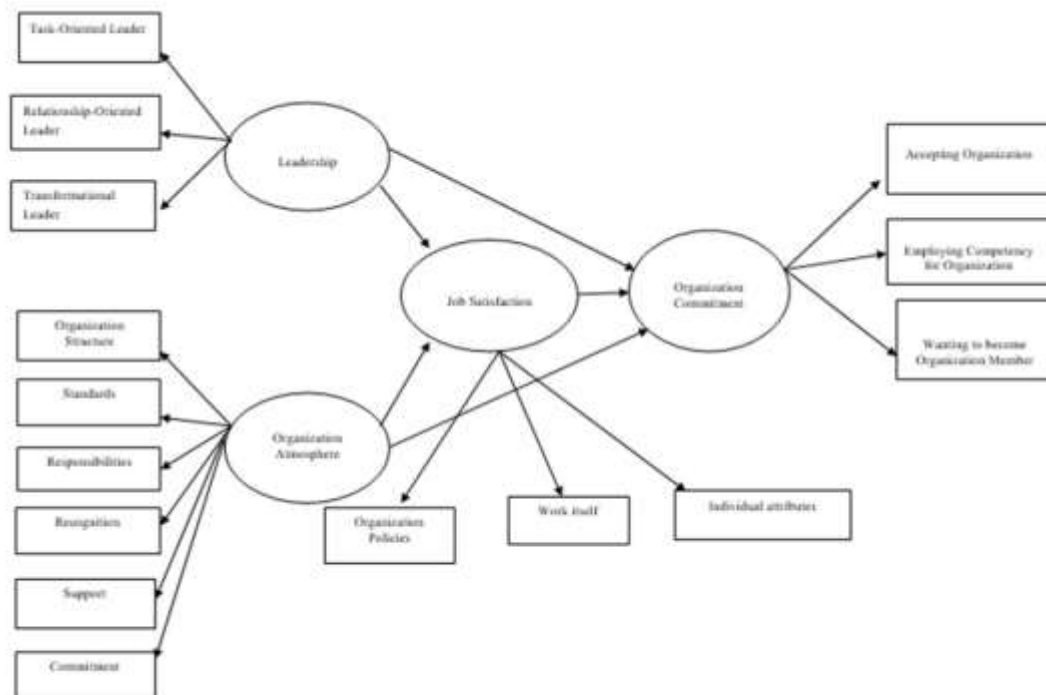
2. Organization atmosphere derived from the conceptual theory of Stringer (2002) comprised of six elements, namely, Structure, Standards, Responsibility, Recognition, Support and Commitment.

3. Job satisfaction derived from the concepts of Baron & Greenberg (2000) comprised of Organization policies, Work itself and Individual attributes.

4. Organization commitment based on the concept of Steers (1977) comprised of 3 sub-components, namely, accepting organization, employing competency for organization and wanted to become the organization member.

**The researcher developed the following conceptual framework:**





## Research Methodology

This research was carried out as follows:

### Population

Population in this research comprised of Generation of Y Personnel Working in 37 companies of Energy Business and Public Utility that registered with Thailand Stock Exchange for the total 32,021 persons (The Stock Exchange of Thailand, 2015). Due to high turn-over in Generation Y Personnel as high as 18.9 percent, the researcher decided to study this particular group (Search data from [www.haygroup.com](http://www.haygroup.com) on February 13<sup>th</sup>, 2015).

### Research Samples

Samples are selected only Generation Y Personnel Working in Energy Business and Public Utility in Thailand. The researcher applied the computerized program LISREL to seek appropriate sample size for data analysis, including Structural Equation Modeling (SEM), the Rule of Thumb, based on the recommendation of Hair et al. (Hair ; et al. 1998), which is widely used by the statistical analyst on Multivariate Analysis Variance sample size of 20 times observable variables, and 15 variables were deployed. As a result, 300 samples were selected.

### Research Instruments

This research applied the Quantitative Research Methodology with the distribution of questionnaires to 300 samples.

**Data Analysis Statistical Application**

Statistical analysis employed the Confirmatory Factor Analysis to validate the fit of Casual Factors Study Influenced to Organizational Commitment of Generation of Y Personnel Working in Energy Business and Public Utility in Thailand as well as identify the weight of sub-variables used in formulating the variables and empirical evidence derived from the distributed questionnaires and analyzed with the computerized program and LISREL to find the weight of sub-variables in formulating variables and again validated the fitness of research model with the empirical evidence. If the results in the initial analysis deviated from the set criteria, the model was adjusted to meet the set criteria.

**Data Analysis**

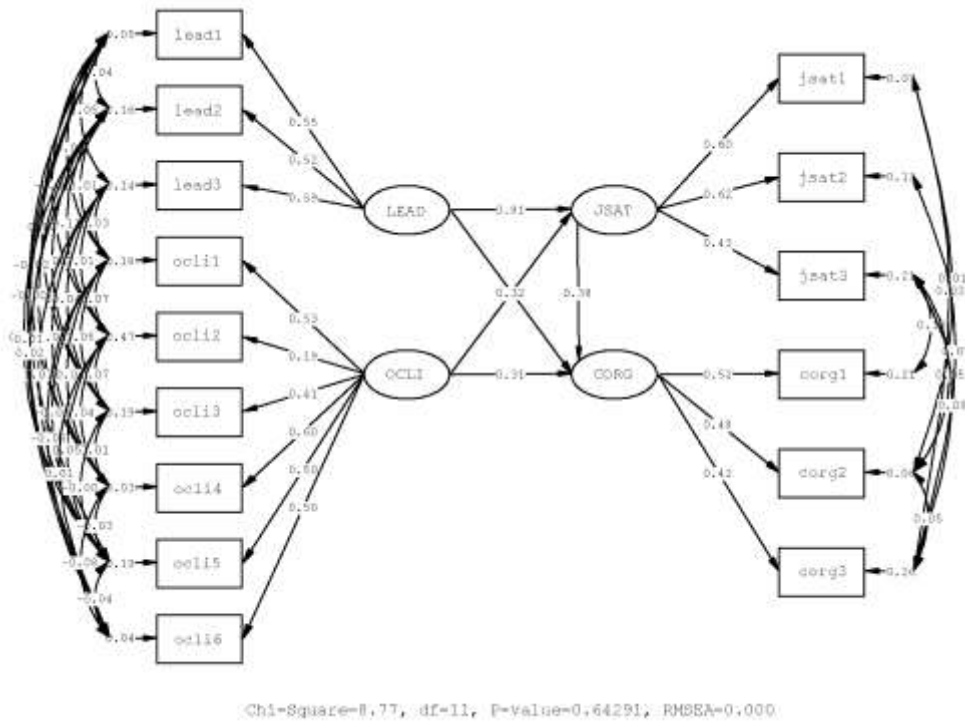
The research conceptual framework was analyzed and expressed as the model in Confirmatory Factor Analysis and Structural Equation Analysis as follows:

**Analysis of Confirmatory Factor Analysis**

The data analysis applied Observe Variables to validate the model and analyzed raw data from total 300 samples. The findings suggest the model that fits with the empirical evidence is similar to figure 2 and table 1 based on the criteria of Hair et al.(2006) and Diamantopoulos and Siguaw (2000).

**Table 1: Adjusted Model of Confirmatory Factor ( N = 300 persons)**

| Factor   | Criteria        | Statistical Model                      | Results |
|----------|-----------------|--|---------|
| $\chi^2$ | Not Significant | $\chi^2=8.77$ p-value=0.64291<br>df=11 | Passed  |
| GFI      | $\geq 0.90$     | 1.00                                   | Passed  |
| AGFI     | $\geq 0.90$     | 0.96                                   | Passed  |
| NFI      | $\geq 0.90$     | 1.00                                   | Passed  |
| IFI      | $\geq 0.90$     | 1.00                                   | Passed  |
| SRMR     | $< 0.05$        | 0.0053                                 | Passed  |
| RMSEA    | $< 0.07$        | 0.000                                  | Passed  |



**Figure 2** Validation results on the model fitness of Casual Factors Model Influenced to Organizational Commitment of Generation of Y Personnel Working in Energy Business and Public Utility in Thailand (N=300 )

**Table 2** Direct, Indirect and Total Path Analysis of Casual Factors Study Influenced to Organizational Commitment of Generation of Y Personnel Working in Energy Business and Public Utility in Thailand

| Results Variables | CORG |     |     | LEAD |    |     | OCLI |    |     | JSAT |    |    |
|-------------------|------|-----|-----|------|----|-----|------|----|-----|------|----|----|
|                   | TE   | IE  | DE  | TE   | IE | DE  | TE   | IE | DE  | TE   | IE | DE |
| LEAD              | .63  | .31 | .32 | -    | -  | -   | -    | -  | -   | -    | -  | -  |
| OCLI              | .37  | .06 | .31 | -    | -  | -   | -    | -  | -   | -    | -  | -  |
| JSAT              | .38  | -   | .38 | .81  | -  | .81 | .18  | -  | .18 | -    | -  | -  |

Chi-Square = 8.77, df=11 , p = 0.64291, GFI = 1.00 , AGFI = .96, RMSEA = .000 ; TE = IE+DE

Figure 2 and Table 2 display the statistical values of  $\chi^2 = 8.77$ ,  $df = 11$ ,  $p$ -value = 0.64291, RMSEA = 0.000, as much as GFI= 1.00, AGF I= 0.96. To sum up, the greatest Total Effect (TE) factors on Organization Commitment (CORG) is the manager leadership ( LEAD) yielded .63, followed by Job Satisfaction ( JSAT) and the Organization Atmosphere (OCLI) yielded .38 and .37, respectively. When considering the Direct Effect ( DE ), the Job Satisfaction (JSAT) has the greatest DE on the Organization Commitment (CORG) yielded .38, followed by the manager leadership (LEAD) and the organization atmosphere (OCLI) yielded DE .32 and .3, respectively. The findings from DE between factors in Table 2 and Figure 2 suggest that the casual

factor could explain the variation of organization commitment 84.00 ( $R^2 = 0.84$ ) percent and the structure equation as follows:  $CORG = 0.38(JSAT) + 0.31(OCLI) + 0.32(LEAD)$

### Research Discussion

**Research Objective 1:** to study casual factor influenced to organization commitment of generation of Y Personnel Working in Energy Business and Public Utility in Thailand.

The objective in this analysis is to validate the consistency of Casual factor model influenced to organizational Commitment of Y Personnel Working in Energy Business and Public Utility in Thailand, including the empirical evidence, which considered as the key objective of this research, including eighty-seven new indicator derived from the constructed element scales and four main elements, namely, leadership of manager, organization atmosphere, job satisfaction, and organization commitment to engage in the same analysis, resulting in the display of Lisrel Model regarding Secondary Confirmatory Factor Analysis of Causal Factor Study Influenced to Organizational of Y Personnel Working in Energy Business and Public Utility in Thailand. The findings from Secondary Confirmatory Factor Analysis on such topic suggest the Chi-Square yielded 8.77 of Degrees of Freedom at 11, having the probability near 1 ( $P=0.64291$ ) that is, Chi-Square has no statistically significance, whereas: the Goodness of Fit Index (OFI) including the Adjusted Goodness of Fit Index (AGFI) equalled 1.00 and: 96, respectively, which indicated the main hypothesis that the Research model is goodness of Fit with the empirical evidence.

**Research Objective 2:** to study the direct, indirect and total influence of Organization Commitment model of Y Personnel Working in Energy Business and Public Utility in Thailand.

Total effect (TE) on Organization Commitment (CORG) is the Manager's leadership (LEAD) that yielded 63, followed by Job satisfaction (JSAT) and Organization Atmosphere (OCLI) that yielded .38 and .37, respectively. With regards to the direct effect (DE), Job satisfaction (JSAT) yielded the highest degree of direct effect related to Commitment to organization (CORG) yielded .38, followed by Manager's leadership (LEAD) and Organization Atmosphere (OCLI) yielded .32 and .31, respectively. With the regards to the influence between factors, the casual factor confirmed the variation of organization commitment 84.00 ( $R^2 = 0.84$ ) and structure equation  $CORG = 0.38(JSAT) + 0.31(OCLI) + 0.32(LEAD)$ .

Hypothesis findings: The conclusions on hypothesis suggest that manager leadership, organization atmosphere and job satisfaction have positive correlations directly on organization commitment of generation of Y Personnel Working in Energy Business and Public Utility in Thailand.

### Results Discussion

The research findings on the study of casual factor influenced to organization commitment of generation of Y Personnel Working in Energy Business and Public Utility in Thailand gave rise to the discussion on the following elements:

## Manager's Leadership

The findings from the confirmatory factor analysis on Leadership and Model of Manager's leadership indicate that each sub-component on leadership model comprised of Task oriental, Relationship-Transformational Leadership are congruence with the empirical evidence. The finding is coincided with the study of Sirichai Maprasert (2009) on the manager leadership and satisfaction from employee's performance. The findings suggest that: 1. Task-oriental and relationship-oriented senior managers were at high degree. 2) Overall and each item of employee satisfaction are at high level 3) The satisfaction of employees' performances explained as follows: 3.1 Overall satisfaction classified by gender, age, educational level, monthly average incomes, and experiences are different, having the statistical significance  $p < .05$  3.2. As for overall satisfaction in the employees' performances, the findings suggest that male workers are more satisfied in work performances than female workers. Meantime, the workers younger than 25 years are more satisfied than those 25-35 years old, 36-45 years old and over 45 years old. In addition, the employees graduated with Bachelors' Degree or higher are more satisfied than those completed Upper Secondary School/ Higher Certificate and Primary School. Moreover, the employees with average monthly income over 25,000 baht are more satisfied in job performance than those with income earnings under 7,500 Baht, 7,501-10,000 Baht, 10,001-15,000 Baht and 15,001-25,000 Baht. Moreover, the employees whose work experiences less than 3 years are more satisfied in work performances than those with work experiences over 8 years, 6-8 years and 3-5 years, respectively 4. The correlations between the task-oriented middle manager and relations-oriented middle manager and the satisfaction in the employees' satisfaction. Overall and each item findings reveal the correlations with the statistical significance  $p < .05$ , having the task-oriented leadership correlated to satisfaction in employees' performances at high level, both task-oriented leadership and relations-oriented leadership are correlated with the satisfaction on employees' job performances, which coincided with the research of Utchaya Kosalung (2011) (on the relationships between transformational leadership of School Administrators and the teaching performances of School teachers under Nakorn Panom Municipality). The findings suggest that 1) Overall and each item, the School administrators had transformational leadership at high level. 2) Overall, the opinions between the School administrators and teachers on the transformational leadership and the satisfaction on teachers' performances are different without the statistical significance. 3) Judging on work experiences, overall leadership revealed different without statistical significance as well as the overall satisfaction differences in the teacher performance differently, having no statistically significance .05 4) Overall, the transformation leadership of manager displayed positive relationships at the moderate level, having the statistical significance .01 5) This research presents the guidelines to develop the transformational leadership of the administrator of Nakornpanom Municipality in all 4 areas, namely, Intellectual stimulation, individualized consideration, formulation and transmit vision, and high expectation toward performances. The finding is coincided with the work of Vuttichai Jaisong (2014) on the leadership of manager affecting the satisfaction of Commercial Bank employers in Bangkok Metropolis. The findings suggest that overall task-oriented leadership is at high level with the Mean of 3.84. The findings from analysis of each item indicate that the leadership most chosen quality is expecting to finish the work

with quality, followed by identifying work direction, expecting to finish work on time and interested in working only, including the visible work structure, having the highest Mean of 4.08, 3.97, 3.73, 3.72 and 3.71, respectively. The relationship-oriented leader or concern other need before his own, overall at high level with Mean 3.69. After each item analysis, the findings suggest that the relationship-oriented leader or concern other need scored high are the item on listening to the subordinate's opinion, followed by trusting each other, building informal work atmosphere, and care about the feeling of subordinates, having the highest Mean 3.80, 3.73, 3.70, 3.63 and 3.61.

### **Organization Atmosphere Elements**

The findings from Confirmatory Factor Analysis on the Organization Culture and Organization Atmosphere models suggest that each sub-element in the organization atmosphere model comprised that the organization structure, standards, responsibility, recognition, support, and commitment, which is coincided with the work of Arpipong Chothirat (2014) who conducted the research on the awareness of work commitment of workers at Asoke area, Bangkok Metropolis. The research findings indicate that the overall opinions on the awareness of the organization atmosphere that impact on the commitment to work is at high level, having the mean of 3.43 and the Standard Deviation 0.54. As for consideration on each item, the findings indicate that the awareness of organization atmosphere affecting the work commitment of workers at Asoke area at high level involved the warmth, support, structure and participation ( $X = 3.49$ ). As for the advancement and development, and control yielded the Mean of 3.64, 3.55, 3.42 and 3.41 with the Standard Deviation 0.65, 0.55, 0.64, 0.69 and 0.71, respectively. As for the awareness of organization atmosphere affecting the work commitment, having the opinion of workers in Asoke area at moderate level on the rewarding system, having at moderate level with the Mean of 3.09 and Standard Deviation 0.73. 2) Degree of opinion on employee work commitment was high, having the Mean of 3.17 and Standard Deviation 0.61. As for consideration on each item, the findings suggested that the organization commitment on the social commitment, social standards and consistent commitment, having the Mean 3.38, 3.16 and 2.99 as well as having the Standard Deviation 0.72, 0.70 and 0.71<sub>3</sub> respectively. This finding is coincided with the research of Simapa Junhomkul (2010) who studied the relationship between awareness of organization atmosphere, work commitment and satisfaction in life of Adjutant General Department personnel. The research findings indicated that 1) overall the personnel of Adjutant General Department is at moderate level and all six items, namely, participation, structure, rewarding, warmth and support, advancement and development and control, which are all at moderate level 2) The personnel of Adjutant General Department work commitments are at moderate level and all three items, namely, high level of body and mind and moderate thinking and 3) awareness of organization atmosphere that could forecast work commitment, namely, warmth and support and participation, having the forecasting power 14.00 percent.



## Job Satisfaction

The findings from the Confirmatory Factor Analysis on the job satisfaction and model suggest that each sub-element in the satisfaction model are the organization policy, work itself and individual attributes, which coincided with the empirical evidence, which is also coincided with the work of Suleeporn Jitthieng (2010) on the job satisfaction and organization commitment of the CAT Telecom (PCL). The findings suggest that the vast majority were females, aged over 40 with Bachelor's Degree, remained in the position ranking 6-7, working longer than 20 years and earning over 35,000 Baht/ month. As for the job satisfaction, the findings suggest that the employees were fairly satisfied in work performances ( $\bar{X} = 3.31$ ), having more satisfaction in motivational factor than support or hygiene factors. As for the organization commitment, the findings suggest that the employees had formed high commitment to the organization ( $\bar{X} = 3.83$ ) as well as willingly making the effort to maintain the membership in the organization and strongly belief in the organization target and values. The findings from testing the hypothesis suggest that the work itself, recognition at work, administrative policy and job security could forecast organization commitment at 37.2 percent with the statistical significance 0.05. The findings is coincided with the study of Ujjima Homraruen (2009) on the job satisfaction of employees at Cannon Hi-Tech (Thailand) Co., Ltd. to find overall employee satisfaction, which may be the feeling of satisfaction or attitude toward own work, including participation. As for the items related to work conditions, pay, security, benefits, and relationships with co-workers, administration, and administrative policies, they were reflecting the satisfaction of employees' performances in different levels as well as giving the morale support during work when the employees started to display their enthusiasm, and determination to work hard. This could lead to happiness from working, creative thinking and organization commitment, leading employees to quality of work life and balancing between employee satisfaction and work efficiency and in turn the organization success as plan.

## Organization Commitment

The analysis of Confirmatory Factor Analysis on organization commitment and organization commitment model suggest that each sub-element in the model is committed to the organization, accepting the organization, employing capability for the organization and wanting to be the organization members coincided with the empirical evidence. This finding is coincided with the study of De Coninck and Stilwell (1996) on the factor affecting organization commitment of Advertising Female Manager. The findings reveal the variables forecasting female commitment to the organization, namely, increasing degree of job satisfaction, opportunity for promotion, and fair employees' treatment. These variables should lead to higher level of organization commitment if only the employees' awareness in conflict and discrimination increasing, in turn, the degree of organization commitment would decrease as well. As being seen, the job satisfaction and job promotion are the key variables on the organization commitment. Therefore, increasing the satisfaction among the female workers could reduce turn-over, followed by awareness of discrimination. The high level of awareness of discrimination seems to reduce the organization commitment with statistical

significance, which in line with the work of Michael Bradley Shuck (2010) on the organization commitment conducted by pretest and posttest. This was not the test alone, it explored the correlations between work suitability, clearly work delegation, work atmosphere, autonomous decisions, intention to resign, and organization commitment. The internet database revealed the differences between samples on the issues of services, technology, health hygiene, retail, banking, non-profit operations and generosity. The research hypothesis validated through Regression analytic procedures, showing correlations between the substitute factors, over two variables in order to explore the correlation between job suitability, visible work delegation and work atmosphere as related to the organization commitment with the statistical significance. Moreover, the organization commitment is correlated with self-decision making and resignation, also having the statistical significance. With regards to self-decision making, the analysis findings made obvious suggestion that employees working in the good work atmosphere are more likely to have freedom in making own decisions, same as the structure of intention to turnover model. This research finding is also coincided with the work of Varaluk Leelertpun (2014) who had studied the factor affecting the organization commitment of the National Broadcasting (PCL) employers. The findings suggest that the employees' organization commitment are moderate and the validation of hypothesis revealed that the National Broadcasting (PCL) employers with differences in sex, age, status, family, average monthly earnings and different working duration would yield different organization commitment. Moreover, the work itself and organization commitment are correlated with each other at the high level.

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# Do the Factors of Age and Gender Affect Accounting Anxiety? An Examination of ESL Students at an International University

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## Abstract

The focus of this study was to determine whether the factors of age and gender are related to accounting anxiety among MBA students who utilize English as a second language (ESL) in the classroom. A secondary focus was to determine if the factors of age and gender are associated with the coping strategies that are used by ESL students to deal with accounting anxiety. The study found that there was a statistically significant higher level of accounting anxiety among females than males but that anxiety did not vary significantly by age. In addition, neither gender nor age was significantly associated with the choice of a coping strategy.

**Keywords:** Accounting, accounting anxiety, age-related anxiety, English as a Second Language, gender-related anxiety, language anxiety, MBA program, strategies relating to accounting anxiety, strategies relating to language anxiety

## Introduction

The study of anxiety among students has a long and rich legacy of academic research that includes the examination of the phenomenon of anxiety with regard to particular subjects of study (mostly of a quantitatively nature such as statistics, computer science, and accounting), as well as the examination of factors that may be related to anxiety (such as gender, age, ethnicity/race, grade point average, and prior exposure to the subject matter). A large portion of the research has focused on anxiety expressed by students who use English as a second language (ESL).

This research focuses on the influence of two factors – gender and age – on the level of anxiety experienced by ESL students studying accounting. It examines a body of ESL students in an international MBA program. The first section of this study provides a review of literature regarding studies that focused on gender and age of the student. The second section explains the research methodology used to test the study's hypotheses. The final section presents conclusions as well as a pedagogical discussion as to dealing with accounting anxiety.

## Literature Review

The anxiety examined by the studies below can best be defined as a type of *situational* anxiety experienced in a specific and a well-defined context of learning a particular subject matter (MacIntyre & Gardner, 1991). Much has been studied regarding language anxiety of ESL students regarding the factor of gender. Studies (covering samples from elementary school to graduate school) found that the level of language anxiety experienced by male ESL students was greater than females (Capan & Simsek, 2012; Dogan & Tuncer, 2016; Ekstrom & Fagersten, 2013; Fariadian, Azizifar, & Gowhary, 2014; Kitano, 2001; Nyikos, 1990; Weeks & Ferraro, 2011; Zhang, 2001). Other studies found that female ESL students had greater language anxiety as compared to ESL male students (Abu-Rabia, 2004; Aida, 1994; Demirdas & Bozdogan, 2013; Donovan & MacIntyre, 2005; Furnham & Haeven, 1999; Mahmoodzadeh, 2012; Marwan, 2007; Mesri, 2012; Ozturk & Gurbuz, 2012; Pappamihiel, 2001; Park & French, 2013). Finally, some studies found no significant differences between genders regarding language anxiety among ESL students (Cheng, 2002; Kiziltepe, 2003; Matsuda & Gobel, 2004; Piechurska-Kuciel, 2012; Semmar, 2010; Simsek, 2015).

The literature addressing anxiety on quantitative subjects is much smaller. For example, some studies found that non-ESL female graduate students suffered higher levels of anxiety while studying statistics (DeCesare, 2007; Papanastasiou & Zembylas, 2008; Vahedi, Farrokhi, & Bevrani, 2011), while other studies found no significant difference between the genders while studying statistics (Bui & Alfaro, 2011; Eduljee & LeBourdais, 2015; Hsiao & Chiang, 2011; Koksai, Arslan, & Bakla, 2014; Mji, 2004). Also, no gender significant differences were found among non-ESL students studying computer science (Broome & Havelka, 2011), corporate finance (Trine & Schellenger, 1999) or general business studies (Suleiman & Mohezar, 2006).

Regarding the study of accounting anxiety, the literature examined non-ESL students. Several studies (Chen, Hsu, & Chen, 2011; Dull, Schleifer, & McMillan, 2015; Malgwi, 2004) found that females experienced higher anxiety than males regarding the study of accounting, while others (Mutcher, Turner, & Williams, 1987; Tyson, 1989) found the opposite. However, some studies found no significant association between gender and accounting anxiety among non-ESL students (Kirk & Spector, 2006; Tho, 1994; Uyar & Gungormus 2011).

As is evident by the literature review presented, while there have been a number of non-ESL studies conducted, there is a lack of substantial investigations as to the level of accounting anxiety experienced among ESL students and of any possible association with gender. Also lacking is the relationship of age in almost all studies of language-related anxieties, including those studying accounting. Uyar and Gungormus (2011) did find that the older a student, the more likely that accounting anxiety would be higher and performance lower. However, several studies (Kirk & Spector, 2006; Suleiman & Mohezar, 2006; Trine & Schellenger, 1999) found no significant association between age and anxiety or performance.

This research attempts to provide insight into the level of anxiety among ESL students as to the factors of gender and age. It also seeks to determine if the coping strategies of ESL students vary by gender and age. The coping strategies examined are



based on the typology of strategies created by Kondo and Yang (2004) who studied ESL students in Japan.

- H1:** There are no differences in accounting anxiety levels of ESL students in an international MBA program based on the factor of gender.
- H2:** There are no differences in accounting anxiety levels of ESL students in an international MBA program based on the factor of age of the student.
- H3:** There is no relationship between the choice of a coping strategy for accounting anxiety and the gender of the student.
- H4:** There is no relationship between the choice of a coping strategy for accounting anxiety and the age of the student.

### Research Design

The population examined was an international university in Thailand with an MBA student body consisting of 380 ESL students which were 57% female, 43% male; 64% were Thai and 36% were non-Thai. Using Krejcie and Morgan's (1970) table of sample size determination, a sample population of 190 was calculated for this study. The sample consisted of 107 females (56% of the sample population), and 83 males (44%). 121 (64% of the sample population) were Thais (include 16 Thai-Chinese) and 69 (36%) were non-Thai.

A self-administered questionnaire, consisting of a 4-point, forced Likert scale, was provided to accounting students during their first day of class. The testing continued throughout a six-month period, covering two consecutive terms of the university's three-term year. All questions had a Cronbach alpha internal reliability score over .80, which indicated consistency (Hair, Black, Babin, & Anderson, 2010; Sekaran, 2000). A slightly modified version of Kondo and Wang's (2004) Foreign Language Anxiety Coping Scale was used as part of the questionnaire. This scale was assessed to have an alpha coefficient of .91 (Marwan, 2007), which demonstrated high internal reliability.

### Findings

The first of the two main purposes of our study was to examine if there were relationships between the dependent variable, accounting anxiety and the two independent variables: gender and age.

Table 1, below, provides the descriptive information for the accounting anxiety scores by gender. As the table indicates, anxiety ratings varied to both ends of the scale with women exhibiting a slightly higher mean anxiety (3.11) rating compared to that of men (2.77).

Table 1: Descriptive Analysis of Accounting Anxiety Scores by Gender\*

| Gender | N   | Min | Max | M    | SD   |
|--------|-----|-----|-----|------|------|
| Male   | 83  | 1   | 4   | 2.77 | .860 |
| Female | 107 | 1   | 4   | 3.11 | .793 |
| Total  | 190 | 9   | 54  | 2.96 | .838 |

\*Where 1 = Strongly Disagree and 4 = Strongly Agree with the statement: “Taking an accounting class gives me high anxiety” (i.e., feeling of stress, fear).

In order to test the first hypothesis - that there were no differences in accounting anxiety by gender - an independent t test was performed. The results of this analysis are reported in Table 2 below. As indicated in the table, the t statistic at -2.834 with 188 degrees of freedom is significant at p = .005. Therefore H<sub>1</sub> is not supported.

Table 2: Comparison of Anxiety Scores by Gender\*

| Gender       | N   | Mean | SD   | t      | df  | p    | 95% Confidence Interval |
|--------------|-----|------|------|--------|-----|------|-------------------------|
| Male         | 83  | 2.77 | .860 | -      | -   |      |                         |
| Female       | 107 | 3.11 | .793 | -      | -   |      |                         |
| <b>Total</b> | 190 | 2.96 | .838 | -2.834 | 188 | .005 | -.578 – -.101           |

\*Where 1 = Strongly Disagree and 4 = Strongly Agree with the statement: “Taking an accounting class gives me high anxiety” (i.e., feeling of stress, fear).

The second hypothesis suggested that there were no differences in accounting anxiety levels by age. Table 3 presents anxiety rating descriptive statistics by age. As with gender, accounting anxiety varied from low to high across all age groups. The youngest age group had the highest mean anxiety rating (3.17) while the oldest age group exhibited the lowest rating (2.74). As descriptive data in the table indicates, there seems to be a slight decline in accounting anxiety as one gets older.

Table 3: Descriptive Analysis of Accounting Anxiety Scores by Age\*

| Age   | N   | Min | Max | M    | SD   |
|-------|-----|-----|-----|------|------|
| 18-22 | 58  | 1   | 4   | 3.17 | .920 |
| 23-25 | 48  | 1   | 4   | 2.94 | .836 |
| 26-30 | 46  | 1   | 4   | 2.91 | .784 |
| 30+   | 38  | 1   | 4   | 2.74 | .724 |
| Total | 190 | 9   | 54  | 2.96 | .838 |

\*Where 1 = Strongly Disagree and 4 = Strongly Agree with the statement: “Taking an accounting class gives me high anxiety” (i.e., feeling of stress, fear).

In order to test this hypothesis, an ANOVA was conducted using the anxiety scores and the four student age groups. Results of this analysis are provided in Table 4 below. As depicted in the table the F ratio of the between groups to within groups differences was not significant and a p-value of .085 was obtained. H<sub>2</sub> that accounting anxiety varies by age is therefore supported.

Table 4: Comparison of Anxiety Scores by Age Group\*

| Source         | df  | SS      | MS    | F     | p    |
|----------------|-----|---------|-------|-------|------|
| Between Groups | 3   | 4.633   | 1.544 | 2.242 | .085 |
| Within Groups  | 186 | 128.109 | .689  |       |      |
| Total          | 189 | 132.742 |       |       |      |

\*Where 1 = Strongly Disagree and 4 = Strongly Agree with the statement: “Taking an accounting class gives me high anxiety” (i.e., feeling of stress, fear).

Our second main objective in this study was to determine if there is a relationship between the independent variables of gender and age and students' choice of coping strategies. Table 5 is a contingency table that provides the actual counts and percentages for both males and females in the student sample for each coping strategy. Expected counts generated by chi square analysis are also provided.

Table 5: Chi Square Contingency Table of Coping Strategies by Gender\*

| Item          |                 | Tactic      |            |                   |              | Total  |
|---------------|-----------------|-------------|------------|-------------------|--------------|--------|
| Gender        |                 | Preparation | Relaxation | Positive Thinking | Peer Seeking |        |
| <b>Male</b>   | Count           | 44          | 11         | 18                | 10           | 83     |
|               | Expected Count  | 43.7        | 9.6        | 20.5              | 9.2          | 83     |
|               | % within Gender | 53.0%       | 13.3%      | 21.7%             | 12.0%        | 100%   |
|               | % within Tactic | 44.0%       | 50.0%      | 38.3%             | 47.6%        | 43.7%  |
| <b>Female</b> | Count           | 56          | 11         | 29                | 11           | 107    |
|               | Expected Count  | 56.3        | 12.4       | 26.5              | 11.8         | 107    |
|               | % within Gender | 52.3%       | 10.3%      | 27.1%             | 10.3%        | 100%   |
|               | % within Tactic | 56.0%       | 50.0%      | 61.7%             | 54.4%        | 56.3%  |
| <b>Total</b>  | Count           | 100         | 22         | 47                | 21           | 190    |
|               | Expected Count  | 100         | 22.0       | 47.0              | 21.0         | 190    |
|               | % within Gender | 52.6%       | 11.6%      | 24.7%             | 11.1%        | 100.0% |
|               | % within Tactic | 100.0%      | 100.0%     | 100.0%            | 100.0%       | 100.0% |

\*The fifth option of "resignation," presented in the Kondo and Yang (2004) typology of strategies, is not listed above because it was not chosen by any of the respondents.

In order to test the hypothesis that coping strategy was not related to gender, a chi square goodness of fit test was performed. It was found that the observed choices by the two genders did not differ significantly from those that were to be expected,  $X^2(3, N = 190) = 1.047$   $p = .790$ .  $H_3$  is therefore supported.

The fourth hypothesis posed that coping tactics would not vary by age. Observed counts for coping tactics by age group are presented in Table 6, a chi square contingency table along with percentages for within age group and within each tactic. Expected values are also provided just below expected values and were generated by the chi square analysis. Because chi square requires that each cell have an expected value of at least 5 and two of the cells in the 30+ age group had expected counts of 4, the age group category 30+ was combined with the 26-30 group to form a 26+ group so that the analysis could be conducted.

Table 6: Descriptive Analysis of Coping Strategies\*

| Item         |                                   | Tactic      |            |                   |              | Total |
|--------------|-----------------------------------|-------------|------------|-------------------|--------------|-------|
| Age          |                                   | Preparation | Relaxation | Positive Thinking | Peer Seeking |       |
| <b>18-22</b> | Count                             | 28          | 10         | 14                | 6            | 58    |
|              | Expected                          | 30.5        | 6.7        | 14.3              | 6.4          | 58.0  |
|              | Count                             | 48.3%       | 17.2%      | 24.1%             | 10.3%        | 100%  |
|              | % within Group<br>% within Tactic | 28.0%       | 45.5%      | 38.3%             | 28.6%        | 30.5% |
| <b>23-25</b> | Count                             | 24          | 7          | 11                | 6            | 48    |
|              | Expected Count                    | 25.3        | 5.6        | 11.9              | 5.3          | 48.0  |
|              | % within Group                    | 50.0%       | 14.6%      | 22.9%             | 12.5%        | 100%  |
|              | % within Tactic                   | 24.0%       | 31.8%      | 23.4%             | 28.6%        | 25.3% |
| <b>26+</b>   | Count                             | 48          | 5          | 22                | 9            | 46    |
|              | Expected Count                    | 44.2        | 9.7        | 20.8              | 9.3          | 46.0  |

|              |                 |        |        |        |        |        |
|--------------|-----------------|--------|--------|--------|--------|--------|
|              | % within Group  | 57.1%  | 6.0%   | 26.2%  | 10.7%  | 100%   |
|              | % within Tactic | 24.0%  | 22.7%  | 46.8%  | 42.9%  | 24.2%  |
| <b>Total</b> | Count           | 100    | 22     | 47     | 21     | 190    |
|              | Expected Count  | 100.0  | 22.0   | 47.0   | 11.1%  | 190.0  |
|              | % within Group  | 52.6%  | 11.6%  | 24.7%  | 21.0   | 100.0% |
|              | % within Tactic | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

\*The fifth option of “resignation,” presented in the Kondo and Yang (2004) typology of

strategies, is not listed above because it was not chosen by any of the respondents.

Hypothesis four, which suggested no relationship exists between age and choice of coping strategy, was also tested using a chi square goodness test. Analysis showed that the observed choices by the four age groups did not differ significantly from those that were to be expected,  $X^2 (6, N = 190) = 5.144$   $p = .525$ .  $H_4$  is therefore supported.

### Conclusion and Recommendations

The results of this study are mixed, with gender showing a slight, but statistically significant difference in accounting anxiety and age having no significant relationship with accounting anxiety. Neither gender nor age was significantly related to the choice of a coping strategy for accounting anxiety. These findings fall within different bodies of research findings (cited in this study’s literature review) that demonstrate that no uniformity has been established regarding gender, age or other factors with regard to any association with accounting anxiety.

Little has been researched or written that focuses specifically on pedagogical considerations where accounting anxiety occurs in an ESL classroom environment. More research is needed in this area as globalization increases the number of ESL students worldwide.

Franco (2016) has suggested that instructors can diminish language anxiety issues in the teaching of business subjects by using an ESL “funnel” that 1) emphasizes an initial assessment of student as to English proficiency, 2) aggressively explores and dissects accounting nomenclature for each lecture, 3) incorporates concept check, 4) practices elicitation to prevent stragglers, 4) allows for flexible pacing of the speed used to introduce materials based on the English proficiency of the class, 5) utilizes in-class paper exercises so that students can gain confidence by “chewing” on the material and, finally, that 6) generates feedback throughout the course, both formally and informally, to monitor the experience and to make any necessary modifications.

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## **BOOK REVIEW**

### ***Corporate Responsibility: Social Action, Institutions and Governance***

**Ronny Manos and Israel Drori (Editors)**

**United Kingdom: Palgrave Macmillan, 2016. 264 pp. ISBN 978-1-349-55734-9, (hbk)**

**Reviewed by:** Alexander Franco, Ph.D., Stamford International University, Graduate School of Business

The focus of this book is to explore why agents of corporate governance engage in corporate social action (hereafter “CSA”). CSA is broadly defined by the editors, with a utilitarian focus, as “corporate actions that aim at furthering the social good” (p. 1). The nexus between a company’s managerial policies and practice and the firm’s practice of CSA is examined from different perspectives within the three sections (ten chapters in total) that constitute this work.

Part one, consisting of three chapters, looks at thematic issues regarding CSA in the areas of financial performance, with specific material on China and other developing economies. Part two presents, in five chapters, empirical studies that explores aspects, determinates, and outcomes of CSA. Part three provides, in two chapters, case studies of CSA policy and outcomes involving environmentally hazardous industries.

This book is informative in providing a comprehensive presentation of CSA through various perspectives, methodologies, and corporate experiences. However, a definitional review of CSA is required in order to understand the foundation of this book’s inquiry. Unfortunately, the only theoretical discussion is found in the first chapter of the book where the author devotes twenty pages to a literature review of corporate social responsibility (hereafter “CSR”). No real differentiation is made between CSA and CSR. The remaining nine chapters in the book do not provide any substantial thematic discussions as to CSA.

Since Chapter One provides the definitional foundation for the CSA, one can conclude that CSA is CSR appearing in yet another name. The term has evolved with more and more responsibilities and social demands as the concept has multiplied into many names such as corporate social responsiveness, corporate social performance, corporate accountability, corporate sustainability, and global citizenship. Even Carroll (2016), who is credited with one of the most comprehensive definitions of CSR, took his four-part construct and re-introduced it into a pyramidal depiction – *a la* Abraham Maslow’s Hierarchy of Needs – even though Carroll’s hierarchical structure is specifically *not* meant to be sequential in movement, starting from the base, as is the case in most pyramidal models and in other hierarchical models (such as Lavidge and Steiner’s Hierarchy of Effects Model). This, of course, begs the question as to the need for this new physical structure. Over the past 30 years, CSR has morphed in substance

by way of over 50 definitions. This morphing process of self-identification has now transformed itself within the realm of physical presentation.

Carroll (2016) conceded that his pyramidal construct rests on the stakeholder theory which, as a normative proposition, is riddled with epistemological and logic flaws. In addition, it politicizes the corporation and creates an adversarial dynamics between stakeholders with the umbrella term of “stakeholder” liberally covering almost everyone with little consensus as to those who fall under *primary* versus *secondary* status as a stakeholder.

Therein lies the problem with this work on CSR. Though presented under another name -corporate social action - but without any substantive revision to Carroll’s four-part CSR construct, the CSR premises underlying this book suffer from failing to address the significant cracks that exist in the conceptual and empirical foundation of virtually all CSR propositions – the stakeholder theory (Franco, 2015). With such a flawed and cracked foundation, everything else that rests on this is subject to doubt and the need for critical, epistemological scrutiny.

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## **BOOK REVIEW**

### ***Asian Megatrends***

**Rajiv Biswas**

**United Kingdom: Palgrave Macmillan, 2016. 245 pp. ISBN 978-1-349-55391-4, (hbk)**

**Reviewed by:** Alexander Franco, Ph.D., Stamford International University, Graduate School of Business

This book is more substantive than the author's prior work, *Future Asia: The New Gold Rush in the East* (2012), which was previously read by this reviewer. Though the material is scholarly, it is also lively and straightforward with well-crafted explanations within macroeconomic discussions that also incorporate social and political contexts. This is possible because the author is an experienced, Asian-based economist with ample work experience in economic development projects throughout Asia and other parts of the world. The book was structured into 16 chapters (country-focused or thematic) with 21 easy-to-understand charts to summarize key points.

The future orientation of this study is presented in discussions of substantive trends ("megatrends") and of the risks and challenges to be addressed by these trends. One key megatrend addresses demographic change in terms of ageing (especially China and Japan) and youthful growth (India and Indonesia). A second megatrend involves the rapid growth of middle class households in Asia and the consequential influence of consumer purchasing power, particularly in urban areas. Tied to this is the megatrend of substantial increases in the urbanization of Asian countries. Finally, the author also lists as separate megatrends the economic and commercial ascendancies of China, India, and ASEAN.

The growing impact of the ASEAN bloc is addressed in three chapters: one focusing on Indonesia, another on Singapore, and the third chapter focusing on trade liberalization and economic integration within ASEAN as well as the bloc's commercial nexus with China. As an example, the author cited an incident where a low-budget Chinese comedy, *Lost in Thailand* (2012), became a blockbuster and triggered a wave of tourism from mainland China. A steady increase in tourism from China's growing middle class has aided Thailand's tourism sector even though much of the Chinese tourism market revenue is made, to a large extent, by volume through budget tour packages.

Along with thorough and well-structured discussions of the megatrends, the book presents their challenges and risks. Demographics of ageing adversely impact on China and Japan while youthful growth, along with technical and entrepreneurial skills acquired overseas, allows for an Indian growth engine. The ascendancy of mainland Chinese capitalization, aided by a stable *yuan* that may eventually be gold-backed, has been challenged by the impact of rising wage costs that has eroded China's

manufacturing export industries. This has moved the Chinese towards expanding into service-oriented businesses and to develop domestic infrastructure to exploit cheaper labor in China's western provinces.

Other challenges include the negative characteristics of urbanization such as traffic congestion, crime, and environmental issues affecting cities such as Bangkok, Jakarta, Manila, and metropolitan concentrations along China's eastern coastline. Resource security (particularly the management of water resources), transnational migration, and terrorism pose future challenges as well.

Approximately 60 per cent of the world's population is in Asia, a region whose economy and consumer markets are projected to double in the next decade with GDP levels that will exceed the rest of the world. The ASEAN bloc will be part of this economic ascendancy. This book provides a valuable guide towards future management and innovation in both the realms of business enterprise and economic development.

## **BOOK REVIEW**

### ***Services Marketing Cases in Emerging Markets: An Asian Perspective***

**Sanjit K. Roy, Dilip S. Mutum and Bang Nguyen (Editors)**

**Switzerland: Springer International Publishing, 2017. 184 pp. ISBN 978-3-319-32968-0, (hbk)**

**Reviewed by:** Alexander Franco, Ph.D., Stamford International University, Graduate School of Business

This book can be appreciated for its timeliness as many countries in Asia are shifting from or moving beyond manufacturing into the service economy. The intention of the editors was to provide a collection of short and long real case studies to assist academicians and students in exploring service operations and services marketing within the emerging economies of Asia. The editors structured this case study book into three subject areas: 1) service experience and co-creation, 2) service branding and service scapes, and 3) transformative services.

Service experience is obtained through customer participation and social interaction wherein customer responses to direct or indirect contact with a company are assessed to maximize customer satisfaction and loyalty. Co-creation refers to the creation of value by way of consumers interacting with a company throughout different stages of production and eventual consumption. To cover these two areas, the author provided five case studies: 1) Maybank and online banking, 2) Starbucks Philippines, 3) Smart Phone brand in Xiaomi, China, 4) Imperial Orchid Hotels in Thailand, and 5) Amazon in India.

Service branding is seen as fulfilling a set of promises presented in marketing offerings. The branding of services involves an integrative approach with consumers as the firm attempts to assess consumers' experiences with and perception of a *corporate brand* as opposed to product branding where the product is the central focus. This includes the physical, man-made environment built by a company in order to provide a service. Servicescape looks at the physical impact of settings such as restaurants, hotels, retail stores and other settings on the affective and behavioral responses of customers on services provided. The author provided five case studies to illustrate service branding and service scape: 1) Malaysian Airlines versus Air Asia, 2) Haagen-Dazs in China, 3) iGaranti mobile applications, 4) Happy Textile, and 5) Makemytrip.com.

Transformative service research seeks to integrate consumer and service research to facilitate the improvement of a consumer's quality of life or well-being by focusing on the role of service systems. The authors provided four case studies for this area: 1) Prince Court Medical Centre, 2) "Operation Megh Rahat" – Indian Armed Forces Disaster Management Services, 3) Wellbeing Through Travel, and 4) Reliance Indian Limited.



This book also can be appreciated for its diversity as to countries and industries. 14 case studies span 8 countries: India (4 case studies), Malaysia (3), China (2) and 1 case study each in Bhutan, Indonesia, Philippines, Thailand, and Turkey. Industries covered include airlines, banking, food and beverage, hotel management, tourism and others. These are timely case studies that focus on a part of the world that is rapidly expanding to services-oriented operations. The studies can be utilized by academicians to instruct both undergraduate and graduate students in the areas of international business, global marketing, and hospitality management.

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