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International Business Management Research Conference

Faculty of Business Administration, Chiang Mai University, Chiang Mai, THAILAND

IBMRC

Venue: Empress Convention Center, The Empress Hotel, Chiang Mai, Thailand

Friday 14th, November 2014

Organized by Faculty of Business Administration, Chiang Mai University





The 4th International Business Management Research Conference

Venue: Empress Convention Center, The Empress Hotel,
Chiang Mai, Thailand

Friday 14th, November 2014

Organized by Faculty of Business Administration, Chiang Mai University

Welcome Message from the Dean

Faculty of Business Administration, Chiang Mai University proudly welcomes all participants of the 7th Business Management Research Conference (BMRC) and the 4th International BMRC.

Once again academic experts, businessmen, graduate students and representatives from government agencies and private organizations join us to enrich knowledge and understanding through research exchange as well as building up network for further academic cooperation. We also continue to provide a forum to publish academic papers.

The conference encompasses papers including three themes which are: 1) Corporate Sustainability, Logistics, Information Technology and Management, 2) Financial and Accounting, and 3) Hospitality and Marketing as well as doctoral presentation. At the end of the conference, we will award the best paper award, too. Most noteworthy, Associate Professor Dr.Krassimir Petrov, Visiting Professor at Faculty of Business Administration, Chiang Mai University has kindly accepted our invitation to give a keynote lecture on Corporate Sustainability in an Unsustainable World.



(Associate Professor Dr.Siriwut Buranapin)

Dean of Faculty of Business Administration

Chiang Mai University, THAILAND

Message From Editor-in-Chief

Every year, our Conference brings together academicians and researchers in the areas of business management and other related areas in order to disseminate knowledge and exchanged the knowledge between academicians, researchers, as well as Master's and Doctorate students who are extending their studies on the innovative knowledge.

For year 2014, we are proud to present the publication of The 7th and 4th volume of BMRC and IBMRC Conference Proceeding which had produced by the Conference Publications Committee of Faculty of Business Administration, Chiang Mai University. All BMRC and IBMRC Conference Proceeding articles are subject to a stringent process of review by at least two members of our Editorial Advisory Board. Manuscripts are carefully accepted for possible inclusion in the Proceedings before being considered for final publication.

For the 7th BMRC and 4th IBMRC in the year 2014, the Faculty of Business Administration at Chiang Mai University proudly organized the events on November 14, 2014. The events had brought together around 100 delegates consisting of academic experts, businessmen, graduate students and representatives from both government agencies as well as private organizations. The conference encompasses manuscripts in various topics related to business management for today's context. We would like to express our sincere thanks to our stakeholders and the editorial boards as well as especially our delegates.

We would like to thank all the contributing authors for providing such a rich variety of outstanding research articles on a broad range of exciting topics.



Narumon Kimpakorn, Ph.D.

Editor-in-Chief

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Principle & Rationale

The vision of the faculty of business administration at Chiang Mai University is to focus on enhancing the academic knowledge of business management. The faculty encourages the creation and development of ongoing research to academic scholars and students. This would lead to the expansion of new knowledge in managing a business which can provide a benefit to the profession itself, the local community, and industries nationwide. The business administration conference is one of the methods in disseminating knowledge by the Board of Administration.

Chiang Mai University has heeded to the importance of endorsing the development and propagation of knowledge. The effort is demonstrated in producing a channel to have participants from the private business sector, government institutions, and academic research centers to come together and exchange their experiences and ideas as well as collaborate on upholding the profession of business management. Under the provision of Chiang Mai University, the international business management research conference has continued on from 2011. The conference has received accolades from the participants of the seminar. Therefore, it is the aim of the institution to strengthen the academic administration line in providing leadership and knowledge in business management. Moreover, the purpose of creating this forum is to disseminate knowledge in the business management. This is to stimulate a continuation of ideas being exchanged between academics, researchers, and students who are extending their studies on the master's and doctorate in business management and other related fields.

The 4th Annual International Conference on Business Management Research (IBMRC) is focused on the theme of "Corporate Sustainability from Concept to Practice".

The Faculty of Business Administration, Chiang Mai University is furthering awareness on corporate sustainability issues that have an effect on both short-and long-term social impact. Question that will be addressed include; How does an organization maximize the available internal or external resources in order to optimize the benefit for the community/society, what types of a sustainable business models are being practiced and what impacts have they produced. This conference will create opportunities to exchange knowledge, vision and experience in order to drive further research on corporate sustainability as a means to benefit the global society.

The area of manuscript

- 1) Corporate sustainability
- 2) Marketing
- 3) Finance
- 4) Organizational management
- 5) Operation and supply chain management
- 6) Human resource management
- 7) Accounting
- 8) Consumer behavior
- 9) Entrepreneurship development
- 10) Information technology and management
- 11) Organizational communication and marketing communication
- 12) Other related research topics

Acceptance Manuscript

Individuals who are interested in taking part in the conference can submit a completed article which will be reviewed and selected by 2/3 experts to decide if the work meets with the conference requirements. Upon acceptance authors of the article will be asked to attend the forum to give a presentation.

The awarding of the "Best Paper Award" is in accord with the criteria and discretion of the organizing committee. Papers will only be considered in the proposed meeting room.



The 4th International Business Management Research Conference

*Venue: Empress Convention Center, The Empress Hotel,
Chiang Mai, Thailand*

Friday 14th, November 2014

Organized by Faculty of Business Administration, Chiang Mai University

8.30-9.00 am.	Registration (<i>Upload Power Point file for presentation at registration desk</i>) (Chiang Mai Room at 2 nd Floor)
9.00-9.15 am.	Opening Ceremony by Associate Professor Dr. Chirawan Chaisuwan, Vice President for Financial and Property Management of Chiang Mai University
9.15-9.45 am.	Key Note speaker "Corporate Sustainability in an Unsustainable World" by Associate Professor Dr. Krassimir Petrov, a Visiting Professor at Faculty of Business Administration, Chiang Mai University
9.45- 10. 15 am.	Coffee-Break (Lobby at 2 nd Floor)
10. 15-12.00 am.	Seminar presentation – Session 1 (divided into 3 rooms) (presentation 15 min. , Q&A 5 min./paper) - Room 1 (Chiang Mai # 3-5) - Room 2 (Chiang Mai # 2) - Room 3 (Chiang Mai # 1)
12.00 -13.00 pm.	Lunch (Lobby at 1 st Floor)
13. 00 -14. 00 pm.	Seminar presentation – Session 2 (2 nd Floor)
14. 00-14.20 pm.	Coffee-Break (in front of seminar room)
14.20-15.00 pm.	Seminar presentation – Session 2 (2 nd Floor)
15.00-16.00 pm.	Announcement for "Best Paper Award" (Chiang Mai Room at 2 nd Floor)

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A COMPARISON OF WEB SURVEY'S RESPONSE RATES ACROSS THREE LEVELS OF FORCED RESPONSES AND BETWEEN TWO STYLES OF QUESTION DISPLAY

Chatpong Tangmanee^{} and Phattharaphong Niruttinanon^{**}*

ABSTRACT

Researchers have increasingly adopted a web survey as their important tool for data collection. Previous studies have examined factors contributing to a completion rate. However, virtually no empirical work has compared a web survey's response rate across three levels of forced responses or between two styles of question item display. The current study attempted to fill this void.

Using a quasi experiment approach, we obtained 778 unique responses to six (i.e., 3 levels of forced responses x 2 styles of question display) comparable web questionnaires of identical contents. The analysis confirmed that (1) the response rate of the 100%-forced response survey is statistically different from that of the 50%-forced response survey and the response of this 50% forced survey is also statistically different from that of the 0%-forced response group. However, the difference between the response rate between the 100%- and the 0%-forced response is not significant, and (2) the difference of the response rates between the surveys with the scrolling and those with the paging styles is not significant.

In addition to extending the theoretical insight into factors contributing to a web survey's response rate, the findings have offered recommendations to enhance the response rate in a web survey project.

PROBLEM STATEMENT AND RESEARCH OBJECTIVES

Online questionnaires are tools that social science researchers including those in business and management fields have adopted to gather data from samples through major web browsers (Lee & Yun, 2015). The increasing number of publications have addressed issues on how to implement a web survey using online questionnaires because they have certain limitations and advantages (Reips, 2002; Reips, Dtieger & Voracek, 2007).

An online survey does have two limitations that researchers must prepare a proper plan to minimize prior to starting the data collection. First, an online survey always reaches only the Internet users. If the project's target population taps those whose profiles are not largely shared with the Internet user profiles, researchers may have to give up the online version. Second, given the Internet nature, the samples'

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responses may be different from those taking part in the paper-based questionnaires. Such responses include those from the same subject or from unqualified samples. They could immensely distort the finding's validity and reliability. As a result, researchers may have a set of screening questions to eliminate the unqualified samples or check the samples' IP address of their online responses. If two responses from the same IP address are given within a short period of time interval, researchers may have to pay close attention to all responses from that IP address (Albaum, Roster, Wiley, Rossiter, & Smith, 2010). In addition to the IP check, Lee & Yun (2015) used samples recruited by a marketing research company who guaranteed the qualification of the samples. Nonetheless, compared to the offline counterpart, online questionnaires still offer three major advantages. They include (1) a small amount of error in recording the collected data into a computer file since the data were saved as soon as a sample responded to questionnaire items, (2) quick data analysis and data collection processes because of the Internet's worldwide accessibility, and (3) a cost-justified survey on a general topic since researchers could reach a large group of targeted sample.

One quality check of a survey project is through a response rate. Typically, it is the percentage of the number of returned questionnaires to that of the distributed questionnaires. Through an online channel; however, the response rate is the proportion of the number of submitted questionnaires to the number of those who visited the questionnaire webpage (Vicente & Reis, 2010). Such measurement does suffer from a few critiques. First, among the submitted questionnaires are the complete and incomplete surveys. This mix also happens in the traditional paper survey. Yet, only the complete ones could indicate the samples' determination to take part in the research project. Second, while it is easy to count those who had received paper-based questionnaires, it is fairly tricky in the online project. This is because (1) those who had received a link to an online questionnaire could have forwarded it to the others or (2) those who are not the target population may inadvertently have an access to the online questionnaires. Therefore, it is difficult to count the number of online questionnaires distributed to the target sample. As a solution, methodology scholars suggest that a researcher uses the number of visitors to the questionnaire webpage as a proxy of those who received the surveys (Dillman, 2007; Fan & Yan, 2010). North & Park (2012) report a response rate of 30% in one leadership survey in New Zealand.

Vicente & Reis' (2010) remark on how to earn a high response rate in web surveys is highly informative. Together with the others, they classified two features of online questionnaires that could trigger subjects' attention and retain it until the submission. First, the task-related features are those that interact with the subjects. Examples of these features are question wording, forced responses, or answer options. Second, the style features are those mainly related to the look of the questionnaires. Examples of these features are display styles, whether the questionnaires are personalized for each subjects' demographics, or if audio signal is embedded in a survey. The two features are in line with Jakob & Zerback's (2006) structural and visual appearance of the web surveys, respectively. Emphasizing on the importance of non-response inspection, Atinc (2012) suggested that social science researchers must be aware of their samples'

demographics since a response rate is related to those personal detail which could minimize the non-responses. For instance, Polonsky & Vocino (2010) discovered based on their experiment that old and employed subjects were more likely to complete web-based questionnaires than the young or unemployed samples.

Among many attempts to examine factors affecting an online survey's completion rate, forced response and question display styles are of our interest since no previous attempt has addressed them in the same study. According to Vicente and Reis (2010), the former is drawn from the task-related features and the latter is from the style feature. Forced responses refer to an online survey execution through which a sample is reminded to answer to a questionnaire item, if he or she has missed it. This feature is impossible in a traditional paper-based survey. With certain programmability, it is easy to detect any missing questionnaire items and forcibly remind the sample to answer. The sample could not proceed to the next step unless he or she must respond to the missing item. The "forced choice" style is similar to the forced response design but they are notably different. The forced choice refers to the survey design that suggests possible choices of answer to which a subject could respond. For instance, a researcher may adopt a four-level scale (e.g., least, less, more, or most), instead of a typical five-level scale (e.g., least, less, neutral (or average), more, or most). This is how a researcher forces a subject to agree on certain choices. Yet, the forced response is the design that requires a sample to respond to a questionnaire item, if it is left unanswered. The item could be a Likert scale or an open-ended question. The sample cannot proceed to the next step unless he or she respond to it.

To persuade a sample to take part in a survey with sensitive topics, Lahaut, Jansen, van de Mheen & Garretsen (2002) suggested that a researcher should design a questionnaire such that the response is rewarding, inexpensive, and trustworthy. Even though forced responses may have been perceived as invasive, researchers may have the design that could lead to at least one of the three perceptions. For example, a survey with a seal of trustworthy sponsor could gain a trust from a subject.

Based on the experiment approach, Derouvray & Couper (2002) discovered that the forced-response condition had lower responses than did the no-forced condition. Similarly, Stieger, Reips & Varocek (2007) conducted a survey on students' well-being issues in Europe and confirmed that the forced-response increased the number of survey dropout. Furthermore, male samples dropped out faster than female subjects. The poor performance empirically supports Dillman's (2007) statement in which the forced-response may be so annoying that samples would want to give up the survey participation or even turn off a web browser. However, Albaum, Roster, Wiley, Rossiter, & Smith (2010) failed to offer empirical evidence of which the forced answering could have lowered a completion rate. Its effect of the forced responses is as such still inconclusive.

How to display questionnaire items to attract samples' attention and to further retain it until they submit the completely-filled-in questionnaires to a researcher has gain remarkable attention (Crowford, McCabe & Pope, , 2005; Fan & Yan, 2010). Presenting a too-wide table on a web-based survey led to more

dropouts than a simple one (O'Neil, Penrod, & Bornstein, 2003). Yan, Conrad, Tourangeau & Couper (2007) experiment verified that the presence of a progress indicator (i.e., visual feedback information to tell samples how far they had responded to the survey questionnaires) led to fewer dropouts only when the questionnaire length was perceived short. Recently, a survey of radiologists validated that the long questionnaire was not a problem as long as incentives were justified (Ziegenfuss, Niedergauser, Kallmes & Beebe, 2013).

One of the design guidelines of question display is to choose between scrolling and paging layouts. The scrolling style displays the entire questionnaire in one single webpage. It thus requires a sample to scroll down while completing it. The paging style displays the questionnaire in many webpages requiring the samples to "flip" to the next page or the next section. The flip could be through a click on the next or the continue buttons. According to Dillman (2007), the scrolling design demands less computer resources because it requires one single submission of the questionnaire. Moreover, the samples are able to scroll back to review their responses since it appears solely on one webpage. However, the paging design allows different structures of the same questionnaire. In other words, the paging design could have outperformed the scrolling style if the response to each questionnaire item is non-linear (O'Neil, Penrod, & Bornstein, 2003). For instance, the samples whose responses to the gender item are male would have to answer the different section of the questionnaire, as compared to those who replied female to the gender item. In a national online survey, Batagelj, Manfreda & Vehovar (2002) contended that the scrolling design had higher incomplete responses than the paging design. Although the difference of completion rates between the two designs in a survey with physicians were not significant, the scrolling design had higher omitted items than the paging layout (Tourangeau, et al., 2004) The insignificant difference was also evident in Peytchev, Couper, McCabe & Crawford (2006) study in which university students were main subjects. They claimed that the insignificance could have been a result of the survey design that demands equal efforts from the student samples. Galesic & Bosnjak (2009) claimed further that subjects perceived a survey with the scrolling design as a long survey while feeling a survey with the paging layout as relatively short survey. To verify the claim, Galesic & Bosnjak (2009) did an experiment using a web survey that had 180 questionnaire items and the subjects are working staff in Croatia. The results confirmed the hypothesis in which the perceived longer the questionnaires, the less the response rate.

Given the findings from the previous research (Galesic & Bosnjak, 2009; Peytchev, Couper, McCabe & Crawford, 2006; Tourangeau, et al., 2004), it is still inconclusive which design between the scrolling and the paging is better. This is perhaps why Elliott, Fricker & Schonlau (2002) suggested the hybrid version combining the scrolling and paging styles. The hybrid design; however, requires a researcher's enormous effort to balance the number of questionnaire webpages and the amount of up-down scrolling. Das, Soest & Toepoel (2009) remarked that a display of one questionnaire item per page could draw a sample's attention to the survey; yet, they failed to verify their remark. In addition, a few projects were unsuccessful to substantiate similar statements (Batagelj, Manfreda & Vehovar, 2002).

A review of previous literature indicated two gaps for possible research. First, a large amount of research has examined quality of a web survey. Only a few projects have empirically addressed the survey's response rate (Galesic & Bosnjak, 2009) but their findings are inconclusive or limited only to certain groups of subjects. It is thus a call for more research on the issue. Second, there is virtually no experiment investigating the effect of varying degrees of forced responses (e.g., 100%-, 50%- or 0%-forcing) or different styles of question display (e.g., scrolling and paging) on a web survey's response rate.

As a result, the current study's objectives were to (1) compare the rate of responses to web surveys using 100%-, 50%- and 0%-forced answering conditions, and (2) compare the completion rate to web surveys with scrolling and paging designs of the question items.

METHODOLOGY

To achieve the study's objectives, this section describes five methodology issues. They are the research approach; experimental units; questionnaire content and experimental execution; reliability and validity issues; and data analysis framework and hypothesis statements.

Research approach

Given the study's casual style, we strived to adopt the quasi-experimental approach. The two independent variables are (1) forced responses and (2) question display styles. The forced-response variable has three possible values. They are (a) 100%-forced responses (i.e., subjects are forced to respond to every questionnaire item), (b) 50%-forced response (i.e., subjects are forced to respond to half of all items) and (c) 0%-forced response (i.e., subjects are free to leave any questionnaire items unanswered). The selection of the 100% and 0% forced categories was challenged by previous studies (Albaum, Roster, Wiley, Rossiter, & Smith, 2010; Dillman, 2007). The 50% choice of forced response was added to see if the forced response should not be dichotomy and researchers may want to force the responses only to a few items.

The question-display variable has two possible values. They are (a) scrolling and (b) paging styles of display. Using the scrolling design, the entire questionnaire appears in one webpage. On the contrary, the paging style would display a few questionnaire items per page (the detail of questionnaire development will be in the next section).

The dependent variable is the response rate measured by dividing the number of submitted questionnaires by the number of those who visited the questionnaire webpage.

Experimental units

Given the quasi experiment approach, the participants must not only represent the target population, but also share large compatibility such that the difference of completion rate, if any, is due to the two independent variables, not to the subjects' incompatibility.

We were fortunate to receive assistance from the Stock2morrow website. They allowed us to invite their subscribers to participate in our experiment. Based on the six conditions (3 levels of forced responses x 2 styles of question display), the number of subjects per condition should be at least 30-40 samples (Roscoe, 1975). The Stock2morrow website administration agreed that we posted a call for research participation on the website. Within the two-month data collection, 778 unique visitors to the website took part in the experiment, of which each condition had about 128-132 experimental subjects.

Questionnaire content and experimental execution

The six experimental conditions require similar questionnaires of identical content. The difference among these questionnaires must be from the manipulation of the two independent variables. The Stock2morrow website requested that the questionnaire content should help them to improve the website and perhaps their business. We therefore included in the questionnaire the total of 36 question items asking subjects about their demographics, web usage, their life style, and their reaction when they were asked to participate in an online survey. The Stock2morrow administrator agreed on the survey contents and the number of items. This represents a typical context in business and management where researchers want to use an online tool to gather data to help improve certain services.

Given the three levels of forced responses, those in the 100%-forced-response group were forced to answer all 36 items. We forced those in the 50% group to answer every other items. The subjects in the 0% group were not forced to respond to the items they may have missed.

Regarding the question display, the entire questionnaire appears in one webpage for the scrolling style. For the paging style, the questionnaire is divided into four sections, each of which appeared in one webpage. The total number of pages for the paging style is thus four pages.

Once the six versions of questionnaires with identical content were crafted, we pretested them on twelve graduate students in Chulalongkorn Business School and made a few adjustments. When all questionnaires are ready, we posted during June – July 2012 messages inviting subscribers to the Stock2morrow website to respond to the questionnaires. We randomized a subject to one of the experiment's six conditions. When the first six samples had placed in all six conditions, the next subject was again randomized to one of the six conditions. We repeated the process until the number of samples in each condition exceeded the minimum threshold of 50 subjects.

At the end of July 2012, all questionnaires were replied 912 times but when duplications were removed, we had the total of 778 usable records for further analyses.

Reliability and validity issues

We strived to respond to the two objectives validly and reliably. Such efforts include the followings.

- To motivate the Stock2morrow website subscribers to take part in our experiment, we explained in a call for research participation that their participation is critically important to the research community. Also, to show our appreciation toward their participation, we offer a lucky draw at the end of the project to win an iPad mini.

- To conform with an approach in using an experiment in social science research, we selected the condition of the scrolling style with no forced-response as the control group. The selection was because it is typically a default design available in many online questionnaire services.

- The pretest was deemed useful. It helped us to learn about technical incompatibility and prepare for it. During the pretest, we discovered few flaws in the data we collected. They occurred when pretest samples used different browsers or worked on diverse platforms to do our questionnaires. To minimize the chance of such differences, we popped up a window suggesting the samples a set of acceptable choices.

- The questionnaires were carefully crafted and thoroughly tested to ensure their acceptable quality. To minimize a chance of duplicating participation, we developed a session to control the number of responses. We did not keep track of any IP address as suggested in previous online research. Such tracking may have reduced the number of responses from those who might have shared the same computer stations and the IP address.

Data analysis framework and hypothesis statements

We used descriptive statistics to describe the sample's demographics. The two hypotheses are (1) the difference of response rates across three levels of forced responses, or (2) the difference of response rates between the two styles of display each is statistically significant. The hypothesis testing was through the 2-way analysis of variance (ANOVA) technique.

RESULTS

The demographic profile of the experimental subjects are in Table 1. The followings are the highlight.

- Most of experimental subjects are male, 36-55 years of age with at least college degrees. 26% of those who submitted questionnaires (the largest portion) earn monthly income of 10,000-24,999 baht.

Table 1 Profiles of experimental subjects

Profiles	N(%)
Gender (N=470)	
Male	323(69)
Female	147(31)
Age (N=471)	
Less than 23 yrs	42(9)

Profiles	N(%)
24-35	184(39)
36-55	210(45)
At least 56 yrs	35(7)
Highest education (N=468)	
Less than college	32(7)
College degrees	287(61)
Graduate level	149(32)
Monthly salary in Thai baht (N=463)	
Less than 10,000	38(8)
10,000-24,999	118(26)
25,000-39,999	99(21)
40,000-54,999	81(18)
55,000-69,999	46(10)
70,000-100,000	29(6)
Higher than 100,000	52(11)
Whether a subject subscribes to the Stock2morrow website (N=474)	
Already a subscriber	184(39)
Not yet a subscriber	290(61)

- We expected to have the Stock2morrow website subscribers as the participants since we posted an invitation to take part in our project on the website. However, only 39% of the participants claimed they are the subscribers. The remaining who submitted the questionnaires admit they were not.

According to Tables 2 and 3, 61.6% of 778 who had visited the questionnaires provided their responses. Given three levels of the forced-response condition, the samples who responded to the 100%-, 50%- and 0%-forced responding categories are 64.2%, 55.4% and 65.1%, respectively. Regarding the scrolling and paging styles of question display, the percentages of those who responded to the questionnaires are 63.5% and 59.6%, respectively.

Results of the hypothesis testing are in Table 4. The differences of response rate across three types of forced responses are statistically significant (p -value (.041) < .05). Yet, those between two styles of question display or the interaction effect of the forced responses and the question display were not significant (p -value (.264 and .329 > .05). The multiple comparison between different pairs of forced responses was performed. The results in Table 5 confirm the statistically significant differences of the response rates between those in the 100%- and in the 50%-forced answering and between those in the 50%- and the 0%-forced

answering groups. We do not perform the multiple comparison on the question display styles or on the interaction because of the ANOVA's insignificant results.

Table 2 Survey responses categorized by three levels of forced responses

Issues	Levels of forced responses			Total
	100%-forced	50%-forced	0%-forced	
Number of submitted questionnaires	165	144	170	479
Number of visitors to the questionnaire webpage	257	260	261	778
Response rate	64.2	55.4	65.1	61.6

Table 3 Survey responses categorized by two styles of question display

Issues	Question display styles		Total
	Scrolling	Paging	
Number of submitted questionnaires	247	232	479
Number of visitors to the questionnaire webpage	389	389	778
Response rate	63.5	59.6	61.6

Table 4 ANOVA results

SOV	df	SS	MS	F values	Significance level
Forced responses	2	1.508	0.754	3.209	.041
Question display styles	1	0.294	0.294	1.251	.264
Forced response x Question display styles	2	0.524	0.262	1.115	.329
Error	772	181.763	0.235		
Total	777	184.089			

Table 5 Multiple comparisons

Comparing pairs	Proportion test statistics, Significance level
100%- vs. 50%-forced responses	2.04, .021
100%- vs. 0%-forced responses	-0.22, .413
50%- vs. 0%-forced responses	-2.27, .011

CONCLUSION AND DISCUSSION

We have attempted to compare one web survey's response rates across three levels of forced responses and between two styles of questionnaire display. Via a call for research participation posted on the Stock2morrow website, the subjects were asked to respond to one of the six comparable questionnaires of identical contents. Most of the subject are men, in between 24-35 years of age and largely holding at least

college degrees. Yet, 6 in 10 have not subscribed to the Stock2morrow website. Although the demographics appear to confirm the representative samples of Stock2morrow subscribers or those of the Internet users in Thailand, it could be premature to have such a claim since only 4 in 10 of the participants are current website subscribers. Readers must therefore be cautious when using the study's findings.

Only were the differences of response rates between two pairs of questionnaires with varying degrees of forced responses statistically significant. The pairs are the surveys (1) with 100%- and 50%-forced responses and (2) with 50%- and 0%-forced responses. Nonetheless, the response rates between the questionnaires with 100%- and 0%-forced answering were not significant. Based on the findings, the lowest rate of web survey responses was on the 50%-forced response project while the rates on the completely-forced and the no-forced response were comparable but remarkably higher than the 50% group (see Table 2). It seems that subjects in the current experiment were willing to respond to the questionnaires that forced them to answer every single survey items (i.e., 100%-forced answering) or those that did not force their answer at all (i.e., 0%-forced answering). However, significantly less subjects in the half-forced answering survey were willing to submit their questionnaires. Should we consider only the 100%- and 0%-responding surveys, our finding of the comparable response rates between these two groups contradicts to those in previous work (Albaum, Roster, Wiley, Rossiter, & Smith, 2010; Derouvray & Couper, 2002; Yan, Conrad, Tourangeau & Couper, 2007) in which the forced responding category was found as effective as the no-forced group. In addition, Stieger, Reips & Varocek (2007) found that the dropout in the forced category was higher than that in the no-forced counterpart. Derouvray & Couper (2002) also remarked that the forced answering may attract less responses than the no-forced group. Given the limited amount of previous empirical research addressing effects of the forced replies on a response rate in a web survey, our possible explanation could be that samples in a web survey prefer either full or no restriction when it comes to responding to an online survey. It implies further that some extent of response restriction (e.g., 50%-forced response) may confuse the samples as they encounter the message forcing them to answer some missing survey items but no such message on the others. Such speculation is; however, highly uncertain and urging empirical research to verify it.

Our attempt to validate the effect of question display styles on response rates has failed since the rates on the scrolling and the paging styles are about the same. Such trivial finding replicates results in previous studies (Norman, K.L.; Friedman, Z.; Norman, K. & Stevenson, 2001; Peytchev, Couper, McCabe & Crawford, 2006; Sedley & Callegaro, 2012). The possible explanation could be that our questionnaire survey with the paging style consisted of only four pages, each of which did not fit in one screen. As such, the samples may have not perceived much different from the ones with the scrolling design. The second possible explanation of the nonsignificance is based on Peytchev, Couper, McCabe & Crawford (2006) experiment. The trivial finding in theirs was due to the long survey. In other words, the paging style should have led samples to (1) perceive that the questionnaire is relatively short and (2) subsequently make an effort to

respond to it completely. However, if the paging design does not lead to the perceived short survey (in the current study, for example, each of the four pages in the paging design was so long that the scroll bar popped up on the right edge of the screen), the samples may not be motivated to respond to the survey. In other words, if the questionnaires are perceived short, the sample would respond to them similarly, no matter how the layout is the scrolling or the paging styles. Such explanation, however, still needs empirical verification.

Our findings offer theoretical and practical contribution. Theoretically, our findings have extended insight into the design features of online questionnaire in the Thai context. Practically, we could offer two recommendations. First, business and management researchers who attempt to use an online channel to gather data using a questionnaire may choose to force subjects completely or select not to force them at all. To force responses only to some items is not suggested since the response rate could be significantly less than the completely-forced or the no-forced categories. North & Park (2012) received a low response rate of 30% as they used web-based survey to update the leadership competencies among health management managers in New Zealand. They would have been able to draw higher responses, had they carefully designed their online questionnaires. Second, researchers may not need to choose between the scrolling or the paging style of question display for no significance between the two styles. However, in a project where a certain group of samples must respond to certain groups of questions, the paging style should still be a researcher's choice (Dillman, 2007). This is because the responses to such project are non-linear. Only if all samples must answer the same set of survey items (i.e., the responses are on a linear pattern) should the scrolling style be considered.

Similar to other research, the current study have two limitations. First, we adopted the quasi experiment approach, Although the external validity is acceptable, the internal validity must be inevitably compromised. Second, our conclusion is substantial only among the subscribers to the Stock2morrow website. As a result, a generalization across other contexts may be made with high caution.

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RELATIONSHIP BETWEEN CORPORATE CHARACTERISTICS, SUFFICIENCY ECONOMY PHILOSOPHY REPORTING, AND PERFORMANCE: THE THAI PERSPECTIVES

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ABSTRACT

This study aimed to investigate the extent and level of the sufficiency economy philosophy (SEP) reporting in annual reports of listed companies in the Stock Exchange of Thailand (SET), and to test the relationship between corporate characteristics, SEP reporting, and performance. Content analysis was used to quantify the SEP reporting in 2012 annual reports of 222 Thai listed companies. Descriptive analysis was used to explain the extent and level of SEP reporting. Correlation matrix and path analysis were used to examine the relationship between corporate characteristics, SEP reporting, and performance. As the results, the most common level of SEP reporting was in reasonableness issue, but moderation issue was the less common level of SEP reporting. Size of company, and type of auditor had significantly effect upon SEP reporting. Moreover, SEP reporting, and company leverage could significantly influence corporate performance.

INTRODUCTION

The sufficiency economy philosophy (SEP) is the East economic concept created by His Majesty King Bhumibhol Adulyadej since 1974. SEP is a philosophy that stresses the middle path as the overriding principle for appropriate conduct by the populace at all level such as individual, family, community, business, and national levels (Mongsawad, 2010). SEP in terms of business focuses on balancing corporate actions and activities into three perspectives: economic, social, and environmental. This is because the main goal of SEP is a corporate sustainable development. However, some top management still lack of the right understanding of SEP concept. No measurement tool to assess corporate performance using SEP because the main performance measurement of corporation is still financial performance rather than non-financial performance. Moreover, SEP reporting is a voluntary reporting, therefore, the extent and level of SEP reporting are still unknown. No study proved that SEP reporting can make corporation having better performance especially financial performance.

From the research problems above, therefore, this study aimed to investigate the extent and level of SEP reporting in annual reports of listed companies in the Stock Exchange of Thailand (SET), and to test the relationship between corporate characteristics, SEP reporting, and performance. To solve the problems, there were two main research questions: what was the extent and level of SET reporting in annual reports of listed

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companies in SET, and was there relationship between corporate characteristics, SEP reporting, and performance.

Contribution expected of this study was to prove whether SEP concept can use in business sectors to have sustainable development as well as individual, families, and communities sectors. The study could be data base of alternative non-financial reporting in Thai concept as well as other non-financial reporting guidelines such as corporate social responsibility reporting, triple bottom line reporting, and integrated reporting. The study started from the concept of SEP reporting including literature reviews, and hypotheses. Method used in this study was explained in details of population and sample, independent and dependent variables, and data analysis. Next, results, and conclusions were examined and summarized following by the study objectives.

SUFFICIENCY ECONOMY PHILOSOPHY REPORTING

The concept of sufficiency economy philosophy (SEP) was been mentioned since 1974 by His Majesty King Bhumibhol Adulyadej. SEP is a philosophy that stresses the middle path as the overriding principle for appropriate conduct by the populace at all level such as individual, family, community, business, and national levels (Mongsawad, 2010). The philosophy is divided into three principles along with two conditions. The principles consist of moderation, reasonableness, and self-immunity. Moreover, knowledge and moral are two conditions in SEP. This principle can be adapted to use for business unit. For example, moderation contains an idea of corporate survival in the middle path, but not the extremes living. The good way of living happens when corporation has reasonableness along with accumulated experience, self-awareness, foresight, empathy, and compassion. High self-immunity corporations will have the ability to protect themselves against unpredictable, and uncontrollable factors. Accumulated knowledge will increase and help the corporation to understand its stakeholder needs. Finally, moral refer corporation to responsibility, honesty, integrity, and trustworthiness.

In business sector, SEP reporting can take corporation having sustainable development as a means to balance its economy, society, and environment including good corporate governance, social and environmental responsibility, stakeholder mindfulness, and change management. There are many Thai listed companies implementing the philosophy into their management and reporting such as the PTT Public Company, the Siam Cement Group, the Pranda Jewelry Public Company (RDPB, 2008). SEP reporting is still voluntary reporting. Therefore, even though some listed companies on SET provide SEP reporting in their annual reports, the extent and level of SEP reporting are still unknown.

LITERATURE REVIEWS AND HYPOTHESES

There are seven hypotheses on which this study was based, relating to the relationship between corporate characteristics, the SEP reporting, and performance is summarized. This section is divided into three sub-sections that are:

1. The relationship between corporate characteristics, and SEP reporting

Larger companies need to respond with more reporting in both financial and non-financial information than smaller companies because they have more number of stakeholders (Cowen, Ferreri, & Parker 1987). Previous studies (Raar, 2002) found a positive association between the level of non-financial information reporting and size of company, although others (Davey, 1982) could not find such a relationship. The study hypothesised a positive relationship between the level of SEP reporting in annual reports and company size.

Larger auditing companies are generally perceived to provide a more independent auditing service and to abide more closely by auditing standards than smaller auditing firms (Joshi, & Gao, 2009) because the larger auditing firms are more likely to suffer serious damage to their reputations than smaller auditors. Companies with greater potential gains from external monitoring would generally employ larger auditing firms such as the Big 4 auditors such as Price Waterhouse Cooper, Deloitte, KPMG, and Ernst & Young. Previous findings about the relationship between auditor type and Non-financial information reporting are mixed. For example Joshi & Gao (2009) and Suttipun (2012) found the relationship between type of auditor and Non-financial information reporting, but Inchausti (1997), could not find any correlation between them. Therefore, the study hypothesised a relationship between the level of SEP reporting in annual reports and type of auditor.

Restrictive covenants may be incorporated into debt contracts in order to protect the bondholder's economic interest (Schipper, 1981). Therefore, management might increase the level of SEP reporting for monitoring purposes (Joshi & Gao, 2009). However, the empirical evidence relating to the relationship between company leverage and the level of SEP is mixed (Wallace & Naser, 1995). Nevertheless, despite these mixed results, the conjecture in this study was that there is a negative relationship between the levels of SEP reporting in annual reports and company leverage as evidenced by the debt ratio.

2. The relationship between SEP reporting, and performance.

SEP concept has increasingly become a management tool of Thai listed companies after the financial crisis in 1997. They believed that SEP concept can bring a good sustainability-oriented performance with moderate debt, and risk (Chirapanda & Yoopetch, 2008). Therefore, companies which provide more level of SEP reporting are able to gain higher performance than the other companies without SEP reporting. However, although there were not many studies about the relationship between SEP reporting and corporate performance, Kantabutra (2006) and Chirapanda and Yoopetch (2008) found that SEP reporting could sustain corporate performance in the long-term. Therefore, this study hypothesized a positive relationship between the level of SEP reporting and corporate performance.

3. The relationship between corporate characteristics, and performance.

The notion of corporate growth in mainstream economic concept of "larger is better than smaller" was embedded in the business environment. Moreover, some prior studies (Majumdar, 1997; Almajali et al., 2012) could provide higher performance than smaller companies. Therefore, by SEP reporting, the study hypothesised a positive relationship between company size and corporate performance.

As mentioned earlier, it is commonly believe that Big-4 auditors can provide a higher quality audit than Non-big-4 auditors. However, the results of studies of the relationship between auditor type and corporate performance were mixed. Teoh and Wong (1993) found that corporations which changed from Big-4 auditors to Non-big 4 auditors had a lower number of investors responding to their performance after changing. Hackenbrack & Hogan (2002) found that companies which had higher-earning management never changed from Non-big-4 auditors to Big-4 auditors and from Big-4 auditors to Non-big-4 auditors. Therefore, this study tested the hypothesis that type of auditor can relate corporate performance.

Company leverage indicates the degree that it is utilizing borrowed money from creditors. Corporation with high leverage degree has more risk to be bankrupted and sued by its creditor than lower leverage company. However, high corporate leverage can provide some benefits from tax planning advantage, and shareholder return increasing. Almajali et al. (2012) found that leverage had an effect on the financial performance of Jordanian insurance companies. Therefore, the study hypothesised a negative relationship between company leverage and corporate performance.

METHODS

All listed companies on the SET were the population in this study. Using simple random sampling, 222 companies out of 497 firms were chosen as the samples. Content and information of SEP reporting were in 2012 corporate annual reports of the sample selected. The data were collected between March and May 2014. For the level of SEP reporting as dependent variable, content analysis was selected to be used in this study because it has been the most common method used for assessing non-financial information reporting (Gray, Collison, & Bebbington, 1995) and has been used in many previous studies (Raar, 2002). Therefore, word counting from corporate annual reports was use to quantify SEP reporting. On the other dependent variable, this study used return on assets (ROA) representing the corporate performance. It is because ROA has been commonly and widely used as an indicator of a company's financial performance in previous studies (e.g. Aras, Aybars, & Kutlu, 2009). Moreover, it has an advantage of long usage. Information of ROA was collected from the SET's website (See www.set.or.th).

The independent variables employed in this study were size of company, type of auditor, and company leverage. Data of these variables were all collected from annual reports. The proxies were employed from the previous studies related to this research. For example, size of company was collected from total asset of the samples (Raar, 2002; Almajali et al., 2012). Type of auditor was classified as dummy

variables as Big-4 and Non-big-4 auditors (Joshi & Gao, 2009; Suttipun, 2012). Finally, company leverage was collected from debt/equity ratio (Teoh & Wong, 1993).

In parts of data analysis, descriptive analysis was used to explain the extent and level of SEP reporting in annual reports of listed companies on SET. Independent sample t-test was used to test the different level of SEP reporting between type of auditor; Big-4, and Non-big-4 auditors. Correlation matrix and path analysis were used to examine the relationship between corporate characteristics, SEP reporting, and performance. Fit statistical analysis was used to confirm accordance between empirical data and confirmatory factor analysis model. The equations of path analysis were indicated below:

$$\text{SEP reporting} = a + b_1\text{Size} + b_2\text{Audit} + b_3\text{Leverage} + \text{error}$$

$$\text{Performance} = a + b_1\text{Size} + b_2\text{Audit} + b_3\text{Leverage} + b_4\text{SEP reporting} + \text{error}$$

Where:

SEP reporting = the level of CSR reporting in annual reports measured by

The number of words determined by content analysis

Performance = Corporate performance measured by ROA

Size = Size of company measured by total asset

Audit = Type of Auditor (Dummy variable 1 = Big-4 auditors, and
2 = Non-big-4 auditors)

Leverage = Company leverage measured by debt/ equity ratio

RESULTS

The results indicated that all Thai listed companies on SET provided SEP reporting in their annual reports. The average words dedicated to the level of SEP reporting in 2012 annual reports by the Thai listed companies was 945.95 words. Within three principles, and two conditions (See Table 1), the companies disclosed the most common level of SEP information in reasonableness principle (287 average words), but the less common of SEP reporting was in moderation principles (44 average words). Moreover, companies in technology industry provided the most common level of SEP reporting in annual reporting. On another hand, the less common level of SEP reporting was in financial, and service industries.

Table 1 The extent and level of SEP reporting (Average word counting)

Industry	Principles			Conditions		Total
	Moderation	Reasonableness	Self-immunity	Knowledge	Moral	
Agricultural	95.61	328.89	258.56	95.50	283.89	1062.44
Property	46.43	336.63	156.80	62.77	240.14	842.77
Financial	26.12	330.54	127.69	48.27	220.50	753.12

Industry	Principles			Conditions		Total
	Moderation	Reasonableness	Self-immunity	Knowledge	Moral	
Consumer product	117.53	397.53	229.65	124.18	396.65	1265.53
Resource	141.00	398.38	323.46	107.08	405.08	1375.00
Technology	117.76	349.94	313.35	161.24	525.41	1467.71
Industrial	58.19	296.11	175.00	71.00	263.31	863.61
Service	43.79	286.95	132.33	45.54	226.36	734.97
Total	65.93	329.29	187.62	76.87	286.21	945.92

Out of 222 companies sampled, 135 companies were classified as being in Big-4 auditor companies with 87 companies in Non-big-4 auditor companies (See Table 2). Using independent sample t-test, the result showed that there was the different level of SEP reporting in annual reports between Big-4, and Non-big-4 auditor groups at the 0.01 level.

Table 2 Descriptive analysis of variables

Panel A: Independent and dependent variables					
Variable	Mean	S.D.	Min.	Max.	N
SEP reporting	945.92	446.37	267.00	2801.00	222
Performance	6.82	10.31	-60.00	49.58	222
Size of company	17467.17	60232.29	3.31	813052.00	222
Company leverage	1.62	2.49	0.03	16.00	222
Panel B: Independent dummy variable					
Variable	Frequency	Percent	Mean	t	P-value
Type of auditor					
- Big-4 auditors	135	1034.45	488.43	3.791	.000**
- Non-big-4 auditors	87	808.54	329.99		

** Significant at the 0.01 level, * significant at the 0.05 level

A correlation matrix was used to test the relationship between the corporate characteristics, SEP reporting, and performance (see Table 3). The results show that size of company, and auditor type were significantly correlated with the level of SEP reporting at respectively the 0.01 levels. Moreover, there were significant correlations between company leverage, and corporate performance at the 0.01 level, but the level of SEP reporting was not found to be correlated significantly with corporate performance at the 0.05 level.

Table 3 Pearson's Correlation matrix

Variables	SEP reporting	Performance	Size	Auditor	Leverage
SEP reporting	1	.076	.286**	-.248**	.083
Performance		1	-.039	.104	-.248**
Size			1	-.149*	.082
Auditor				1	-.044
Leverage					1

** Significant at the 0.01 level, * significant at the 0.05 level

By using fit statistics such as chi-square, root mean square of approximation (RMSEA), comparative fit index (CFI), goodness-of-fit index (GFI), and adjusted goodness-of-fit index (AGRI), the study found a significant accordance between empirical data and confirmatory factor analysis model. Path analysis was used to test whether there were relationships between the corporate characteristics, the level of SEP reporting, and performance. The first layer of full model analysis investigated the relationship between corporate characteristics, and the level of SEP reporting, The results indicated that the size of company, and type of auditor had significant effects upon the level of SEP reporting at the 0.01 level (See Model A, Table 4), but company leverage could not influence the level of SEP reporting at the 0.05 level. From Model B, Table 4, the findings showed that the level of SEP reporting did significantly influence corporate performance at 0.05 level. Moreover, the company leverage directly affected on company performance at the 0.01 level. However, the study was not able to find any significant relationship between size of company, type of auditor, and corporate performance ($P > 0.05$).

Table 4 Path analysis

Model A: The first layer of full model						
R = .358, R square = .128, Adjust R square = .116, sig 0.000**						
Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients		
A	(Constant)	1161.952	89.880	-	12.928	.000
	Size of company	.002	.000	.251	3.912	.000**
	Type of Auditor	-189.722	58.384	-.208	-3.250	.000**
	Leverage	9.575	11.375	.053	.842	.401
B	(Constant)	2.081	3.830		.735	.463
	Size of company	-6.839E-006	.000	-.040	-.587	.558
	Type of Auditor	2.541	1.416	.121	1.795	.074
	Leverage	-1.037	.270	-.251	-3.843	.000**
	SEP Reporting	.003	.002	.138	1.984	.049*

Dependent Variable of Model A = SEP Reporting

Dependent Variable of Model B = Corporate performance

** Significant at the 0.01 level, * significant at the 0.05 level

Figure 1 below indicated the full path model studied, with SEP reporting as the dependent variable, and the corporate characteristics consisting of size of company, auditor type, and company leverage as independent variables. Alternatively, with company performance as the dependent variable, the corporate characteristics, and SEP reporting can be viewed as independent variables. The results indicated SEP reporting therefore had a significant influence on company performance at the 0.05 level. However, neither size of company nor type of auditor had any direct influence on company performance at the 0.05 significance level, but they did have an indirect significant effect through SEP reporting at the 0.01 level. In addition, the company leverage had a direct influence on corporate performance at the 0.01 significance level.

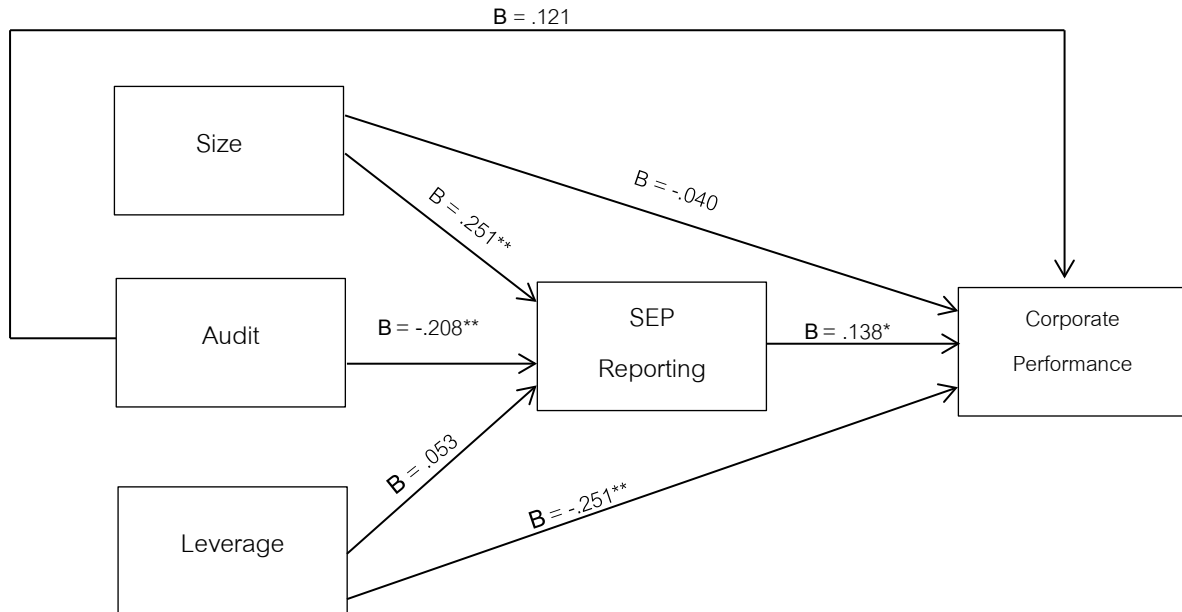


Figure 1 the full path model

CONCLUSIONS

The study's main objectives are to investigate the extent and level of SEP reporting in the annual reports of companies listed on the SET, and to test the possible relationship between corporate characteristics, SEP reporting, and performance. The results indicate that the average level of SEP reporting in annual reports of Thai listed companies was 946 average words. The highest level of SEP reporting is related to the issue of reasonableness, and that the issue of moderation attracted the lowest level of SEP reporting. There are significantly different levels of SEP reporting in annual reports between companies using big-4, and non-big-4 auditors. Size of company, and type of auditor have had a significant effect on SEP reporting. Moreover, SEP reporting, and company leverage are found to significantly influence corporate financial performance.

The study can initiate more research into this topic especially within the South-East Asia where the findings are not different from majority of prior studies on voluntary reporting conducting in developed countries such as USA, Canada, Australia, New Zealand, Japan, and the Europe. For example, the results from this study are consistent with those of Isarangkun and Pootrakool (2007) who finds a positive correlation between SEP reporting and corporate performance after controlling for company leverage. This is because SEP reporting can lead to corporations reducing community, ethical, and environmental conflicts between them and their stakeholders (Kantabutra, 2006). Therefore, corporations that provide SEP reporting generally achieve higher performance in areas such as profit, sales, and image. With regard to auditor type, the results reflect the fact that big-4 auditors in Thailand pay more attention to the SEP concept and reporting than non-big-4 audit firms. Moreover, the result is consistent with the previous studies of Joshi and Gao (2009), and

Suttipun (2012). In common with Raar (2002) the results have shown that larger companies report a higher level of financial and non-financial information, including SEP reporting than smaller companies.

This study provides some contributions to the literature in the area of company reporting. For example the findings suggest that the SEP reporting can be used as a business management tool to help companies to survive and achieve goals such as high performance, good reputation, and high competitive advantage. Moreover, the SEP reporting can help corporations to achieve sustainable development by balancing the economic, social, environmental, and ethical perspectives., The results should, therefore, motivate corporations to integrate SEP issues into their strategic management plans and not to focus solely on economic issues, because SEP reporting can positively affect their business performance. The study's findings also provide an important reminder to governance organizations such as the Thai government, and the SET that mandatory SEP reporting rather than voluntary SEP reporting should be a requirement for companies listed on the SET.

This study has some limitations. First, there are other corporate characteristics which may influence SEP reporting in annual reports such as corporate age, industry type and business type. Next, the study considers only corporate annual reports as its source of information, but there are other media that corporations use to communicate to their stakeholders such as websites, stand-alone reports, and corporate letters which are not studied. Therefore, other factors that may affect the level of SEP reporting in other alternative mediums will be examined in a future study. Finally, the analysis covers SEP information reporting only one year, therefore, the analysis of longitudinal study instead of focusing on one year per corporation can be provided greater and stronger results.

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INTERNATIONAL TRADE: A CASE OF KONE CORPORATION

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ABSTRACT

The case study presents an interesting business of Finnish's service and engineering company, named "KONE." KONE is one of the global leaders in the elevators and escalators industry, which aims to provide the best People Flow experience by developing and delivering products and solutions to move safely, comfortably and smoothly in and between buildings. The study presents an analysis of KONE in its strength, weakness, opportunity, and threat in overall of their business around the world. The export and import of its business are also analyzed to suggest the right policy for KONE to enter to Thai market. The findings of the study found that KONE needs to stay out of the countryside and focus strictly on the fast growing areas of Thailand and need to provide beautiful products instead of just metal boxes that go up and down. KONE can also gain more market share in Thailand by getting very trendy to be environmental friendly.

INTRODUCTION

KONE is an international engineering and service company. It is one of the global leaders in the elevators and escalators industry with approximately 40,000 employees in over 50 different countries around the world. In 2012, KONE had annual net sales of 6.3 billion EURO and operation income of 0.8 billion EURO. The company was founded in 1910 in Finland and its current president and CEO is Matti Alahuhta and owner Antti Herlin. KONE Company's headquarters is located in Espoo, Finland. KONE is known for its innovative and industry-leading products and in 2012 it was included in the Forbes list of the 100 most innovates companies in the world for the second year in a row.

HISTORY

KONE was founded as a subsidiary of Gottfr. Strömberg Oy in 1910. First company was licensed to import Graham Brother's elevators but in 1917, they terminate the licensing agreement and started to make and install their own elevators. In 1924, Harold Herlin bought KONE from Strömberg and since then KONE has been owned by Herlin's family. KONE dominated the Finnish elevator market in the early 1930s, but that market was tiny. During World War II KONE manufactured ammunition and wood gas generators for vehicles. Because bombing of the Helsinki, KONE was forced to move its production to Hyvinkää, 55 kilometers away.

After the war KONE sent 108 elevators 202 industrial cranes and 265 electric hoists to the Soviet Union due to the condition for peace. All products paid for by Finland's government. In 1950, KONE

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expanded its production to automatic doors and hydraulic elevators. KONE's first foreign subsidiary was established in 1957 to Sweden called AB KONE Hissar of Sweden. In 1967, KONE was listed on the Helsinki Exchanges and started its international expansion through the acquisition of Sweden's Asea-Graham and its Norwegian and Danish partners. After that company has expanded abroad.

KONE split into two separately listed companies on the Helsinki Stock Exchanges in June 2005. One company comprise KONE's existing elevator, escalator and building door service business and continue to operate under the name KONE Corporation. The other company contains KONE Cargotec's business area and operates under the name Cargotec Corporation. In 2007, KONE received part of what was then the largest fine ever handed out by the EU Commission for local anti-competitive practices in the elevator and escalator markets in Belgium, Germany, Luxembourg and the Netherlands relating to time prior to mid-2004. In the same year, KONE stopped production of hydraulic elevators and begin replacing them with the Eco-Space MRL elevators due to environmental concerns.

In 2003, Matti Alahuhta became the company's CEO, it represents the latest development in KONE's history. Alahuhta modernizes KONE's organization and improve its performance across the board. He involved key levels of management in defining KONE's vision and values. He launched the KONE Way, which clearly defined KONE's key processes as Customer, Delivery, Maintenance, Solution Creation, and Management & Support. KONE began defining key development programs and issuing regular reports on its progress.

KONE CORPORATION

KONE Company is committed to understanding the needs of its customers. One of the company's main goals is to provide the best People Flow experience by developing and delivering products and solutions that enables people to move safely, comfortably and smoothly in and between buildings in an increasingly urbanizing environment. KONE's main products are elevators, escalators and automatic building doors. Products are known for their industry leading eco-efficiency, innovative technology and great design. KONE offers also different services like designing, construction, maintenance and modernization to support their customers at every step of their building's lifecycle. KONE's key customers are builders, buildings owners, facility managers and developers. Also architects, authorities and consultants who are part of the decision making process regarding elevators and escalators are important client group. KONE has segmented the market according to the purpose of the building. The main segments are hotels, office and retail buildings, residential buildings, infrastructure and medical buildings. They also serve special buildings such as ships, industrial properties and education centers.

Company's organization is divided into two business lines Service Business and New Equipment Business. In 2012, KONE's sell by business was 50% new equipment's and 50% services. KONE is divided in five geographical areas, Americas, Asia-Pacific and Middle East, Greater China, Central and North Europe and West and South Europe.

KONE's aim is to provide the best possible customer satisfaction and best user experience by offering innovative products and solutions. KONE's vision is to create the best People Flow. To achieve this vision, KONE strives to understand customers' needs and desires. By responding these needs, KONE wants to achieve its strategic targets to be the industry leader in profitable growth, provide the best user experience, make KONE a great place to work and serve loyal customers. Part of KONE's vision is People Flow as it is said in KONE's slogan "Dedicated People Flow". People flow experience means enabling to move safely, comfortably and smoothly between and insides buildings. Functional connections within and between buildings are ensure by locating the elevators, escalators and automatic door systems in the appropriate locations as determined by KONE's detailed analyses of the flows of people and goods.

One of the key elements of KONE's business approach is corporate responsibility. KONE is dedicated to operate with ethical business practice, make KONE a great place to work, add value for their stakeholders and take care of the environment. Especially environment responsibility is important to KONE and its long term environmental objectives are improving the eco-efficiency of all the solutions, services and operations.

In 2012, KONE's sales was EUR 6.3 billion and it's operating income was EUR 0.8 billion. KONE has strengthen it's market share and position of one of the leading company in elevator and escalators industry over the years. KONE has increased it's profit year after year. The amount of received orders has also grown constantly for past few years. In 2010, KONE received orders EUR 3.8 billion and EUR 5.5 billion in 2012.

KONE IN ASIA-PACIFIC

KONE entered in Asia-Pacific market over 30 years ago, but it is increasingly focusing on the Asian. There are 30 per cent of KONE's employees working in Asia or the Pacific region. KONE's total sales in Asia-Pacific was EUR 2183.8 Million in 2012 and year before it was EUR 1384.2 Million. KONE's geographical sales in Asia-Pacific areas were 35% in 2012, in previous year it was only 27%. The growth was especially strong in China and Southeast Asia.

KONE is growing fast in Asia because the population is becoming increasingly urbanized, and elevators are needed in the large apartment buildings that are being built. Population is growing fast and people are moving to the big cities. "Growth is not an option - it is the way of keeping society stable" Pekka Kempainen, executive vice president, Asia-Pacific. Asia is one of the biggest and growing markets to KONE Corporation. That can be seen in sales number. In Asia, maintenance market is fragment but growing strongly.

China is the biggest elevator and escalator market in the world and KONE is second largest manufacturer there. KONE arrives China quite late however it brought its most advanced technology there. China is the third largest market for KONE right after the United States and France. KONE sold 65% of its new elevators and escalators in China in 2012. In the same year, KONE open new factory there.

KONE IN THAILAND

KONE first entered Thailand in 1993 and appointed Thai Lift Industries as an exclusive distributor. In 2005, KONE acquired Thai Lift Industries PCL as a major shareholder. KONE became the owner of the subsidiary company in 2009 and changed the company name to "KONE Public Company Limited". KONE's developing has been very fast and it is now becoming one of the top elevator and escalators brand in Thailand. In 2012, one of the highest marketing growths for KONE was in Thailand.

KONE responds requirement of Thailand's market by producing elevator and escalator products with quality and reliability. The most advanced technology combined with environmental friendly, space efficiency, energy efficiency, and cost saving are the distinctive advantages that enable KONE to lead the industry. KONE's escalators and elevators can be found in many permanent buildings around Thailand for example The River, the MET, Millennium Residence, King Power Complex, BTS, Athenee Tower and Peninsula Hotel. KONE supplied 27 elevators and 30 escalators for BTS. They were heavy-duty escalators that were able to cope with the intensive traffic flow and the harsh outdoor environmental conditions. Millennium Residence is a freehold luxury residence, where KONE delivered 25 elevators.

SWOT ANALYSIS

We used SWOT- analyze to study KONEs strengths, weaknesses, opportunities and threats in overall of their business around the world. SWOT-analyzes is a useful tool to get to know the market and see what kind of strengths and weaknesses KONE has right now. Also SWOT-analyze helps looking little further on the future, what kind of opportunities and threats KONE might face.

Strengths

KONE has been able to grow steadily and gain more market share, especially in Asian market. KONE is built in a way that hard time in economy, like recession, don't affect its businesses that much. Their maintenance and modernization services cover a half from their turnover, so even in recession elevators and escalators need renovation and maintenance, KONE can turn this into profit. We think that KONEs main strengths are: Innovativeness, maintenance services, Asia market, operative management, KONEs economic situation, strong order book and clear vision and strategy.

KONE was awarded as 42th most innovative company in the world by Forbes magazine. Such award proves that KONE has up to date technology and they are able to create innovative and more effective

products, which helps in the competition among other players on the market. KONE is nowadays known from its eco-friendly and attractively designed products.

The maintenance and modernization services play important role in KONEs strategy. KONE can make a good profit from the services, but they also give their customers better service. Elevators and escalators need continuous maintenance and renovation. So when recession hits, they can protect their profit and turnover by these services.

Asia market has had a major role in KONEs growth. Growth in Asia has also made KONE less vulnerable of changes in the world economy, when it has three strong markets: Europe, Asia and America. In China, KONE is already the second largest elevator and escalator manufacturer. KONE has been growing in Asia very fast. It had only 12% market share in Asian market in 2005, but now it already has 27% market share. When combining this to growing market of Asia, they have made the Asian market one of their primary markets.

One of the reasons behind KONE's growth since 2005 has said to be its operative management. Under direction of CEO Matti Alahuhta, KONE has made a clear vision and strategy. KONE has also been able to hire skilled employers and management that follows its vision and strategy. Also they have been set up support systems to cover the knowledge inside the company. They have followed their vision to make KONE effective and fast moving company. Thus, vision and strategy are clearly one of KONE's strengths.

KONE's financial statements show that KONE has strong economic status, so they have money to create new and innovative products in the future. Also in the recession, they can cover possible losses with strong economic status for a while. Last strength of KONE is the strong order book, which represents good products from KONE and lots of coming projects.

Weaknesses

KONE doesn't have many weaknesses at the moment. This doesn't mean that, it wouldn't have them in the future. KONE has to stay focused and create continuously new, innovative products that attract their customers. The KONE's biggest weaknesses right now are its competitors and the competition it's facing.

KONE is one of the 4 biggest elevator companies in the world. Others are Otis, Schindler and ThyssenKrupp. Otis and Schindler are still bigger than KONE, so they have better status in negotiating with sub-contractors. Competition also creates price competition that can affect KONEs incomes. To fight back, it has to be innovative and create better products than competitors in lower price. As seen on the table 1, KONE is relatively small comparing to Otis and Schindler when it comes to turnover, but it can manufacture their products more effectively and the products are innovative so customers are willing to pay more for them. ThyssenKrupp elevator didn't announce their results of its own. The results were not shown for ThyssenKrupp group.

Table 1: The comparison of elevator companies

	Turnover	Change to previous year	Operating Profit	Change to previous year
Otis	12.056 billion USD (2012)	-3%	2.512 billion USD	-11%
Schindler	8.746 billion USD (2012)	5.1%	1.089 billion USD	23.8 %
KONE	2.413 billion USD (2012)	16.9 %	1.067 billion USD	13.3 %

Opportunities

Elevator and escalator business is facing lot of opportunities in upcoming years. Asia market is still growing strongly. Urbanization keeps continuing in many Asian countries and in Europe and America is expected to renew and renovate the old buildings. These both markets give lot of opportunities for KONE to continue its growth. When the amount of elevators and escalators are growing, there is increasing needs for the maintenance services.

Threats

Even when KONEs future looks bright right now, it doesn't mean that there isn't any threats. KONE has to able to renew itself and remain innovative also in the upcoming years. Biggest threats that we think KONE is facing in future are: world's economic situation, technology changes, finding competent employees, setting their clear vision and strategy and pricing competition.

No one can be sure, how the world's economic situation is developing. Is Asian market still growing strong and how America and Europe survive from recent fluctuations? KONE is pretty strong in all three markets and it also has its maintenance services that are protecting it right now.

Technology changes mean that KONE must be able to innovate and challenge its competitors also in future. To answer the price competition, KONE has to find new and more effective ways to manufacture their products.

Growing bigger company means usually that you must hire new employees. Finding competent and skilled workforce is also threat especially in Asian countries. Maintenance services are heavily based to handwork, so they have to find people that are skilled sufficiently. KONE has taken this threat already into its account and has built its own training system to educate new employees and also to keep old workforce up to date.

KONE also have to consider the situation of management changes. In Finland, the salary isn't that big and the taxes are quite high, so they have to think how they can keep their operative management and also hire new competent management in future. Setting their clear vision and strategy, the management have to know what they are doing right now and where they are going.

Table 2: Global trends at KONE

Market trends	KONE response
Growing environmental awareness - demand for eco-efficient solutions	KONE has had eco-efficient solutions since market entry in Asia-Pacific; significant expansion of addressable market since 2005 and continuous improvement to keep leadership in eco-efficiency
Affordable housing to provide entry level living for newly urbanized citizen	KONE X Mini product line well positioned to serve this growing segment; constant efforts to further developments
Fast growth of installed base	KONE has strong focus on maintenance conversions and provides KONE Care service solutions that match the needs of different customer needs
Demand for high-end major projects increasing	KONE has high quality customer base in all main markets; focus on further developing sales, sales support and project management capabilities on all markets

PESTE-ANALYSIS OF THAILAND

PESTE analysis is an analyzing method that can be used to describe or to see what kind of environment a new market has or a new place has. It contains political, economic, social, technological and environmental (nature) aspects and is very helpful when looking at the big picture.

Political aspect

In Thailand the political field is very unstable. The revolution in 2006 is a good example. The form of government is a constitutional monarchy under a parliamentary democracy. The King is a strong leader and has a lot of influence on the people and the Government. Government makes the laws and regulations but consults The King. Also the military has a lot of power and is responsible for many revolutions and takes a big role in the battle for the power. There is an ongoing battle between the farmers and the city-folk that has led to some physical confrontations especially in the southern parts of Thailand. Although the King has been in power for a long time the government has changed rapidly.

Nowadays the political atmosphere is very tense. Mostly because the people living outside of big cities feel like they don't have enough influence to the decision making. Corruption is high despite the Governments attempts to control and lower it.

Economical aspect

Asia in general is the most rapidly growing economic-area. It has been able to grow a lot faster than Europe and the United States in the last few decades. Thailand's economy has been growing steadily in the 2000-century. In the year 2010, the growth stopped and it was slightly negative (-3%). But the next year it was positive again although the huge floods in Bangkok slowed it down quite a bit! Thailand's GDP was 345 billion USD and 8,800 USD per capita in 2011. The Bank of Thailand predicts that the GDP will rise 4.7% in the year 2013.

Thailand's economy is vulnerable to worldwide economic-crises because of its openness to trade. Thailand's economy is based on export (70% of GDP) and that makes its currency a bit unstable especially in times of crises. The government has tried to slow down the value rise of the currency but has not succeeded in its efforts.

The growth of the economy is not divided evenly with the whole country, big cities are the concentration points of the wealth and the countryside stays poor. This is the most important factor regarding the political tension. Thailand is a member of the WTO and ASEAN-free trade union.

Social aspect

Religion in Thailand is very different than in Europe or anywhere in the west. People take spiritual matters very seriously and a lot of Thai-peoples habits are based on it. Because of the steady growth of the economy people especially in big cities have a lot more money than they used to. They also like to show it!

The rise of wealth has started a cultural change towards a highly developed country. Everywhere you look in Bangkok you can see people with the new Nokia or Samsung and on the street many BMWs and other European cars. The demand of luxury products and design is there! Cultures have started to mix with each other in an accelerating pace. Globalization has reached Thai-people in a cultural way like the economy. But in the countryside the wealth is not growing as much as in big cities. There is a big difference between city folk and the farmers.

Technological aspect

Thailand is a producer of a lot of high tech products mostly for export purposes tough. But nonetheless people in big cities value high tech products and use them a lot. All of the new construction in big cities are done in a modern way. There are a lot of infrastructure development going on, which KONE is not going to provide elevators to the countryside because of its low state of development. KONE's customers are in big cities where the high buildings are and the infrastructure is developing. But still even the big cities are not up to par considering the people flow. There are a lot of traffic jams all around and public transportation is definitely not up to par. Access to the internet is rather good at least in Bangkok and most parts of developed areas.

Environmental aspect

Thailand's economic growth over the last three decades has been fueled and accompanied by rapid industrialization, urbanization, and by intensified agricultural production and fishing this has led to a lot of environmental problems. It has taken a toll on Thailand's natural resources. Polluted air, water and land has become a huge problem. In response, the Government and people of Thailand have launched new initiatives and innovations to improve air and water quality, reforest degraded land, adopt energy efficient technologies like solar power and invest in pollution abatement schemes. But still there is a lot of work left.

The natural forces are very strong in Thailand especially floods are common and everyone remembers the last tsunami that influenced the whole southeast-Asia. Earthquakes are not very likely in Thailand but there has been some trembles in the past.

HOW CAN KONE USE THIS INFORMATION?

There are a lot of factors KONE has to take under consideration when doing business in Southeast-Asia and more specifically in Thailand. Looking at what political possibilities and threats there are the first thing that comes to mind is the unstable political field. It effects KONE in many ways. Laws and regulations might change in a dramatic matter in a short period of time. That of course affects the field of construction and if not taken to consideration, it might make it difficult to succeed when things change.

The government is doing a lot of development to its infrastucture and buildings, here is an interesting possibility to get some more market share. KONE has done some work for the government before like the escalators to the BTS. It is crucial to upkeep and maintain good relations to the vital organs that decide who gets to take part in new constuction and in the renovations. Now a day, KONE has a good working relationship with the current State officials and maintaining. This should be of the most important customer relationship management (CRM) efforts in Thailand.

Corruption is a difficult matter, KONE is known as a "good" company and it has high moral standards. This is a big threat. Some other company might not have high morals and will do anything to get a bigger piece of the pie, even pribe the officials or the consturction company who make the decision who gets the contract. KONE needs to find and maintain reliable constructors who have high moral standarts as well and who are willing to do things by the book.

Economical situation in Thailand and in the whole Southeast-Asia is very promising for a company like KONE. There are a lot of new buildings rising towards the skyline and many old buildings are under renovation. Ecnomic growth in Thailand has been steady in the last decades. And it has given the Thai-people a chance to improve its infrasturcture and a lot of constructions are ongoing. KONE has to take advantage of this growth! And it has done it very well.

There are few things KONE has to look out for. The unstable curency and the effects of a world wide economic crisis can effect the business in Thailand very much. Thailand is very heavily exporting economy,

this makes it vulnerable to fluctuation. KONE needs to consistently take these matters into consideration in their business plans! When the economic growth slows down or takes some kind of outside hit, KONE has to react to it and have some type of protection against it.

In our opinion, KONE needs to stay out of the countryside and focus strictly on the fast growing areas of Thailand. When the wealth starts to spread to the countryside, KONE has to react and then starts to look for projects outside major cities. Social atmosphere in big cities of Thailand is getting closer and closer to the "Old World". People like to spend money on appearance, design and technology. Old habits have been going down and the social life is going through some changes. Globalization is here.

This evolution of social life increases the demand of beautiful things and KONE has to notice this. They need to provide beautiful products instead of just metal boxes that go up and down. KONE offers a huge variety of different designs for the elevator's interior. Pretty much something to satisfy all customer needs. KONE is ranked one of the most innovative companies in the world, they are in the front line developing new technological advances. If they can maintain this position and keep the innovations coming they will do very well in the Asia market, the fastest adopters of new technology.

Environmental aspect of business is always hard to optimize. How much can a company exploit nature and still be responsible both to nature and to its shareholders? In Thailand, industrialization has taken a huge toll on the natural resources. Now a days, there are a lot of attempts to improve the ecological production and attempts to improve the quality of land, water and air.

KONE is known as a very environmental friendly company and has put a huge amount of money to improve its products eco-friendliness. They try to make products that use less electricity and materials are environmental friendly. This is also a good way to get more market share in Thailand because it is getting very trendy to be eco-friendly. And it also saves money because the cutbacks done in the electricity consumption.

SUMMARY

This paper presents the international trade concept by using the case of KONE. We found that KONE needs to stay out of the countryside and focus strictly on the fast growing areas of Thailand and need to provide beautiful products instead of just metal boxes that go up and down. The factors that impact KONE are political, economic, environmental, social, and technological factors. These factors provide the marketing environmental analysis for KONE to gain market share in Thai market. The results of the analysis shows that KONE can gain more market share by building its products that are friendly to the environment since the trend in Thai market become focusing on the low-carbon products that do not destroy the environment.

Future research should include more international matters such as international environments, exchange rate, etc. Further quantitative analysis (i.e. statistical analysis) will be conducted to confirm the factors impacting KONE. Finally, the study provides various contributions to KONE for entering the elevator market in Asia. The findings suggest that KONE could benefit from the growing number of high rise buildings

(i.e. condominium). The warning of threat from Chinese's elevator products can hinder the success of KONE in Asia market.

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TRANSITION OF FDI INCENTIVES AND REGIONAL DEVELOPMENT

*Yuzuru Utsunomiya****ABSTRACT**

The purpose of this study is to consider the influence of the transition of the Thai government incentives on foreign direct investment (FDI). From 2015, BOI (Board of Investment, an agency of the Thai government) will change its policy which has been in place for more than 40 years. This transition will affect not only foreign enterprises but also domestic companies.

Using data from the Thai industrial census of the National Statistical Bureau, we evaluate whether BOI promotional incentives and some other factors affect the number of enterprises by region. We also evaluate whether operation period and other factors affect the number of enterprises by region.

We found two results. First, the existence of BOI promotion is not a determining factor for FDI. Foreign companies tend to expand to Bangkok and its surroundings regardless whether the promotion exists or not. Second, operation period is significantly different by region and industry. It is interesting that operation period in each of the region is not likely to be different.

We concluded that the policy transition is worth implementing. If the government continues the conventional policy, economic disparity would not be solved. Rural areas should develop their own regional society by themselves. Foreign enterprises seem not to be so dependable as a player to contribute to regional development, since they do not prefer the regions.

PURPOSE

The purpose of this study is to consider the Thai government's FDI (Foreign Direct Investment) policy incentives transition and its influence on regional development focusing on duration and existence of BOI promotion.

Enormous number of prior researches regarding Thai economy and company exist. Thailand remains a very promising research subject for social scientists in the world. There are however, no research giving an overview on contemporary Thai economy and industrial status. It is now when we should confirm a whole picture regarding Thai economy and the status.

From 2015, the BOI (the agency of the Thai government promoting FDI into the country) will change its promotion policy. Since it has been established in 1977, the agency has kept on seeking to overcome regional economic disparity in Thailand. By zoning the whole country into three districts and differentiating promotion initiatives, it has tried to attract foreign direct investment toward relatively rural and poor areas, called ZONE 3. Regarding the regional segmentation, refer to the following list.

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- ZONE 1: Bangkok and its surrounding provinces, containing Bangkok, Nakhon Pathom, Nonthaburi, Pathum Thani, Samut Prakan, and Samut Sakhon provinces.
- ZONE 2: Intermediate areas ZONE 1 and ZONE3, containing Ang Thong, Ayutthaya, Chachoengsao, Chon Buri, Kanchanaburi, Nakorn Nayok, Ratchaburi, Samut Songkhram, Saraburi, Supanburi, Phuket and Rayong. Provinces.
- ZONE 3: Includes 59 provinces far from Bangkok such as Chiang Mai, Udon Thani, and Nakhon si Thammarat. These regions are given priority as far as poverty reduction issues are concerned.

Many foreign companies have used the promotion when they have expanded to Thailand. According to BOI website, in 2013, 2,237 companies have used its promotion (http://www.boi.go.th/index.php?page=statistics_foreign_direct_investment). 1,132 of the companies are foreign ones or joint venture together with Thai companies. 1,040 of them are genuine Thai ones.

It should be noted that the policy has not been changed for more than 30 years which brought stability in the business environment in Thailand.. Foreign companies consider the stability as one of the most vital merit to invest Thailand and many prior researches have focused on its social roles (Atthirawong & McCarthy, 2001; Bhatnagar & Sohal, 2005; Buurman & Rietveld, 1999; Goss & Burch, 2001; Hobday & Rush, 2007; Kittiprapas & McCann, 1999; Laothamatas, 1988; Lauridsen, 1998, 2004; Meijboom & Vos, 1997; Nakagawa, 2004). From 2015, BOI will amend its promotion policy to attract more knowledge-intensive industries such as biochemistry, probably to avoid so-called middle income trap. This transformation means that regional development will take a backseat to others. For foreign companies, the business situation will change dramatically. Our primary question is to consider whether BOI contribute to regional development.

Object and Method

To consider the question, we use Thai industrial census statistics published by the National Statistical Office of Thailand in 2007 which could be uploaded on the website (http://web.nso.go.th/eng/en/stat/indus/indus_07.htm) and are useful to analyze. Samples of the statistics were collected from six regions of Thailand, Bangkok, suburbs of Bangkok, central, northern, northeastern and southern areas.

The statistics cover manufacturing industries in Thailand. This time, we consider 2-digit-class 23 industries described below. Each of the number in the list classifies each of the industry.

1. Manufacture of food products and beverages
2. Manufacture of tobacco products
3. Manufacture of textiles
4. Manufacture of wearing apparel dressing and dyeing of fur
5. Tanning and dressing of leather manufacture of luggage
6. Manufacture of wood and of products of wood and cork
7. Manufacture of paper and paper products

8. Publishing, printing and reproduction of recorded media
9. Manufacture of coke, refined petroleum products and nuclear fuel
10. Manufacture of chemicals and chemical products
11. Manufacture of rubber and plastics products
12. Manufacture of other non-metallic mineral products
13. Manufacture of basic metals
14. Manufacture of fabricated metal products, except machinery
15. Manufacture of machinery and equipment
16. Manufacture of office, accounting and computing machinery
17. Manufacture of electrical machinery and apparatus
18. Manufacture of radio, television and communication equipment
19. Manufacture of medical, precision and optical instruments, watches
20. Manufacture of motor vehicles, trailers and semi-trailers
21. Manufacture of other transport equipment
22. Manufacture of furniture manufacturing
23. Recycling

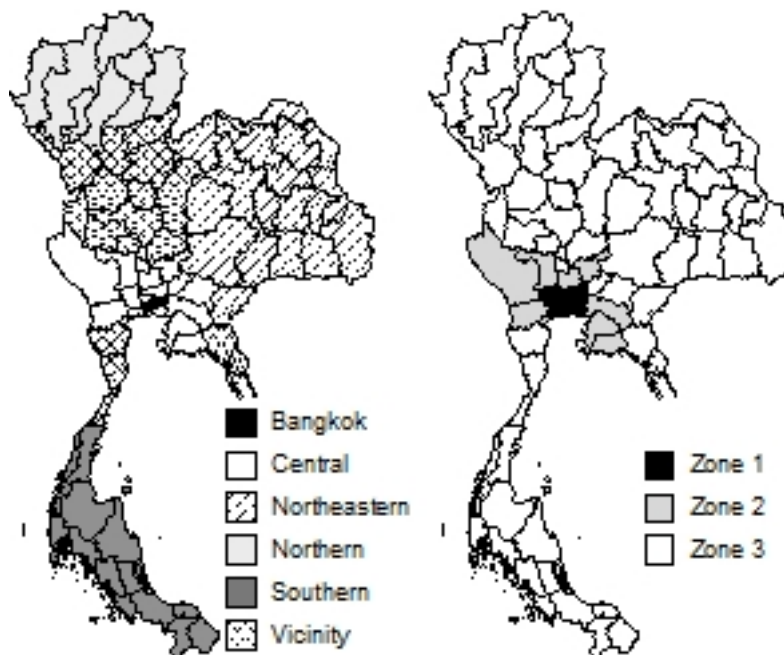


Figure 1 Regional classification by Thai industrial census (left) and BOI regional criteria (right)

Some prior researches used the statistics (Ito, 2004; Kohpaiboon, 2006; Lekuthai, 2006; Nishimizu & Page Jr, 1986). The statistics, however, include some problems. First, the statistics result from sampling survey although they are CENSUS. In some regions and some industries, response rate is quite low. Second,

sometimes measures and category differ by region. For example, in a statistics of company size in Northeast region, criteria of capital amount differs from other region. When we use the statistics, we should consider their characteristics.

It is interesting that the regional segmentation is similar to BOI's regional criteria. Other than some provinces around Bangkok, ZONE 1 includes Bangkok, known as density-populated region in Thailand. In other words, ZONE 1 is mostly equal to Bangkok in the Thai industrial census. ZONE 2 is mostly equal to suburbs of Bangkok in the Thai industrial census. ZONE 3 includes most of the north, northeastern and southern areas in the census. Looking at figure 1, we can confirm the similarity between the BOI criteria and regional segmentation by Thai industrial census.

The statistics data collected dealt with main aspects such as capital stock. Particularly, we focus on the following measures.

- BOI promotion: Every sample is classified whether it uses BOI promotion or not.
- Operation period: Every sample is classified by class of operation period, "less than 5 years", "from 5 years to 9 years", "from 10 years to 19 years" and "more than 30 years".

To estimate whether the two factors above and others affect the number of enterprises we employ analysis of variance (ANOVA). This time, we employ nested two-way ANOVA. Each of the industry is nested in the region, since industrial distribution may differ by region and the difference may be affected by the region. For example, automobile assembly and its parts suppliers gather in Thailand and make some clusters (Busser, 2008). This fact means that industrial location may be influenced by region. If BOI promotion policy achieve its targets successfully, the number of enterprise will not different by region. In other words, the number of enterprise will not be affected by region, since BOI promotion policy try to lead foreign direct investments toward ZONE 3 or ZONE 2, relatively rural and poor areas. Considering industrial cluster, to estimate existence of BOI, we should estimate an interaction of BOI and region at a time.

Similarly, if its promotion policy achieve a target successfully, the number of enterprise is not different by region and operation period.

The applied data is log translated to fit ANOVA supposition. ANOVA requires data with normal distribution. The data, however, does not always show the distribution. For details of the number and distribution of enterprises by region and the factors, refer to appendices A and B.

RESULTS

First, regarding operation period, the number of enterprise among the regions is significantly different at 5% level (Table 1). Besides, interaction of region and industry is also different. It is interesting that the number and proportion of enterprises belonging to the longer period (more than 30 years) are not so different by region. In Bangkok, the number (proportion) of enterprises operating for more than 30 years is 2,744

(6.6%). In other areas, we can find similar numbers, 6.4% in central region, 7.5% in Northeastern region, 4.9% in Northern region, 7.4% in Southern region and 4.8% in the vicinity of Bangkok. From the viewpoint of operation period, regions other than Bangkok and its surroundings are not different. Of course, the viewpoint does not consider size of enterprise. Volume of employment in Bangkok and its surroundings seems to be far more than other regions.

Second, proportion of BOI-promoted enterprises differ . In Bangkok and surrounding areas, there are 4,891 enterprises which are more than in other districts. There are 217 enterprises in the northeastern region, 548 in the northern region and 300 in the southern region. In the regions other than Bangkok and its surroundings, status of BOI-promoted companies is not as important as others. In other words, companies expanded into regions independent of the enterprise distribution offered by BOI. Foreign enterprises expanding to Thailand prefer Bangkok and its surrounding areas. Promotion policy of BOI to attract foreign companies to ZONE 3 seems to have been implemented in vain.

Table 1 ANOVA results (Operation period)

	Df.	Sum. Sq.	Mean Sq.	F	p
region	5	59	11.82	50.906	< 2e-16
industry	22	3427	155.79	670.768	< 2e-16
class of period	5	656	131.25	565.114	< 2e-16
region:industry	110	668	6.08	26.159	< 2e-16
region:class of period	25	12	0.49	2.125	1.21e-03
residuals	660	153	0.23		

ANOVA results supports the results (Table 2). As for the number of enterprise by industry and existence of BOI promotion, interaction of region and existence of BOI promotion affects significantly at 5% level. This means that foreign companies consider their location and BOI promotion when they expanded to Thailand. It is interesting that interaction of region and industry is not significant. Regarding existence of BOI, industrial accumulation may not affect the number. Characteristics of industrial location is likely to be independent of the number.

Of course, there are some companies expanding in the regions and they have vital roles to play in the local economy and employment. Currently, some companies come to expand into the areas.

Table 2 ANOVA results (Existence of BOI)

	Df.	Sum. Sq.	Mean Sq.	F	p
region	5	92.9	18.6	12.158	1.07e-09
industry	22	698.4	31.7	20.78	< 2e-16
existence of BOI	1	717.2	717.2	469.493	< 2e-16
region:industry	110	148.4	1.3	0.883	0.749
region:existence of BOI	5	44.7	8.9	5.857	6.4e-05
residuals	132	201.6	1.5		

DISCUSSION AND CONCLUSION

The purpose of this study is to consider the transition in the Thai government's incentives to attract FDI and its influence on regional development by focusing on operation and existence of BOI promotion. Using Thai industrial census, we estimate how BOI promotion policy has contributed to solve regional disparity and development.

Our results demonstrate two facts. First, the promotion policy of BOI was not fully successful. The number of enterprise is not affected by the interaction of region and existence of BOI promotion. Whether there is promotion or not, foreign companies tend to expand in Bangkok and its surroundings. In other regions, local companies are still dominant from the viewpoint of existence of BOI promotion. Second, among the regions, from the viewpoint of operation period, interaction of region and industry affects significantly. However, the number and proportion of enterprises operating for more than 30 years is not different among the regions.

Regarding regional development, we would like to conclude that political transformation of BOI is worth implementing. Large enterprises tend to gather around Bangkok and its surroundings until now. No matter what incentives BOI offers to foreign companies from now on, they do not always locate outside of Bangkok. Besides, Thai society cannot avoid a depopulation society. To make full use of its labor force, Thailand should switch its promotion policy to more knowledge-intensive industries.

Other areas need to develop by themselves. At least it is challenging to attract enterprises to the suburb and rural areas of Thailand. Foreign enterprises are not always promising players regarding employment generation. Luckily, up to 10% of enterprises are able to survive in every region. By supporting such experienced companies, employment could be generated in the regions and indigenous regional development without BOI support could be accomplished.

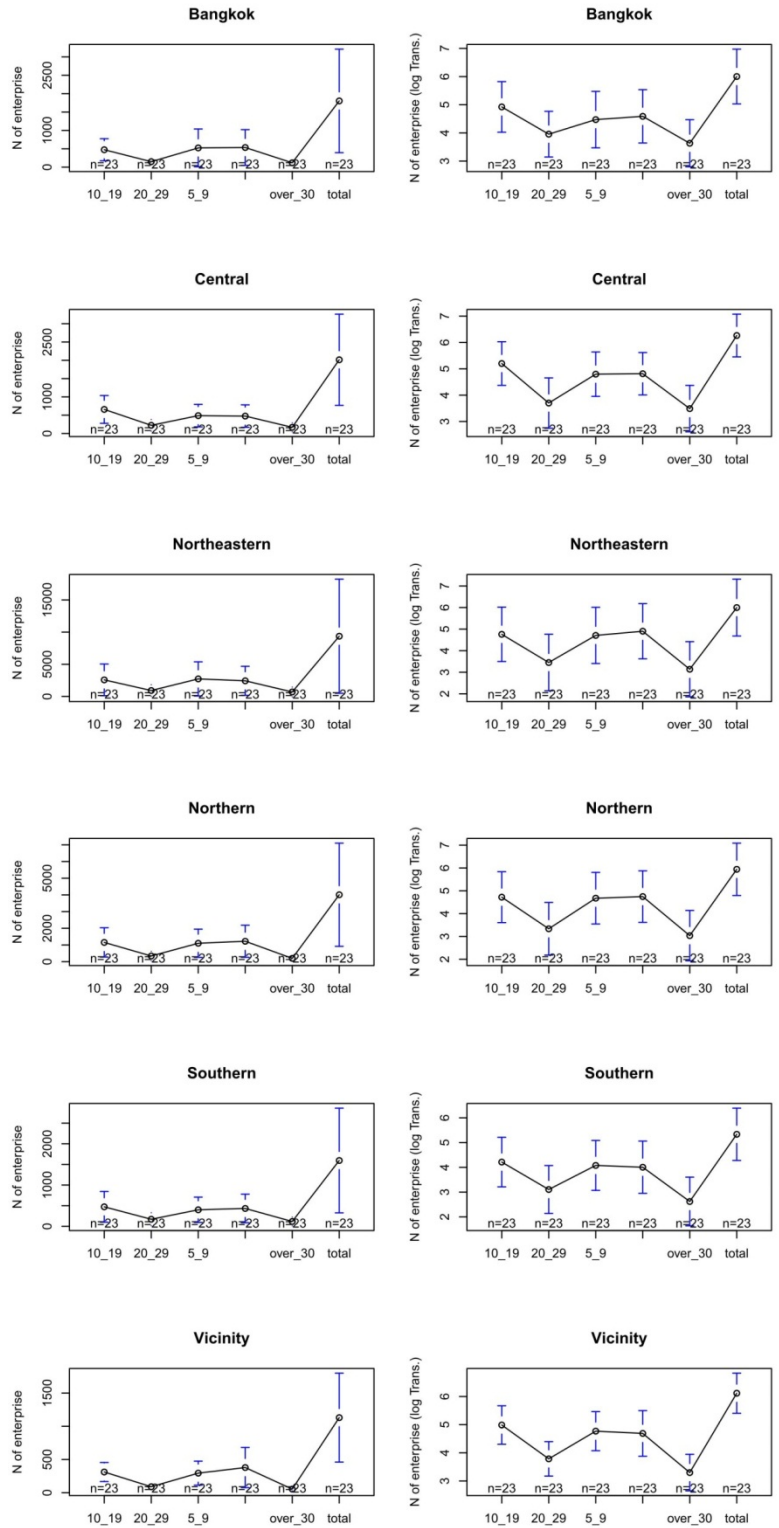
Finally, we would like to influence of current policy change. First, so-called 300 Thai Baht policy, a company must pay 300 THB for workers in minimum, may work disadvantageous for a company locating ZONE 3. Considering transportation cost, locating around Bangkok is advantageous for a company, since

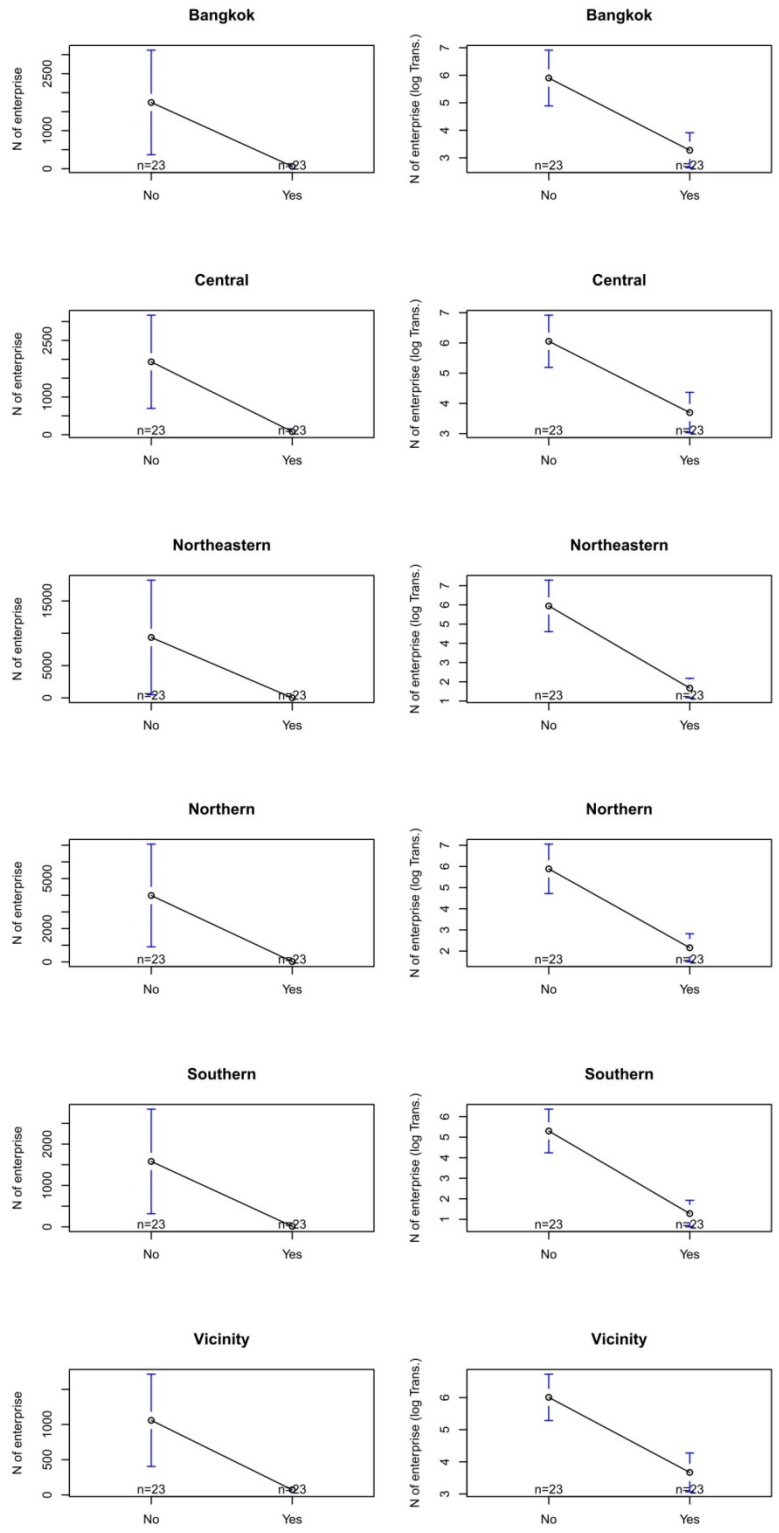
convenient and easy-access transportation for overseas sites such as a large airport and seaports are accumulated around the region. AEC (ASEAN Economic Community), however, may change the situation. In 2015, AEC will be implemented and a resident will be able to move around the region as a worker without strict registration. Many workers may come to Thailand to find a better job. When a company will pay the minimum wage for the foreign workers, some of them may prefer jobs in a rural workplace. In such area, living cost is often cheaper than that in other area. As a result, the workers are able to transfer part of their wage to their origin more. Especially for a company labor-intensive and skill-dependent technology, AEC may work better and provide an opportunity to hire more capable foreign workers.

Appendices A the number and proportion of enterprise by region, operation period and existence of BOI promotion

Operation period	Bangkok		Central		Northeastern		Northern		Southern		Vicinity	
	N	%	N	%	N	%	N	%	N	%	N	%
less than 5 years	12,311	29.7	10,940	24.1	55,917	26.0	28,097	30.5	9,961	27.2	8,717	33.6
5-9 years	12,046	29.1	11,221	24.7	62,751	29.1	25,318	27.5	9,207	25.1	6,777	26.1
10-19 years	10,909	26.3	15,144	33.4	59,278	27.5	26,498	28.7	10,865	29.6	7,155	27.5
20-29 years	3,448	8.3	5,142	11.3	21,227	9.9	7,785	8.4	3,941	10.7	2,070	8.0
over 30 years	2,744	6.6	2,895	6.4	16,125	7.5	4,515	4.9	2,702	7.4	1,256	4.8
total	41,458		45,342		215,298		92,213		36,676		25,975	
Existence of BOI promotion												
Yes	1,367	3.3	1,878	4.1	217	0.1	548	0.6	300	0.8	1,646	6.3
No	40,093	96.7	44,460	95.9	215,078	99.9	91,662	99.4	36,371	99.2	24,349	93.7
total	41,460		46,338		215,295		92,210		36,671		25,995	

Appendices B meanplot of the number of enterprise by region, operation period (Left: unadjusted; Right: log translated) and existence of BOI promotion





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INTRODUCING REVENUE MANAGEMENT TO SME HOTELS IN CHIANG MAI, THAILAND: PRELIMINARY RESULTS

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ABSTRACT

The purpose of this paper is to explore how to introduce and operationalize Revenue Management (RM) in the small and medium hotel industry in Chiang Mai, Thailand. Introducing RM poses particular problems given the limited size and technical and organizational capabilities of SME hotels while also opening a door to the professionalization of its management in terms of marketing, IT, human resource management, and organization.

The theoretical background of the paper is institutional theory, notably the role played by routines in institutionalizing management practice. Building on extant research, routines are separated in ostensive and performative routines; the first consisting of the formal normative knowledge of what constitutes proper revenue management, and the latter capturing the daily practices of revenue management that make up and constitutionalize revenue management as it is.

The research study is based on a mixed-method, participatory action research project, consisting of a research design split into two parts. In the first stage, on which this paper reports, the existing situation of the use of revenue management practices is established, using a structured interview questionnaire on the social and technical drivers of Revenue Management (RM) in the SME hotels. The interview results were analyzed, using nine different categories of technical and social drivers of RM, resulting in a series of narratives, one each for the two driver categories and an overall narrative. These were then fed back to the participating hotels for interpretation and establishing the priorities for the second stage of topical workshops and collaborative learning

The narratives show that there is a tension between aspiration and capability. Capability is grounded in daily routines and tacit mindset, and based on the owner-manager relationship where financial logic provides the common denominator. Professional management is defined in (social) relations' terms, but not in

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technical (professional skills) terms. The concepts of ostensive and performative aspects of routines are used to analyze the narratives further, and to suggest the development of a 'foundational cognitive routine' that allows all parties to understand each other before moving forward with implementing RM and, with it, introducing systematic professional management

INTRODUCTION

This paper reports on the findings from the first stage of a research project (2013-2014) on introducing revenue management to small and medium-sized hotels in Chiang Mai, Thailand. Revenue Management (RM) is often considered a quantitative tool focusing on optimizing sales revenue for organizations with fixed, perishable capacity inventories operating in a market with dynamic demand. It allocates and prices available capacity according to a demand curve determined by a willingness-to-pay over a given time period, using an algorithm based on obtaining optimal margins. Developed as an Operations Research technique on demand-management within the airline industry (Talluri & van Ryzin, 2004), revenue management has spread quickly to all service sectors in which demand and perishable capacity exist (Ng, 2008). One such industry is the hotel industry, where revenue management is commonly used to simultaneously price and allocate rooms, obtaining the highest possible overall financial margin across available capacity (Hayes & Miller, 2011)

For the tool to be effective the following four categories of conditions need to be fulfilled (Berman, 2005, p. 171):

Demand Characteristics	
	Significant variation in demand by time of day, season, day of week
	Demand that is capable of being segmented
	Significant differences in price elasticity by market segment
Existence of Reservations	
	Demand is somewhat predictable
	Service is reserved by consumers in different time periods (ranging from well in advance to just before the service expires)
	Uncertainty of actual usage despite reservations creates possibility on unsold capacity (protected against through "over-booking")
Cost Characteristics	
	Low costs of marginal sales in comparison to marginal revenues
	High fixed costs
Capacity Limitations	
	Capacity is relatively fixed. The fixed number needs to be allocated among customers.
	Service providers have excess capacity at certain times and excess demand at other times. When demand peaks, many services face binding capacity constraints that prevent serving additional customers.
	Capacity is perishable. It cannot be stored. Revenues from unsold services are lost forever.

As can be observed from the above, the application of the tool requires the presence, understanding and use, of data on customer demand and temporality, capacity, pricing, and costs. To be effective, the tool needs to be embedded in an organizational context in which expertise and software running the optimization algorithm are combined, and in which a conscious marketing effort toward designated customers segments has been completed. In other words, applying and implementing revenue management is neither a 'neutral' nor stand-alone matter; several enabling conditions need to be put in place first. It is not only about the tool, it is also about understanding and use of the tool, and how it is being used as a recurrent practice in the hotel industry.

An immediate consequence of this 'contextual requirement' is that the tool, and the use of the tool, is the prerogative of often-large organizations that can afford the expertise, systems, and organization format. This acts as an effective "barrier to entry" when it comes to the benefits of using revenue management; small and medium-sized organizations are excluded from optimizing their margins (and overall profitability) based on their size and financial capacity – "it is expensive to get rich". Effectively, this exclusion narrows the strategic choices for SMEs to primarily competing on cost, assuming the market sets that price. The implication is that SMEs in the hotel industry are indirectly forced to narrowing their competitive basis, and observe two parameters only – price and cost – to obtain the necessary profitability to survive and stay in business. In the situation that there are many SMEs, this means a murderous price competition and very thin margins, with the economic behavior dictated by price following and the subsequent "race to the bottom".

The purpose of the project on which this paper reports is to counteract that narrow competitive base by introducing a third factor to compete on – margin optimization via optimizing forecasting and capacity allocation, i.e., establish revenue management as a tool, practice and a routine, within service SMEs, notably hotel industry.

Research on the conceptualization and operationalization of RM is relatively limited, notably when considering service industries other than airlines, such as the hotel industry, especially considering SMEs. Operationalization studies tend to focus either on large hotel chains (Okumus, 2004) or on firms in developed economies (Europe, USA; Bonnemeier, Burianek & Reichwald, 2010; Queenan, Ferguson & Stratman, 2011) This provided our initial research question: *how to beneficially introduce and operationalize revenue management (technically and socially) to (hotel) SMEs, notably given their limited size and organizational capabilities?*

Technical and Social Drivers in Revenue Management

Extant research on revenue management has started to indicate the need for enabling and necessary conditions to be in place before the optimization tool could even start to be used (Queenan et al., 2011; Roberts, 2007). Specifically, based on insights from socio-technical systems design that suggests a complementary and simultaneous presence of context and technique, a distinction was made into two sets of "drivers" (factor categories) that are required to operationalize RM – technical and social drivers. Technical drivers refer to the instrumental requirements of operationalization, while social drivers refer to the contextual

requirements. Following the work by Queenan et al. (2011), we distinguish the following sets of drivers, each of which acting as independent variables on successful implementation of RM:

Technical Drivers (and definitions)	
Market segmentation	The process of classifying customers into groups, based on observed – or inferred – characteristics, behaviors, and preferences (Talluri & van Ryzin, 2004, p. 579)
Pricing	The process of setting rates to try to extract the optimal revenue from the firm’s customers (Dutta, Zbaracki & Bergen, 2003; Vorhies & Morgan in Queenan et al., 2011, p. 174)
Forecasting	The process of predicting future demand for a firm’s product (Queenan et al., 2011, p. 174)
Capacity allocation	The decision whether to accept or reject an offer to buy; how to allocate capacity to different segments or channels; when to withhold a product from the market and sell at later points in time (Talluri & van Ryzin, 2004, p. 3)
Information technology	The hardware, software and people necessary to configure and maintain information systems in support of the business (Queenan et al., 2011, p. 174)
Social Drivers	
Organizational focus	A cross-functional effort to improve RM at all levels, including executive management (Queenan et al., 2011, p. 176)
Aligned incentives	The extent to which a firm gives motivation to individuals to choose the best action for the firm (Queenan et al., 2011, p. 176)
Organizational structure	The firm’s hierarchy and relationships within the hierarchy which influence decision-making and information flow (Queenan et al., 2011, p. 176)
Education & training	The process of educating employees in RM fundamentals and how to use available tools (Queenan et al., 2011, p. 1746)

These two sets of drivers are taken as the definition of our implementation universe. Of course, this descriptive reality is very much open to further research, both in terms of the business reality in which SMEs operate and in terms of the developing country context in which these SMEs are located. This resulted in a refinement of our research question to, *which of these (two categories of) drivers need to be prioritized in order to implement RM in (hotel) SMEs?*

Emergence and change of revenue management routines

From a conceptual perspective, we theorized that operating RM constitutes the introduction and use of new management practices (leading to routines) in the SMEs of the hotel industry, involved. This suggests a theoretical framework that actively deals with and has routines at the center of its epistemological core – which is institutional theory. Institutional theory focuses on the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemes, rules, norms, and routines, become established as authoritative guidelines for social behavior (Scott, 2004). Different components of institutional theory explain how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse (Scott, 2008).

One of the most rapid growing research domains in institutional theory is institutional logics (Lounsbury & Boxenbaum, 2013). Thornton and Ocasio (2008) define institutional logics as the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality.

Given that revenue management as a tool (and as material practices) is discussed within the fields of Operations Research, Hospitality Management, and Management Accounting, we choose to base ourselves on extant, institutional theory-based research in management accounting (Burns & Scapens, 2000), notably on the literature on the emergence and change of management accounting routines (Van der Steen, 2011).

From this perspective, revenue management as a routine exists both in principle and in practice. “In principle” means here that routines involve the ‘understandings by the actors involved; they are subjective and can vary considerably among individuals’ (Van der Steen, 2011, p. 510). This aspect of routines emphasizes not only the routine itself, but also how the actors understand it. Feldman and Pentland (2003) refer to this cognitive representation of a routine as its *ostensive aspect*. They argue (Pentland & Feldman, 2005, p.796) that the ‘ostensive aspect of routines may be thought of as a narrative, which incorporates the subjective understandings of organizational members, embodied in discourses common to a particular social setting’. The ostensive aspect of routines is difficult to observe; it can only be inferred from materials, like written down rules and regulations, reports, meeting minutes and transcripts of interviews (Van der Steen, 2011).

Revenue management as routines in practice means the ‘specific actions taken by specific people at specific times when they are engaged in an organizational routine’ (Feldman & Pentland, 2003, pp.101-102). They are actions taken by individuals, in the context of interaction; others are involved in the (recurring) action and are able to observe the (recurring) action taken (van der Steen, 2011). It is described as the *performative aspects* of routines (Feldman & Pentland, 2003).

The relation between the performative aspect and the ostensive aspect can be characterized as reciprocal. Routines as processes is a direct result of the relation between the two aspects (Becker, 2004; Van der Steen, 2011) the performative aspect gives rise to change through improvisation in successive

reproductions of the routines, and processes of improvisation enabled or constrained by discourses and materials, the ostensive aspect (Van der Steen, 2011). This resonates strongly with the reciprocity in technical and social drivers of RM operationalization.

The research question at the theoretical level, thus becomes, *how to describe the emergence of new management routines based on the ostensive and performative aspects of routines?*

The research design

The research design is based on qualitative research using a mixed-method of quantitative case survey of existing conditions to frame the subsequent qualitative development of its instrumental processes (Yin, 2011; Modell, 2009; Westhues, Ochocka, Jacobson, Simich, Maiter & Janzen, 2008). That is, first, we use a case survey based on a structured-interview questionnaire, based on Roberts (2007), to assess the status quo of existing revenue management techniques in SMEs within a 60-200 room capacity range in the urban area of Chiang Mai city, Thailand. This qualitative first-stage subsequently provides the basis for the second stage. The latter uses participative action research methods (Whyte, 1991) to develop a series of workshops in which the SMEs are collaborating with an academic moderator to acquire the necessary capabilities to implement RM.

An important aspect of the research design is the active involvement of the Thai Hotels Association Upper Northern Chapter, both in terms of providing access to its (SME) membership and in terms of involvement in collaborative activities.

The sample in stage one consists of 20 hotel SMEs located in the downtown area of the city of Chiang Mai, Thailand, a famous tourist destination in its own right with an extensive hotel and hospitality sector. Each hotel was interviewed for multiple hours, frequently providing its general manager (GM), marketing manager and/or financial manager as interview partners.

The interview questionnaire contained a series of closed (yes/no) and a series of open questions. It is largely based on the questionnaire used by Roberts (2007) for her doctorate research study on revenue management performance drivers in US hotels. The interview questionnaire and the interviews are in the Thai language, and have been pretested with members of the hotel association, both on their recognizable practices described and on the proper use of Thai terminology (as the original questionnaire is in English). This led to a reformulation of several of the original questions and dropping a few questions, which are not applicable to the Thai context of SME hotels, mostly related to information systems.

Once completed, all 20 interviews questionnaires were translated back into English, and analyzed using qualitative techniques (Corbin & Strauss, 2008; Boyatzis, 1998). The analysis was undertaken during several sessions and by the full research team, consisting of four Thai researchers and two Dutch researchers. This resulted in a series of narratives; one for each of the nine elements in the two driver categories, two aggregated (axial coded) narratives for the categories, and a thematically coded narrative across both categories. These narratives are reported upon in the next paragraph.

For each one of the nine as well as both axial narratives were fed back to the assembled case interview hotels, with the requests to comment on each, and to suggest which topical workshops for the second stage would be preferred. For that purpose, all participating hotels were invited to attend; about 16 did, sending 2-3 of their management and staff (GMs, Marketing, Finance functions). During the feedback session, the hotels were clusters into three groups (small, medium, and large hotels, based on room capacity) in order to provide relatively homogeneous feedback from their perspective. The feedback session lasted 4 hours and was attended by representatives of the Thai Research Foundation (the project's funding agency) in the capacity of observers. It was the first time that the TRF had funded an action-research project with business organizations, and they were keen to observe how this played out.

Findings: Narratives on Technical Drivers

The technical drivers are largely covering the components that are part of the revenue management calculation, and relate to computational input and output factors. For the revenue management "technology" to work, its informational "raw material" is rather demanding. In that respect, the scaling of RM to SME hotels will provide selective challenges to its computational complexity and validity.

These technical drivers consist of the following (Queenan et al., 2011; Roberts, 2007), see the appendix for the questionnaire used:

- Market segmentation, to manage demand fluctuations through targeted marketing strategies (15 questions)
- Pricing, to set rate classes to optimize total revenue (18 questions)
- Forecasting, to provide demand estimations (7 questions)
- Capacity allocation, to achieve optimal capacity occupancy (16 questions)
- Information technology, to provide the necessary data input (9 questions)

The market segmentation narrative is actually a narrative about sales rather than marketing. For the sake of sales efficiency, all SME hotels segment their market but do so by identifying the same categories of customers notably government and corporate customers. Similarly, all SME hotels do marketing planning in terms of estimating the amount of customers originating from each buyer pool; but these estimations are not compared against actual numbers (i.e., there is no variance analysis, neither accumulative year-to-date nor comparatively present period versus past period).

The pricing narrative is relatively straightforward, notably when compared to the elaborate set of questions asked. Pricing is based on cost mark-up, is (demand) volume driven, is about tangible/physical service elements (including location), and is not based on market research. The marketing department actually functions as a sales department and in charge of discretionary price setting together with the owner or general manager.

Forecasting shares a similar straightforward narrative with the pricing driver. Although the software packages used, allow for basic forecasting, it is almost entirely absent. And as far as it is done, there is no analysis or check of forecasted data against the reality of actual data.

The capacity allocation element provides a key variable within the revenue management computational technology, but can equally count on a short shrift narrative. Occupancy information and decisions are driven by the calendar; there is capacity management in terms of (over)booking while data (on auxiliary spending and customers), decision criteria, and allocation systems all exist, but are not connected to actual allocation decisions nor to concepts of service marketing segmentation.

The Information Technology (IT) technical driver addresses the provision of relevant data input and provides a narrative that revolves around an anxious gap between needing it and doing it. There is a big interest in IT in general, but the link with revenue management and the actual decision-making use of the generated data from the system, is not clear. The IT systems themselves are industry standard (Fidelio, Opera, Comanche, EasyFlow) but generally purchased some time ago and not revised. Technical maintenance is done regularly and relates to software updates of the existing package.

The overall narrative emerging from the technical drivers, after axial coding, largely revolves around a tension between aspiration and capability. The capability is grounded in the daily routines and tacit mindset from which SME hotels find it hard to wrest themselves. This is visible at both the level of the individual hotel and at the level of the group of SME hotels. Everyone defines the same cake and battles for a share of that same cake. Developing a competitive marketing strategy to depart from a bland similarity is possible; the data as raw material and building block is available but used only for very immediate purposes (cash flow, payment, booking). Use of data depends on the skill and experience and background of the GM. Similarly, software packages are there but are not used for analysis or decision-making. Data-driven management is subjacent to gut feelings based on industry experience and tacit interpretation.

This tacit characteristic is perpetuated by the hiring and promotion practices. Managers are hired because of their existing link to specific customer categories and groups, thus guaranteeing a simultaneous access and acquisition of a new sales component; when managers move, their customer base moves with them. Eventually, "their" customer base promotes them into a GM position. Thus, the external relational capital of an individual creates sales revenue increases and constitutes a longitudinal career path within the sector. Professional management, therefore, is defined in (sales) relational terms and not in technical (professional skill) terms. This limits possibilities to promote innovation and professionalization that accompany the RM "managerial technology".

Findings: Narratives on Social Drivers

The social drivers related to introducing revenue management refer to the antecedents and necessary conditions that need to be in place before starting using the technique itself. These social drivers consist of the following (Queenan et al., 2011; Roberts, 2007), see the appendix for the questionnaire used:

- Organisational focus (12 questions)
- Organisational structure (22 questions)
- Aligned incentives (12 questions)
- Education & Training (18 questions)

The narrative related to organizational focus is that most SME hotels have sales, IT and HRM budgets, are interesting in working further on the topic of revenue management (RM) for a 3-6 month period, and claim to do RM already. However, when contrasted with the technical drivers, it seems that this claim is based on undertaking sales activities in general. Expectations of working with RM are to improve profitability, based on existing criteria on room sales, auxiliary service revenues, and F&B and meeting revenues. In other words, RM is focused in the functional areas of Sales, Information Technology and Human Resources, with a clear recognition of its financial impact and characteristics.

The organizational structure narrative is broader than the organizational focus narrative, and addresses structure and processes. It states that the organization chart is primarily used for work organization in terms of job descriptions and work/task coordination. There is a felt need for new functional areas to be visible in the organization structure - notably IT and marketing - and the development of new processes, notably on language training and external outreach. Meetings within the organization are used for internal information distribution and performed top down. The organization chart is largely reifying the organizational hierarchy and its vertical reporting.

The narrative on aligned incentives is not so much about alignment as about variety. It states a high variety in systems with a strong emphasis on the subjective and relational (owner/GM-driven) aspects of incentives. Most incentives are financial and tied to sales results in terms of volume. Other than the incentive system itself, there is intensive communication and feedback internally using a wide variety of formats and methods.

Finally, the education and training social driver narrative is more elaborate, also due to its large amount of questions. The restrictive narrative revolves around the roles of hierarchy, tasks, and personnel management. The GM and the marketing manager are the ones that keep track of developments in the industry (including competitors) and in hospitality management. Employees are considered to be there to execute orders. As a result, training is on-the-job training, focusing on specific tasks. There is no management development, nor training on non-task related topics. Human resource management is largely equivalent to personnel administration. Benchmarking developments in the industry and in the profession largely consists of copying what others do.

Following axial coding, the overall narrative that emerges is that the logics of work and finance dominate the social sphere. Work organization means that in small hotels everyone can be doing everything, transferring into a financial logic that translates the use of more specialist staff into adding cost. Staff is clearly considered a variable cost with seasonable hiring patterns: reductions in low season and extra hiring in high

season. Similarly, the financial logic also dictates that new hires in Sales are to focus on Sales increases. The on-the-job training reinforces the work hierarchy as well as is within immediate criteria of financial return. Training is limited to low-level, short-cycle work while cross training only involves low-level jobs. Incentives are reinforcing the task domains, which are short-cycle tasks because the high turnover makes training a high cost factor thus delivering a self-fulfilling prophecy on investing in people. Within this task and financially dominated logic, there is a lot of communication to keep the social relations going.

There is a dynamic tension between maintaining internal relations across the organization while simultaneously keeping people bound to their functional domains and roles. On the surface, as shown on the organization chart, there is formal specialization and domain specific jobs while under the surface there is a centralized relational network with the GM as benevolent patriarch.

Findings: the thematic narrative

When combining the technical and social drivers' narratives, an encompassing story emerges that centers on the theme of routines. As indicated above, the ostensive and performative aspects of routines jointly provide two bases on which stability and recurrence of practices occurs. However, it seems that both have emerged to create a situation of lock-in that, albeit promoting stability, create a cognitive barrier. Routines dominate to such an extent that tacit decision-making and gut feeling provide the main guidance to managerial behavior. For example, although there is open recognition that strategy, marketing, and information management are important and should be improved, the relational emphasis that both governs internal managerial processes and the owner-GM agency relationship has created a comfortable and mutually dependent status quo.

This reduces possibilities for innovation and novel approaches towards hospitality management technology; the combined effects of informal and position power counterbalance the expert power ascribed to and embedded in the revenue management technology.

Feedback session: verification of the narratives

The feedback session involved a majority of the hotels involved in the survey questionnaire (16 out of 20). Split into three groups of small, medium, and large hotels (based on room capacity), the session provided the above-mentioned narratives and asked the audience two questions: what do you think about the findings? And, which workshops are needed in the next stage (topic, for whom, when)? Participants involved in the project were informed upfront that there would be a second stage consisting of workshops, but the latter were unspecified and undefined in order to accommodate the outcomes of the first stage. This flexibility in research design is a common feature of action research.

The feedback session itself took about 4 hours and was held almost entirely in the Thai language. The slides used, however, were mostly written in English while the presentation and subsequent discussions were in Thai. Following a 30-minute presentation, the groups were established, seated separately at round table, and equipped with a flip-over and pens. Each group had one of the Thai research team members as moderator and note taker. Photos were made of the session's interactions itself and of the flip-over summaries

produced by each one of the three groups. The notes of the moderators together with the flip-over summaries acted as data source for this session and the conclusions drawn. All notes were taken in Thai, and elaborately discussed within the research team shortly after the date of the feedback session. The discussion of both items (notes, flip-over summaries) provided the base for the below conclusions

There was strong overlap between the interpretation and feedback across all three groups. Hence, the differences in hotel size (room capacity) turned out to be of limited importance in how the participating hotels understood the narratives and provided their interpretations.

The following conclusions were drawn. First of all, the relationship between (hotel) owners and general managers (GMs) was considered a source of misunderstandings and imbalances. Owners only limitedly had hospitality industry experience and looked at the hotel business as an investment on which to ascertain a specific financial return. The managerial processes underlying that return were either not understood or considered the prerogative of the GM. The influence of the owner, however, is very strong in terms of authorizing changes and in terms of interfering into the business processes, sometimes overruling the GM. Because of his investment perspective, the owner also is crucial in the use of budgeting, including in setting budgets for different purposes such as IT, training, or marketing. The feedback session participants therefore suggested across all three feedback groups that the initial workshop in any series of second stage workshop should address the owner-manager relationship and arrive at a mutual understanding of each other's perspectives. This feedback session's suggestion led the research team to formulate the need for a 'foundational cognitive routine' on the agency relationship between owners and managers that precedes the balancing or development of the ostensive or performative routines.

Second, the 'hard' professional aspects of systematic management across a number of areas such as marketing, human resource management (including training), and financial management, were considered key barriers towards using the narratives. For example, many attendees agreed on the theme that sales was overly dominant, attributing that to the usual career paths of GMs who tended to originate from the sales function (which was the one in charge of growing overall revenue). But how to do marketing and develop relevant market segmentation, create expertise in service marketing and management, and develop differing value propositions to differing customer groups (beyond the triplet of tourists, government, and conference)? This demand for specific systematic management of the "how to"-type was felt across all three feedback groups. There were minor variations in the sense that small hotels felt this need stronger while simultaneously not having sufficient funds to do something about it in terms of training courses and access to outside expertise. Typically, the feeling was that, if there is no systematic management base, how can we go use revenue management? In other words, the idea of the social drivers acting as a necessary condition before the technical drivers (of revenue management) was expanded beyond the categories originally verified within the survey questionnaire, and to include basic financial, marketing, IT, and human resource management. It

also confirms largely that working on the social driver domain category takes first priority in the second stage of the project.

The third conclusion that was drawn from the feedback session went beyond the original agenda of the substantial items discussed, and referred to the event itself. The feedback brought together a series of hotels to discuss in a focused manner a series of topics that all referred to how to manage. The narratives provided a vehicle for discussion to initiate the exchange of experiences and viewpoints that all participants found very valuable. Or, in the words of one participant: "I have been working in this industry in Chiang Mai now for more than 10 years, and this was the first time ever I really sat down and discussed these topics with my colleagues."

This signals three issues: first that the mindset of the local hospitality industry has led to managerial silos. Once it became clear that exchange viewpoints and discussing did not equal to handing over confidential business secrets and actually could contribute to collective learning, the enthusiasm was strong. This has led the research team to emphasize further on the awareness building and mutual sharing within the second stage workshops. It also signals the opportunity for alternative experience-sharing forums and platforms that are structured in a hands-on and practical version. This can be initiated by either the hotel association or another party, but would need to consider the process format and involvement of relevant actors very strongly. The third thing it signals is that learning within the second stage workshops would need to be of the peer-to-peer sort, which is in stark contrast with common approaches used for the transfer of formal knowledge (as on revenue management). Hence, direct involvement of industry actors in developing capabilities, systematic professional management, and establishing social drivers is a key factor for success. In that sense, the use of action-research approaches in subsequent participatory research projects would deserve serious consideration.

DISCUSSION

In an effort to explore how to beneficially introduce and operationalize revenue management (based on prioritized technical and social drivers) in the small and medium hotel industry in Chiang Mai, Thailand, a base-line, based on a structured interview survey, on existing drivers of RM tools, practices and routines in 20 SME hotels, is established.

The survey results in the identification of a series of gaps related to nine technical and social drivers, establishing a "what is there". Narratives on the technical and social drivers introduced in the paper provided an understanding which drivers need to be prioritized in order to implement revenue management in small and medium hotels in Chiang Mai.

The axial narrative on the five technical drivers (market segmentation, pricing, forecasting, capacity allocation, and information technology) revealed a tension between aspirations and capabilities in technical revenue management processes. The main narrative is on sales and price. Market segmentation is limited

and forecasting and capacity allocation is almost absent. Although software packages and data for basic forecasting and capacity allocation, is available, however data is hardly analyzed and used for decision-making. The narrative on the four social drivers (organizational focus, aligned incentives, organizational structure, and training/education) tells about the interest in RM, and a claim that RM is implemented already. However, this is mainly related to sales activities, and neither to marketing nor generating new revenue streams. There is an expressed need for new functional areas in the organizational structure (notably in IT, marketing, and training) but in practice, the centralized relational network of the general manager dominates the organization.

The combined narrative that emerges includes accounting tools, (outdated or basic) software, logics of work and finance, relations with general managers, organizational practices, and the theme of routines. Routine discourses refer to its ostensive aspects and are about sales, prices and IT, not (or very little) on forecasting, market segmentation and capacity allocation. This means that the discourse is skewed towards what is and not to what might be; its formal grounding that constitutes its daily practice has become so pervasive in its stability and dominance that it crowds opportunities for alteration, even when the proposed new routines (as implied by revenue management) are close to the existing *modus operandi*.

This study largely confirms the findings of Queenan et al. (2011) that both technical and social drivers are needed to introduce RM. Although the interview questionnaire in the questions it asks ('interview bias') suggest the need for both, the answers provided do not negate the prevalence of a necessary condition to exist beforehand. None of the respondents denied in their answers the relevance of a topical item.

Given the specific input variables that enter into revenue management, there is a rather clear picture of what there should be for its computational expertise to become activated. Hence, revenue management provides a normative standard on what is considered profitable within the practicing of hospitality management. More specifically, the routines it prescribes are largely ostensive by nature, reifying what should be. In contrast, however, the daily routines practices by the SME hotels contain a large amount of performative routines, which are tacitly grounded and of a subjective nature. These are detached from its ostensive nature, and codified informally within the day-to-day of 'how we do things around here'. In other words, there seems to exist a gap between the prescribed ostensive aspects of revenue management routines, and its actual performative aspects. SME hotels are conscious that their performative routines are unaligned with the ostensive aspects of the formal body of revenue management, but seem to be unable to crossover and connect both. Within this situation of a gap between ostensive and performative aspects, the promise of revenue management to improve the financial position of the adopting organization, seems to provide a strong incentive to try out the use of the revenue management technology and, thus, to connect both aspects. This implies that financial logic might be sufficiently strong not only to motivate towards implementation but also to create a unified body of routines.

The financial logic in this context of revenue management and SMEs revolves around the use of financial terminology, including the various key words that indirectly indicate financial aspects of day-to-day management such as 'room occupation rate', 'additional spending', or 'service levels', and the use of financial artifacts such as daily financial statements, ratios, and financial policies. Particularly relevant given the SME nature of the hotels, would be to consider the use of financial logic and accompanying artifacts as matched against the personal preferences of managers and owners. Research within the field of family business seems to indicate that financial logic does create a strong legitimization (if not justification) for how things are as they are, but under the surface personal preferences run supreme (Gallo et al., 2004). This resonates strongly with the gap observed between the ostensive and performative aspects of routines; the formal body of ostensive routines is grounded in a financial logic (of RM's toolkit) while that same financial logic seems to be used for the performative aspects of routines (of doing things as they are).

This has implications for change and the development of new routines, theoretically expressed as joining the ostensive and performative aspects of routines: before even considering the introduction of new performative routines as part of a new management technology (i.e., revenue management), the existing ones would need to be made visible on their financial logic, and do so particularly within the owner-manager agency relationship. That is, the awareness of the financial consequences of using the existing performative routines needs to be created first, followed by an assessment whether these are 'useful' to both parties, according to a financial logic. The cognitive base of both aspects of routines is likely to provide the learning mechanism that brings about this awareness and subsequent assessment. In other words, financial logic and artifacts fulfill a dual role: awareness of the existing approach, and legitimizing the change towards a new set of routines.

The above is not to say that ostensive and performative routines are mutually exclusive. Rather, too much of one type creates disequilibrium towards learning; the stability of too much normative management (ostensive routines) drives out meaningful variety within management practice (performative routines). Conversely, as the case of the Chiang Mai SME hotels, too much ad hoc variety within daily management practice prevents adoption of a stable, normative professional base. The use of a financial logic with accompanying artifacts is suggested to be the vehicle to establish the equilibrium and work towards a requisite variety and stability within SME hotel management.

CONCLUSIONS

Based on case interviews on technical and social drivers in RM conceptualization and operationalization with hotel owners and manager in the small and medium hotel industry in Chiang Mai, an encompassing story emerges on the theme of RM practices and routines. Within that story, we learn from the technical drivers that there is a tension between aspiration and capability. Capability is grounded in within daily routines and a tacit mindset. The interviewees interpret professional management in (sales) relations'

terms, not in technical (professional skills) terms. From the social drivers a narrative emerges that arguments of work organization and cost consequences dominate the social sphere; for example, hiring specialist staff means more costs and is, thus, shunned. Often, there is specialization within domain specific jobs while under the surface, there exists a centralized relational network with the general manager as benevolent patriarch. There is a tension between maintaining internal relations, while simultaneously keeping staff tied within their functional domains and roles. Conjointly, these factors reduce the possibilities for innovation and professionalization as brought about by revenue management techniques.

SME hotel managers (both the owners and GMs) would require an introspective exercise in which they define the water in which they both swim. The motivation why they would be willing to do so at all, is originating from the financial domain: revenue management promises to increase financial results, which will benefit the owner-investors and the managers' career opportunities. Stated differently, engaging in a process of adopting novel performative routines requires adopting an organizational change perspective based on a financial logic rather than a mere systems roll out. As the two sets of drivers imply, there is a strong expert normative message on how an hotel should be organized and function; i.e., data driven, functionally organized, market oriented, and with clear incentives to motivate desired behavior. However, from the interview survey a rather different picture emerges that starkly contrasts in its normative content. How a hotel should work and is organized seems to be based on task hierarchies, supply oriented ("sell your capacity"), personal relations, and the ritualistic use of systems. This tension requires perhaps more than the use of an organizational change perspective: the mindset that is behind the routines would need to find common ground first.

We suggest, therefore, the need for 'foundational cognitive routines' that precede the distinction into ostensive and performative routines. These foundational cognitive routines are needed to create a level playing field for the subsequent development of other routines of a more functionalist nature. More specifically building on the feedback session in which the narratives were interpreted by the relevant constituency, the purpose of these foundational cognitive routines is to create mutual understanding. Once both parties within the hotel business constituency do understand how the other party thinks, argues, and interprets information, the creation of a common agenda would be possible. For example, both owners and managers would agree on which type of driver categories would make an important difference to the business and which ones would be crucial to develop first (given the particular situation of that specific hotel).

Foundational cognitive routines, i.e., the regular verification of each other's thought patterns, would be based on a cognitive ontology of interpretation, and on balancing the tacit and the explicit, the ostensive and the performative, and the informal and formal. The revenue management technology would represent the formal and explicit expertise and ostensive aspects of routines while the existing mode of management would contain the tacit and the informal and performative aspects of routine. Therefore, this is not considering a situation in which one crowds out the other; revenue management is considered sufficiently permeable and

adaptive to be wrapped and localized within existing modes of routinized behavior. Both ostensive and performative aspects have their role to play. The existing practice-based set of ostensive and performative routines are, however, skewed towards gut-feeling interpretations and imbalanced. Restoring the balance between the ostensive-performative aspects of routines as mutually locked into revenue management and into SME hospitality management, requires a financial logic that is credible in both domains and allows for learning and unlearning simultaneously (McKeown, 2012; Azmi, 2008).

There is some preliminary evidence that this use of financial logic and the ostensive-performative balance can be achieved; this paper provides further evidence while also contributing with the suggestion of foundational routines acting as base line and the adoption of an organizational change and learning perspective (Mattimoe & Seal, 2011).

The novelty of this paper is in approaching the RM implementation issue from both an action-research perspective and from an institutional theory perspective. Its contribution is in showing how a RM implementation project can act as a vehicle for professionalization of SMEs. On the surface, this looks like a technical implementation, but under the surface it requires significant changes in managerial and organizational processes and procedures (in the paper addressed as social drivers) which, in themselves, necessitate a mindset change within the owner-managers of the SME hotels on why they do what they do, and on what they might need to do. A cognitive agenda of unlearning, learning, and relearning is unfolding within the implementation and related to the development of new routines.

In terms of suggestions for future research, the cognitive base of routines can act as an avenue to articulate the dynamic balance between ostensive and performative routine, including on how to arrive at that balance. A concrete example here is the planned progress of the project on which this paper is based. Based on the case survey questionnaire and the resulting narratives, reported on in this paper, action-learning workshops will be used in a second stage of the project consisting of organizing topical workshops. The practical aim is learning how SME hotels can change and innovate, using RM as the vehicle for change. The theoretical aim is to articulate and identify the process of developing new routines by means of rebalancing the existing set of routines while using a cognitive approach and a financial logic. The practical and successful collaboration with the Thai Hotels Association, Upper Northern Chapter, in this effort acts as an elaborate field experiment.

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THE INTERACTIVE EFFECT BETWEEN INNOVATIVENESS AND BUDGETARY SLACK ON FIRM PERFORMANCE

*Jomjai Sampet**

ABSTRACT

Although it is generally accepted that innovativeness enables firms to be competitive in an uncertain environment, the findings concerning the effect of firm innovativeness on firm performance are mixed. As suggested in the literature, the unidimensional measurement of innovativeness causes the diversity in the findings. In addition, it is found that the relationship between innovativeness and firm performance is dependent on other contextual variables. To reconcile the inconclusive findings, this study investigates the relationship between innovativeness and firm performance with budgetary slack as a moderating variable. Innovativeness is conceptualized into two dimensions which are output innovativeness and culture innovativeness. Firm performance is measured in both financial performance and firm value. Based on the data from manufacturing companies listed in the Stock Exchange of Thailand, two dimensions of innovativeness are found to have no direct effect on both measures of performance. However, output innovativeness interacts with budgetary slack to affect financial performance. Specifically, the effect of innovativeness on financial performance varies under different level of budgetary slack. That is, innovativeness output has a positive effect on financial performance only under low, but not high, budgetary slack condition.

INTRODUCTION

It is generally accepted that, in highly competitive business environment nowadays, innovativeness is a crucial source of competitive advantage which enables firm to survive and success. Innovative firms differentiate themselves from competitors by superior ability in doing business. Firms that are innovative always have better ways in responding to business problems and challenges (Alpay et al., 2012; Cho & Pucik, 2005; Hult et al., 2004; Nybakk, 2012). Based on these arguments, innovativeness is expected to have a positive effect on firm performance. However, Rubera and Kirca (2012) suggests that prior studies investigating this relationship have provided the mixed results. Although a positive relationship is evidenced in a number of studies, some studies have reported no relationship or even a negative one.

As suggested in previous literature, two main reasons are account for inconsistent findings, the difference in conceptualization and measurement of innovativeness, and the diversity in research context across studies (Alpay et al., 2012; Garcia-Zamora et al., 2013; Rubera & Kirca, 2012). Regarding the former

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reason, innovativeness has been conceptualized in either a unidimension or several specific dimensions. A unidimension of innovativeness which mostly emphasizes on product innovativeness, however, has been criticized for being too narrow. In fact, innovativeness within firms comes in various aspects. Each has its own characteristic and they differently affect firm performance. This has opened a new venue for research to explore innovativeness in multiple aspects (Alpay et al., 2012, Garcia-Zamora et al., 2013). The difference in research context across studies is the other reason for inconsistent findings. This is due to the fact that the relationship between innovativeness and firm performance is not a simple one. Rather, it is influenced by organizational and environmental factors. There was an attempt among researchers in investigating the moderating role of a number of contextual factors in the innovativeness-performance relationship. However, evidences remains limited (Garcia-Zamora et al., 2013).

The role of budgetary slack in organization has been examined for decades and it is found to have both positive and negative effect on innovation performance. Budgetary slack represents a financial resource beyond necessary for current business activities. Thus, on the one hand, it can be used as a source of fund for discretionary expenditure, such as innovation activities. On the other hand, it is detrimental to innovation performance. This is due to the reason that high budgetary slack gives rise to a managerial agent problem as managers are likely to reduce their managerial discipline in the process of selection, support and termination of R&D projects. Thus, it can be argued that the level of budgetary slack is likely to determine the effectiveness of resource utilization for innovation activities. Therefore, the effect of innovativeness on firm performance could be different under different level of budgetary slack. Specifically, budgetary slack may have a moderating role on the relationship between innovativeness and firm performance.

All of the above reasons underline the aims of this study, to explore the direct effect of various dimensions of innovativeness on firm performance and to examine how each dimension is influenced by the level of budgetary slack to affect firm performance. The contribution of this study is twofold. Firstly, by using multidimensional measure of innovativeness, this study can give a clearer picture about the role of innovativeness in firms. Secondly, this study contributes to innovativeness literature by suggesting a new organizational variable that affects the innovativeness-performance relationship. This could be guidance for other researcher to further investigate this relationship in other contexts.

This paper is organized as follows. The next section includes literature review which leads to the development of the hypotheses. Data and methodology and model estimation are described in Section III. Section IV reveals the results and Section V presents the conclusion and discussion, together with the limitation of this study.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

In a very complex business environment nowadays, a firm must have a competitive advantage in order to survive and succeed. The resource-based view suggests that such competitive advantage can be gained through the possession of valuable, rare, inimitable, and nonsubstitutable resources and capabilities (Cho & Pucik, 2005; Damanpour et al., 2009). Innovativeness is one of so many resources a firm could possess. It represents firm capability to create or adopt new products, processes, and business system in responding to business complexity (Alpay et al., 2012; Damanpour et al., 2009; Nybakk, 2012). Innovative firms, therefore, can differentiate themselves from competitors and have better firm performance.

A number of research studies have investigated the relationship between innovativeness and firm performance. Although the positive relationship is expected, the results are mixed. While a number of studies find that the relationship is positive. The difference in results is due to the difference in conceptualization and measurement of innovativeness across studies (Cho & Pucik, 2005; Garcia-Zamora et al., 2013; Rubera & Kirca, 2012). Based on prior studies, innovativeness is conceptualized in either unidimensional or multidimensional construct. However, the unidimension is criticized being too narrow to capture all facets of innovativeness within an organization (Alpay et al., 2012; Nybakk, 2012). It has been argued that each type of innovativeness has its own characteristic and different type of innovativeness delivers different outcome (Garcia-Zamora et al., 2013). This has given a new path for researchers conducting innovativeness research to investigate innovativeness in several aspects.

This study applies a multidimensional conceptualization of firm innovativeness, following Alpay et al. (2012) which covers four aspects of innovativeness in organization. The construct includes: (1) *Product innovativeness*, 'the novelty and meaningfulness of new products introduced to the market in a timely fashion'; (2) *Process innovativeness*, 'the introduction of new production method, management approaches, and technology for the improvement of production and management processes; (3) *Behavioral innovativeness*, 'an organization's behavioral proclivity or willingness to change'; (4) *Strategic innovativeness*, 'an organization's ability to manage ambitious organizational objectives in order to stretch or leverage resources creatively' (Alpay et al., 2012, pp. 110). To investigate the effect of each dimension on firm performance, this study focuses on both financial performance and firm value. Financial performance represents both current revenues and costs of innovativeness while firm value accounts for both current and future gains from innovativeness (Rubera & Kirca, 2012).

Relationship between innovativeness and firm performance

Product innovativeness is the introduction of new products to the market. It is considered a driver of sustainable business success. Innovative products provide firms an opportunity to expand into new market and get high growth (Wang & Ahmed, 2004). Also, market demand for new products is always high and they can be sold at a high price. Based on these reasons, new products are expected to generate revenues over their related costs, resulting in a positive financial performance. In contrary, product innovativeness is not

expected to have a direct effect on firm value. Although new products promise an increase in firm future cash flow which investors should positively react to, investors have already captured this news from preceding announcement, such as information about patents. Therefore, when the news about new product becomes available to investors, it contains no surprise message for them (Rubera & Kirca, 2012). These arguments lead to a hypothesis as follows.

H1: Product innovativeness has (a) a positive effect on financial performance, (b) no effect on firm value.

Process innovativeness is expected to positively affect financial performance. As process innovativeness involves with more efficient production and management processes, it always leads a decrease in production cost and improved productivity (Hassan et al., 2013), resulting in an improved financial performance. On the contrary, process innovativeness is expected to have no effect on firm value. As process innovativeness is internally-focused and normally unknown to outsiders, it cannot affect firm value.

H2: Process innovativeness has (a) a positive effect on financial performance, (b) no effect on firm value.

Behavioral innovativeness is conceptualized as openness to new ideas of people in a firm. It is considered a foundation for the formation of innovative culture which, as a result, may lead to innovative outcomes (Wang and Ahmed, 2004). As behavioral innovativeness, by itself, does not directly associate with revenues, costs & cash flow, it is hypothesized not to be related to financial performance and firm value.

H3: Behavioral innovativeness has no effect on (a) financial performance, (b) firm value.

Strategic innovativeness is the firm's ability to manage the gap between external opportunities and firm's existing resources to deliver innovative products to the market (Wang and Ahmed, 2004), it does not directly affect firm profit or cash flow. Therefore, it does not affect financial performance and firm value, leading to the hypothesis as follows.

H4: Strategic innovativeness has no effect on (a) financial performance, (b) firm value.

Moderating role of budgetary slack on innovativeness-performance relationship

Budgetary slack is defined as the easily attainable budget targets by intentionally underestimating revenues and/or overestimating costs required to complete budgeted tasks (Dunk 1993; Dunk & Nouri, 1998; Lukka, 1988). The role of budgetary slack in organization has been investigated for several decades. The findings have suggested that budgetary slack has both positive and negative role on innovation performance.

Budgetary slack is argued to have a positive role on innovation performance for the reason that it promotes innovativeness culture. As budgetary slack represents an extra source of financial resource, it could be used to fund R&D activities or new projects which their success cannot be guaranteed. Without budgetary slack, such projects might be rejected as managers have to focus only on short-term performance, rather than on chancy innovative projects. Higher opportunity for innovative projects to get experimented may yield

a benefit to a firm, resulting in an improved innovation performance. However, too much budgetary slack can negatively affect innovation performance. This is due to a principal-agent problem between owners and managers. When budget is used by owners as a tool to evaluate managers' performance, managers are likely to create slack into the budget to make the budget target easily attainable. Under an agency theory, this is considered a source of inefficiency in organization because it promotes undisciplined spending. With ample slack cushion, projects with high risk and high probability of failure may be funded. The existence of slack also increases the risk that some troubled projects will not be terminated. As a result, innovation performance will be impaired (Horngren et al., 2002; Nohria and Gulati, 1996; Yang et al., 2009). Based on these arguments, it can be concluded that budgetary slack can either promote or impede innovativeness, depending on its level. Budgetary slack, in an appropriate amount, represents a source of fund which can be used to facilitate innovativeness-related activities. High budgetary slack, in contrary, causes inefficient spending which may hinder the successful outcome of innovativeness. Budgetary slack is therefore expected to have an influence on the positive relationship between innovativeness and firm performance.

Based on the hypotheses stated earlier, the positive relationship between innovativeness and firm performance hypothesized to exist is the one between product innovativeness and financial performance, and process innovativeness and financial performance. High level of budgetary slack is, therefore, expected to drop such positive effect. The positive effect of innovativeness on financial performance is expected to remain under low budgetary slack which resources are limited as managers are more cautious and disciplined in spending in projects. Stated differently, product and process innovativeness positively affect financial performance only under low, but not high, level of budgetary slack. These arguments lead to the next hypothesis.

H5: There is an interaction effect between product (process) innovativeness and budgetary slack on financial performance.

H5(a): When the level of budgetary slack is high, there is no relationship between product (process) innovativeness and financial performance.

H5(b): When budgetary slack is low, product (process) innovativeness has a positive effect on financial performance.

As budgetary slack level is expected to affect the positive innovativeness-performance relationship, the innovativeness dimensions which, by their nature, do not have a positive effect on firm performance will not be affected by budgetary slack. Therefore:

H6: There is no interaction effect between budgetary slack and (a) product innovativeness on firm value, (b) process innovativeness on firm value, (c) behavioral innovativeness on financial performance, (d) behavioral innovativeness on firm value, (e) strategic innovativeness on financial performance, (f) strategic innovativeness on firm value. These innovativeness dimensions is not associated with firm performance, regardless of budgetary slack.

The hypothetical model is presented in Figure 1 as follows.

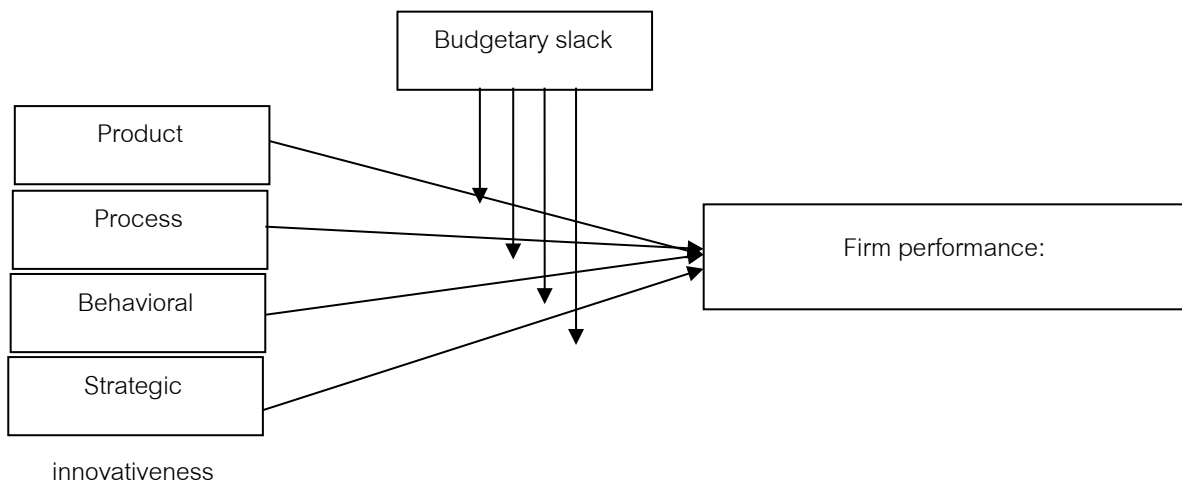


Figure 1 Hypothetical model

METHOD

Sample selection criteria

Based on prior studies, two criteria are used for sample selection. First, the sample includes only manufacturing companies for the reason that the budget is commonly used in this kind of organization. Second, only companies with more than 100 employees are allowed to be included in the sample. This is based on the argument that smaller companies are not likely to be organized on a work-unit or departmental basis and are not expected to have clearly defined areas of responsibility to which managers are appointed. Moreover, smaller companies tend to rely more on informal rather than on formal budgetary control system (Lau & Eggleton 2003). These two criteria result in the criteria for sample selection of manufacturing companies with more than 100 employees.

The samples are also restricted to the manufacturing companies listed in the Stock Exchange of Thailand (SET) to ensure high level of information availability. In addition, it can help control over the company size as most listed companies are relatively large with the employees above a hundred. However, further investigation is still required to ensure that all sample companies meet the criteria.

From all 685 listed companies categorized in 8 industry groups, companies in 5 industry groups which are considered non-manufacturing companies are excluded, leaving companies in three industry groups, which are agro & food, consumer product, and industrials, to be included in the sample. These three industry groups consist of 160 companies.

Variable measurement

Innovativeness

Innovativeness is measured by 14-item measure employed in Alpay et al. (2012). According to Alpay et al. (2012), the innovativeness is conceptualized in four dimensions which are product innovativeness, process innovativeness, behavioral innovativeness and strategic innovativeness. The result from the factor analysis shows that all items are extracted into two factors. The items measuring the product and process innovativeness are loaded into one factor, while the items measuring the behavioral and strategic innovativeness are loaded into the other factor. An examination of the factor loadings indicates that the two extracted factors can be named as “output innovativeness” and “culture innovativeness”, respectively. Reliability (internal consistency) estimates for the two innovativeness dimensions are 0.855 and 0.859 which are relatively high. This study then uses the mean score of each dimension as an indicator.

Budgetary slack

To measure the budgetary slack, this study uses 4-item measure employed in Dunk (1993). The instrument focuses on the degree of difficulty in attaining budgetary targets. It implies that if the respondents perceive the budget targets as easily attainable, they have established a large degree of slack in the budget, and conversely, if they perceive that it is difficult to meet the budget targets, they have not created the budgetary slack. After the factor analysis is conducted, it appears that one of the four items does not load on the factor at factor loadings above 0.4, which is an acceptable level. Therefore, it is subject to exclusion from the instrument. The Cronbach alpha of 0.658 of this study is slightly lower than 0.6813 of the original Dunk's (1993) four-item measure. Therefore, caution should be concerned in interpreting the results of tests.

Firm performance

Performance of firm is examined in both accounting-based and market-based perspectives. The accounting-based performance is a cost-based performance deriving from accounting measurement reported in the firm's financial statement which captures the cost component of firms' activities while market-based perspective captures firm performance using its market price in the stock market. This study employs return on assets (ROA) and Tobin's q ¹ as proxies for the accounting-based performance and market-based performance, respectively.

The data used to calculate both proxies is derived from Thompson Reuter Datastream database. Three-year (Year 2011-2013) data of income and total assets is used to calculate an average ROA for each firm and three-year (Year 2011-2013) data of market price, number of shares and total assets is used to calculate an average Tobin's q .

¹ Tobin's q = Total market value / Total assets

Control variables

As found in prior studies, firm size and firm age are found to have an effect on firm performance (e.g., Liu & Ding 2010; Nybakk 2012). Thus, this study includes firm size, which is measured by total assets of year 2013, and firm age as control variables.

Data collection

Data of budgetary slack and firm innovativeness are collected by questionnaires sent to departmental heads in distinct areas of responsibility. However, for the reason of consistency across companies, the areas of responsibility are restricted to three departments which are production, sales and marketing, and personnel departments since these three departments are common in all companies. In addition, as these three departments cover both production and service (support) departments, the results of the study could be generalized to all areas.

The questionnaire consists of two parts. The first part contains few questions about company profiles. The second part includes the items measuring the four dimensions of innovativeness and the budgetary slack.

479 questionnaires together with a covering letter explaining research objectives and assuring anonymity are mailed to the respondents. The names of managers indicated on an envelop ensures that each questionnaire is mailed directly to and answered by the intended respondents. A number, unnoticed, on each questionnaire enables the name of managers who return it to be recognized. A self-paid addressed envelope is also enclosed with each questionnaire for the answered questionnaire to be returned to the researcher directly. Table 2 shows the number of questionnaires sent, categorized by industry groups and departments.

Table 1 The number of questionnaires sent categorized by industry groups and departments

Industry group	No. of companies	Department			
		Production	Sales and Marketing	Personnel	Total
Agro & Food	41	41	41	41	123
Consumer products	39	37	40	39	116
Industrials	80	80	80	80	240
Grand total	160	158	160	160	479

From 479 questionnaires totally sent out, 124 complete and usable questionnaires (25.9%) are returned. Since the response rate is satisfactory, no follow-up process is conducted for the unreturned questionnaires.

Data to calculate an average ROA, Tobin's q and firm size is derived from Thomson Reuters Datastream. Firm age data is collected from Setsmart database. Fortunately, there are only 111 cases that the data inputs from all sources are complete when firm performance is measured by ROA and only 109 cases when firm performance is measured by Tobin's q.

RESEARCH MODEL

The hierarchical regression analyses are conducted to test the hypothesis. The following regression models are used.

- 1) $PERFORM_i = b_0 + b_1 SIZE_i + b_2 AGE_i + e_i$
- 2) $PERFORM_i = b_0 + b_1 SIZE_i + b_2 AGE_i + b_3 BS_i + b_4 INNO1_i + b_5 INNO2_i + e_i$
- 3) $PERFORM_i = b_0 + b_1 SIZE_i + b_2 AGE_i + b_3 BS_i + b_4 INNO1_i + b_5 INNO2_i + b_6 BS_i * INNO1_i + b_7 BS_i * INNO2_i + b_8 e_i$

where:

$PERFORM_i$ = firm performance; ROA and Tobin's q

BS_i = budgetary slack,

$INNO1_i$ = innovativeness output,

$INNO2_i$ = innovativeness culture,

$SIZE_i$ = firm size;

AGE_i = firm age,

b_j = regression coefficients, and

e_i = regression residual

The analyses are separately tested for the two measures of dependent variable, ROA and Tobin's q. The antecedent factors of firm performance are included into the analyses as the independent variables in a hierarchical order. Firstly, control variables are entered into the models (Model 1). The budgetary slack and two innovativeness dimensions are entered as the second set of variables to explore their direct effects (Model 2). Lastly, the two-way multiplicative (interaction) terms between the budgetary slack and two innovativeness dimensions are entered into the models to the interaction effect between budgetary slack and innovativeness on firm performance (Model 3). The results of these analyses are shown in Table 3 and 4 for the two dependent variables, ROA and Tobin's q, respectively.

RESULTS

Table 3 and 4 report the results from the analyses. Table 3 employs ROA as the dependent variable while Table 4 employs Tobin's q.

Table 2 Regression results with firm's ROA as a dependent variable (n=111)

	Model 1	Model 2	Model 3
Constant	-4.884 **	-9.724 **	-26.110 *
Firm size	0.000 *	0.000 *	0.000 *
Firm age	0.296 ***	0.294 ***	0.267 ***
Budgetary slack		0.988	6.098
Output innovativeness		0.355	12.678 **
Culture innovativeness		0.029	-6.566
Budgetary slack x Output innovativeness			-3.287 **
Budgetary slack x Culture innovativeness			1.631
R square	0.189	0.201	0.247

* $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

From Table 2, the results of Model 1 show that the coefficient of the control variables, firm size and firm age are positively significant, suggesting that bigger and older firms tend to have better financial performance. Model 2 suggests that neither budgetary slack nor two innovativeness dimensions are found to have a direct effect on financial performance. Finally, as reported in Model 3, the coefficient of the two-way multiplicative interaction between budgetary slack and output innovativeness is negative and significant, suggesting that the impact of output innovativeness on financial performance is greater when the level of budgetary slack is low than when it is high. However, the coefficient of the interaction term between budgetary slack and culture innovativeness is found to be nonsignificant.

Table 3 Regression results with firm's Tobin's q as a dependent variable (n=109)

	Model 1	Model 2	Model 3
Constant	0.604 ***	0.293	0.242
Firm size	0.000	0.000	0.000
Firm age	0.006	0.006	0.004
Budgetary slack		0.168 *	0.210
Output innovativeness		0.055	0.639
Culture innovativeness		-0.123	-0.631
Budgetary slack x Output innovativeness			-0.154
Budgetary slack x Culture innovativeness			0.131
R square	0.011	0.047	0.247

* $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

Table 3 reports the regression results with Tobin's q as a dependent variable. The results of Model 1, Table 4 shows that the coefficient of the control variables, firm size and firm age are nonsignificant, suggesting that the firm size and firm age are not associated with the market value of firms. Model 2 suggests that the budgetary slack has a direct effect, though not strong, on firm value while the two dimensions of innovativeness are found to have no effect on the firm value. As shown in Model 3, the interactive effect between the budgetary slack and the two dimensions of innovativeness is found to be nonsignificant. That is, the different levels of budgetary slack do not affect the relationship between the firm innovativeness and firm value.

FURTHER ANALYSIS

As the interactive effect between budgetary slack and output innovativeness on financial performance is found, further investigation on this relationship is conducted. Regarding the investigation, budgetary slack is dichotomized at its mean. A score lower than the mean indicates low budgetary slack, while a score above the mean indicates high budgetary slack. Then, two regression analyses are separately conducted to investigate the output innovativeness-financial performance relationship under low and high level of budgetary slack. The results are shown in Table 5 Panel A for low budgetary slack and Panel B for high budgetary slack.

Table 4 Regression results for decomposition of the interaction (dependent variable: firm's ROA)

	Model 1	Model 2
<i>Panel A: Low budgetary slack (n=66)</i>		
Constant	-3.730	-4.207
Firm size	0.000 *	0.000
Firm age	0.239 ***	0.219 ***
Output innovativeness		2.269 *
Culture innovativeness		-1.598
R square	0.161	0.205
<i>Panel B: High budgetary slack (n=44)</i>		
Constant	-5.091 ***	-2.858
Firm size	0.000	0.000
Firm age	0.350 ***	0.361 ***
Output innovativeness		-1.591
Culture innovativeness		0.603
R square	0.235	0.254

* $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

As suggested in Table 4, when budgetary slack is low, output innovativeness positively affects financial performance, whereas such relationship is not found under when budgetary slack is low. That is, the effect of output innovativeness on financial performance depends on the level of budgetary slack. The findings can be presented by Figure 2 as follow.

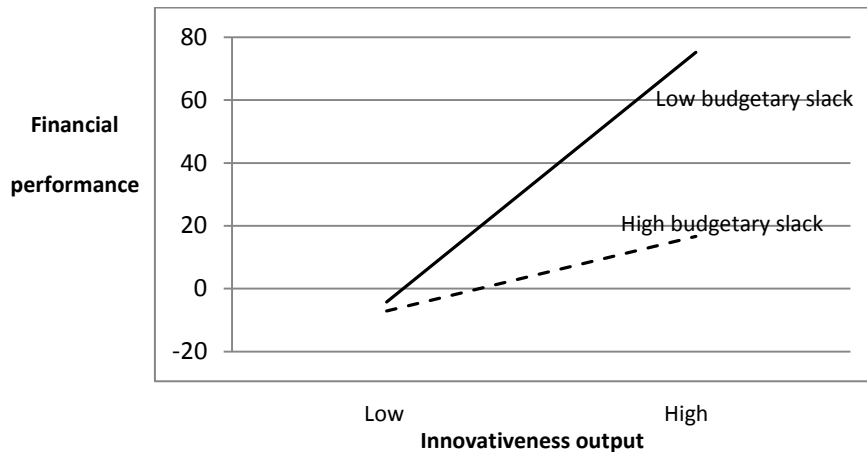


Figure 2 Two-Way Multiplicative Interaction Between Budgetary Slack and Innovativeness Output Affecting Financial Performance

As shown in Figure 2, the relationships between the output innovativeness and financial performance are different under different levels of budgetary slack. Under low budgetary slack, output innovativeness has a significantly positive effect on financial performance in that the higher the level of output innovativeness, the higher the financial performance. Such positive effect will decrease as the level of budgetary slack is higher. Under high budgetary slack condition, such positive effect is not significant.

In sum, these results suggest that both dimensions of innovativeness do not exert the direct effect on both measures of firm performance. However, one dimension of innovativeness, output innovativeness, interacts with the budgetary slack to affect financial performance in a way that output innovativeness has a significantly positive effect on financial performance when the level of budgetary slack is low, but it has no significant effect when the level of budgetary slack is high.

DISCUSSION

Although it is widely accepted in the innovativeness literature that the firm innovativeness is a crucial factor for firm success, the studies investigating firm innovativeness-performance relationship has provided inconclusive results. A number of studies find the relationship to be positive whereas such relationship is found to be nonsignificant or even negative in many studies (e.g., Baum et al. 2000; Srinivasan & Hanssens 2009; Rubera & Kirca 2012). Many researchers have tried to reconcile these conflicting results and suggested that the inconclusive results are associated with two reasons, a variety of innovativeness and performance

measures and contextual factors in which the innovativeness is embedded (Alpay et al., 2012; Garcia-Zamora et al., 2013; Rubera & Kirca, 2012).

This study examines the effect of innovativeness on firm performance by using a four-dimension measure of innovativeness and incorporating the budgetary slack as a moderating variable. Moreover, this study also investigates the firm performance in two aspects which are financial performance and firm value. The results from this study, therefore, could help reconcile the conflicting results of prior studies and give a clearer picture for the innovativeness-performance relationship.

The results indicate that firm innovativeness can be conceptualized into two dimensions, instead of four as suggested by Alpay et al. (2012). The first dimension includes the two innovativeness dimensions of Alpay et al. (2012) which are product and process innovativeness and it is named as the output innovativeness. It refers to new product introduction and new improved production method which are concrete outputs of culture innovativeness. The second dimension includes the other two innovativeness dimensions of Alpay et al. (2012) which are the behavioral and strategic innovativeness and it is named as the culture innovativeness. It refers to firm willingness to change and ability to manage organizational objectives in order to stretch or leverage resources.

Both direct effect of the two innovativeness dimension and their interaction with budgetary slack are tested whether they affect firm performance. In this study, the firm performance is examined in financial performance and firm value aspects which are measured by firm's ROA and Tobin's q, respectively. It is found that both financial performance and firm value are not affected by the direct effect of both dimensions of innovativeness. This finding seems to contradict to the arguments suggested in the literature that firm innovativeness leads to higher firm performance. However, prior studies also provide inconclusive results. One reason suggested is that the relationship between the firm innovativeness and firm performance is not a simple one. Rather, it depends on the environmental context.

Main and interesting findings are suggested when the interaction effect between innovativeness dimension and budgetary slack on firm performance is investigated. When the investigation is on the effect on financial performance, it is found that output innovativeness interacts with budgetary slack to affect financial performance while culture innovativeness does not. Further analysis suggests that output innovativeness has a positive effect on financial performance under low budgetary slack setting while such relationship is not found under high budgetary slack setting.

The nature of each of the innovativeness dimension together with an agency theory can be used to explain the above findings. Regarding culture innovativeness, although it is considered a crucial condition for new ideas to be created, it cannot guarantee the firm success in terms of improved financial performance. New ideas are in the stage that still involves with a lot of uncertainty and risk as they are not yet experimented. Moreover, after experimented, only some of them will be successful by turning out to be new products or process improvement while the others fail. It is new products and process at the end, not the supporting

culture, that directly generate income to the firm. Based on these arguments, the relationship between culture innovativeness and firm financial performance cannot be expected. Rather, it is output innovativeness that is likely to have a positive effect on financial performance. However, it is not always the case as such positive relationship is found only under a situation of low, but not high, budgetary slack. This is due to the reason that, under an agency theory, budgetary slack is considered a source of inefficiency in organization. With high level of budgetary slack, managers are likely to reduce their managerial discipline in utilizing scarce resources. This may deteriorate the firm performance. Thus, output innovativeness may not result in an improved firm financial performance. In contrary, under low level of budgetary slack which resources are limited, managers are likely to be more cautious and disciplined in spending in the projects (Yang et al. 2009). Therefore, the positive relationship between output innovativeness and firm financial performance can be expected under low budgetary slack condition.

When the investigation is on the effect on firm value, it is found that firm value is not affected by the interaction between innovativeness dimension and budgetary slack. This finding is due to the reason that both dimensions of innovativeness, by their nature, are not associated with firm market value, regardless of the level of budgetary slack. As investor's concern is firm's future cash flow, investors always react positively to new information signaling the firm ability to generate cash flow in the future, resulting in an increase in firm market value. For the case of culture innovativeness, as aforementioned, it cannot guarantee firm future cash flow as it still involves with a lot of uncertainty. Moreover, the firm culture is unknown to outsiders, including investors. Thus, culture innovativeness is not related to firm value. Output innovativeness has no effect on the firm market value as well. Although the output innovativeness contains the information content that investors perceive as good news, investors may not react to this information directly. Rather, the positive reaction is made through an increase in firm financial performance.

Since the two dimensions of innovativeness, by their nature, are not associated with firm market value, the level of budgetary slack has no moderating role on such (no) relationship. That is, both innovativeness dimensions do not affect firm value under both high and low level of budgetary slack.

The findings of this study have some practical implications. Under highly competitive business environment nowadays, firms are forced to be innovative while, at the same time, being forced to be efficient (Nohria & Gulati, 1996). Based on the findings, a certain level of budgetary slack is necessary for firm innovativeness. Cost-cutting program may help firms reduce cost with the expense of future benefits from innovativeness. However, too much slack will result in inefficiency. Therefore, it is challenging for firms to maintain an appropriate level of budgetary slack to facilitate innovativeness. The findings also point out the dimension of innovativeness that budgetary slack is necessary, output innovativeness. Budgetary slack allowed in the innovativeness dimension which involves with high uncertainty is not necessary and could not help firm to have an improved performance.

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