

# **MANAGEMENT INNOVATION BUSINESS TREND AND THE CONTEXT OF THE ORGANIZATION THAT AFFECTS THE COMPETITIVENESS OF SMEs IN THE SERVICE BUSINESS IN THAILAND.**

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## **ABSTRACT**

The objectives of this research were: 1). to study the levels of management innovation, electronic service quality, trust, brand equity, and customers behavior of using online travel agency service in Thailand; and 2). to examine influences of management innovation, electronic service quality, trust, and brand equity on customer behavior of using online travel agency service in Thailand. This research employed quantitative methods. The sample consisted of 420 customers who used services of online travel agencies in Thailand. They were selected by multi-stage sampling. The sample size was determined based on 20 times the observed variables. Data were collected via questionnaire and were analyzed using a structural equation model. The research findings indicated that: 1). management innovation, electronic service quality, and brand equity were rated at a moderate level whereas trust and customer behavior of using online travel agency service in Thailand were rated at a high level; 2). innovation management, electronic service quality, trust, and brand equity had an influence on customer behavior of online travel agency service in Thailand at a 0.05 level of statistical significance. These research findings can be used to develop a key to success for entrepreneurs of online travel agencies in Thailand. To be specific, they need to focus on the development of management innovation and outstanding services to establish trust with customers accordingly.

**Keywords:** Management Innovation, Online travel agency, Customer behavior

## **INTRODUCTION**

The rapid change of the world economy, society, politics, is a result of the advancement in technology, digital communication and innovation that makes every country in the world faced the unpredictable changes. To Strengthening the innovation capacity and strengthening domestic enterprises, including the development, more of the implementation of innovation is needed to drive the economy. (Ministry of Industry, 2016) and step into an innovative country that uses innovation as a factor to drive the economy. (Innovation-Driven economy)

From the literature review, it was found that Management Innovation refers to an increasing of the organization management capability (Chiraphan Chanwichian, 2016) that SMEs has created to enable the potential of competitiveness. Innovation can be used in business operations (Somjai Srinet, 2017) and can be accepted for potential risks that could happened (Boonyoo, 2018, p. 45), including the application of technology that can be the business opportunities and interruption or disruption to the business by recognizing the importance and relevance of morals or ethics (Miriam A. Locher, Brook Bolander, 2019).

In having process of working systematically, makes the organization to be effective in the network (Network), increasing business strength and creating a good culture (Rujirat Phatthanabut et al., 2018). The ability to use tools to access marketing information by using social media, SME entrepreneurs must find the needs of their customers and meet their needs in order to create immediate market opportunities. The use of technology in the digital age, including changing marketing strategies according to the current market conditions to achieve competitiveness and apply management innovation in adjusting business strategy to increase sales and expand more market share, all these will help the business meet customer needs and satisfy customers respectively.

Therefore, SMEs that have good management innovation, while the business trend is highly competitive, the cost of services is very high when compared to the service provided by the equipment, including the standardization of each time of unstable service. So, the business competitiveness potential and the future services will focus on different ways of providing services which are (1) the major service is necessary to use staff in which each employee must work more efficiently to support more customers, while the number of service personnel is reduced.

In addition, more modern equipment must be used, in order to reduce the duration of service for each customer. (2) Additional services tend to use fewer employees but use more equipment. Because customers trust and give trust in major services (3) Supporting services, businesses will hire companies that are skilled in this type of service instead. However, the company must control the quality and deliver excellent service as well as the employees of the company. Service as a system: (Lovelock & Wright, 2003) offers a systematic approach to service that has various types of relationships that business has with customers. This depends on the level of customer contact in the manner of meeting between service providers and clients at high, medium and low levels.

Interaction is an important factor in determining the overall service system, (Total Service System) which consisting of a service operation system (Service Operation System), a service delivery system (Service Delivery System) that linked to the service marketing system (Service Marketing System) which covers all points of contact with customers including advertising. Some of this system, customers can see and some parts are hidden and shown as a service performance (Service is performance), which consists of the front stage (Front stage) and the back stage (Back stage). The service business must meet the Customer need in the view of the business that provides 7Ps marketing mix, and in the customer's view, 7Cs is used as follows: Customer Value, Cost to Customer, Convenience, Clear Communication, Caring, and Success in Responding needs (Completion), Comfort, Consistency, image and quality of service. Kotler (2003).

Therefore, SMEs entrepreneur in the service industry need to increase their ability to compete and create an advantage for competition in various fields, whether increasing efficiency in work processes, development of communication technology, increasing service efficiency, marketing and management innovation, which is an important guideline for SMEs entrepreneur in the service industry to have more competitiveness potential accordingly.

With the above importance, it is reflecting the need to promote and develop the competitiveness for SMEs entrepreneur in their service business. Therefore, the researcher was interested in studying about management innovation, service business trends and organizational culture context which affects the competitiveness of SMEs entrepreneur in the service industry in Thailand. So, the person who are interested in difference dimension of service business, can understand various dimensions of innovation towards being SMEs entrepreneur in service business respectively.

The results of the study will be able to apply as a guideline for the development of an innovative strategy for sustainable management of SMEs entrepreneur in Thailand. In

addition, relevant departments, both the public and private sectors, can use as a guideline for strength development and improvement as well as develop the potential to compete and run the business more efficiently

## **OBJECTIVES**

1. To study the levels of management innovation, electronic service quality, trust, brand equity, and customers behavior of using online travel agency service in Thailand.
2. To examine influences of management innovation, electronic service quality, trust, and brand equity on customer behavior of using online travel agency service in Thailand.

## **DEFINITIONS**

SMEs entrepreneur management innovation in Service businesses mean new concepts or methods that has been taken to improve SMEs entrepreneur management capabilities that operates small and medium-sized business services which consisting of 4 areas as following: 1) organizational culture context 2) service 3) operational process and 4) social media.

Competitiveness means knowledge, ability and what can drive business operations to succeed efficiently and produce satisfactory results towards stability and sustainability for SMEs entrepreneur. Service businesses in Thailand consisting of 3 areas as following: 1) Profitability 2) Security 3) Dynamic capability and 4) Service quality.

## **RESEARCH HYPOTHESIS**

H: Management innovation has an influence on the competitiveness of SMEs entrepreneur in their service business.

## **LITERATURE REVIEWS**

Initially, the researcher studied secondary data from textbooks, academic documents, academic article and related research in order to screen the concepts, theories and knowledge as following:

Management innovation is the ability to manage changes that occurred in management functions in the most appropriate way and is also a process of various techniques that can create value for the organization in which management innovation can organize products or services, operational processes and customers in the digital age. Management innovation can also be coordinated with information systems for internet management, artificial intelligence, etc. to increase the organization's potential to do more new things (Silitonga and Setiawati, 2018) accordingly. In addition, management innovation can enhance trust and engagement between customers and the company (Kotler and Keller, 2006; Yalcinkaya et al., 2007). The innovation development, which manage product or service, context of organization culture, process and social media, will bring great benefits to the organization (Vermeulen et al., 2003). The research of Candi, Marina (2005) draws conclusions about innovation in the form of designing different aspect of innovation, such as bringing innovation to help in production process or operation as well as bringing innovation to help in all 3 parts of the work, which are all management aspect as follows: bringing technology to help increase efficiency (speed), customer service and to be more in line with environmental changes. Hamel, G. (2008).

The competitiveness of SMEs entrepreneur is the competency of individuals with different abilities from others. Including knowledge, competency, expertise / skill or the

ability of an individual to manage a business to achieve its goals efficiently as well as having business vision, seeking knowledge and opportunities to be ready for good business operations, having the ability to plan and implement effectively, having strategies to manage potential business risks (Insiri, 2016) and must also have a strategy to manage production or services the most efficiently for that organization without wasting as much as possible (Laoha & Sukto, 2016).

Service quality is the overall assessment from the customer towards the service delivery. The advancement of the internet has made communication, service delivery, accepted by businesses around the world because internet is more easier for customers to compare different service offerings than tradition channel. (Santos, 2003). Quality of service is one of the key points in the growth of electronic commerce in the global and regional markets (Mek-ovec et al., 2007). Moreover, delivering quality service in the online market, is related to the customers behavior of demand for services or customers demand to purchase products and services on travelling (Lee and Lin, 2005; Spais and Vasileiou, 2006) and is an important strategy for business success (Hung et al., 2003). The service quality criteria include information, individual service, responding to system, usability, credibility, order placement, information security, privacy and warranty.

From the above literature review, it is found that competitiveness refers to the performance of the business performance. From indicators of various types of businesses, its giving insight into the competitiveness and identifying the ability to win the competitors which consists of 3 areas as follows: 1. Profitability 2. Security and 3. Dynamic ability 4. Service quality.

## RESEARCH SCOPE

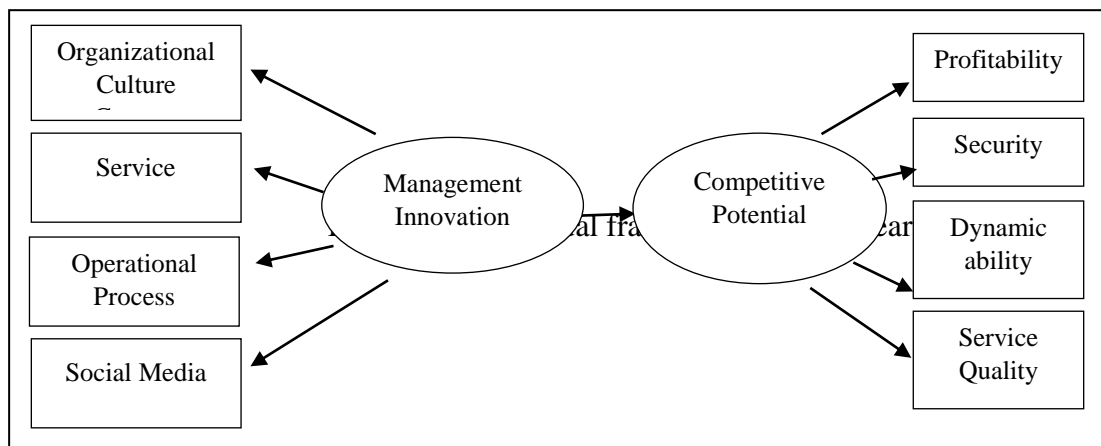
In this research, the researcher focuses on management innovation, potential of service businesses competition in Thailand. The population used is the executives, service operators of small and medium enterprises in Thailand. The researcher, therefore determined the sample group of 300 units by simple random sampling and data was collected from December 2017 - May 2018.

## RESEARCH FRAMWORK

This study consists of the following variables:

Management innovation variables, consist of organizational culture context, service, operational process, social media, profitability, security, dynamic ability, service quality.

The competitive potential variables, consist of profitability, security, dynamic ability, service quality



## RESEARCH METHODOLOGY

This research is quantitative research. (Quantitative research) using survey research (Survey research) which using demographic as a framework. The population used in this study is entrepreneurs of small and medium enterprises. Service business in Thailand that registered as a juristic person in 2017 for the amount of 1,208,554 cases (Office of Small and Medium Enterprises Promotion (OSMEP), 2018)

Sample group used in this research obtained from previous studies that suggested the method to get the research sample sizes, with concepts and considerations proposed that indicates the sufficient sample size. For the number of variables to be examined, the minimum sample size should generally be at least as many as the observed variable and the acceptable sample size will be a 20: 1 ratio (Hair, Black, Babin, & Anderson, 2009; JF Hair, Black, Babin, Anderson and Tatham, 2009).

The researcher calculated the size of samples according to the rules of structural equation (SEM) according to David Garson's Law 300 (2008). The sample group should be at least 300 samples. In this study, there are 8 observable variables, the sample size is 160 people, but this research has specified 300 samples sizes to get enough information. Nonprobability sampling method (Nonprobability sampling) has been used for the selection of samples, regardless of how likely each unit is chosen.

Here, a sample of 300 people were distributed by questionnaires based on the Accidental sampling method (Accidental sampling) and data were collected by using a questionnaire from Likert's scale (Likert's scale) 5-level scale, which tested content accuracy (Content validity) of the query with IOC values and reliability test (Reliability) with Cronbach's alpha and non-pilot-test (Pilot-test) samples of 30 peoples. The researcher found that the Cronbach's alpha coefficient is between 0.824 - 0.897, which is greater than 0.7, passed the criteria which specified for data analysis.

The researcher used the collected data from the sample group to analyze the initial data by using descriptive statistics such as mean, standard deviation in order to clarify the properties of the studied variable with SPSS software package and analysis of Structural Equation Model (SEM) with SPSS software package to study the relationship between empirical variables. Including management innovation, competition potential. There are statistics to test the consistency of the models which are Chi-square, df, Relative Chi-square, GFI, AGFI, CFI, RMR, and RMSEA.

The result of the research shows that the level of management innovation is at a high level and competitive potential is at high level as in Table 1

**Table 1**  
Average, standard deviation and the interpretation of variables studied

Variant	Average	Standard deviation	Results
Management innovation			
Corporate culture context	3.92 5	.832	High
Service	3.92 5	.580	High
Operational process	3.85 5	.813	High
Social media	3.89 5	.784	High

Variant	Average	Standard deviation	Results
Competitive potential			
Profitability	3.97 5	.883	High
Security	3.89 5	.908	High
Dynamic ability	3.87 5	.817	High
Quality of service	3.87 5	.907	High

Confirmatory element analysis (Confirmatory Factor Analysis: CFA) to measure the level of management innovation. The researcher found that the Chi-square Probability Level (CMIN-P) is equal to 0.087, the Relative Chi-square (CMIN / DF). The p-value was 0.768. Goodness of fit index (GFI) was 1.000 and the Root Mean Square Error of Approximation (RMSEA) was 0.000 which the criteria for assessing the consistency of the model with the data, the P value must be higher than to 0.05. CMIN / df, value must be less than 3. GFI value must be greater than 0.90 and RMSEA value must less than 0.08 RMSEA. This can be concluded that the result of the innovation management measurement is a good assessment measure and in consistent with the empirical data.

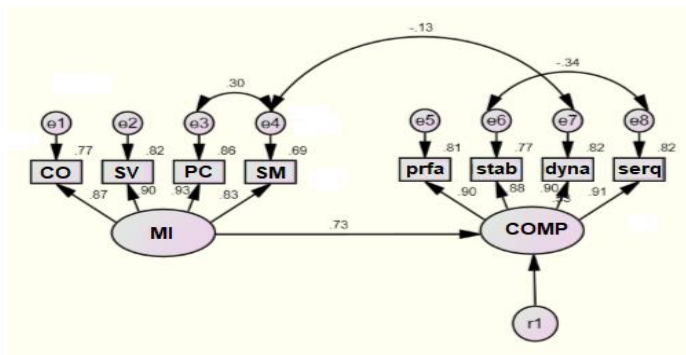


Figure 2: The result of analysis of the structural equation model of the influence of management innovation with the potential to compete for SMEs entrepreneur in the service business in Thailand that have adjusted. (Adjust Model) (n = 300).

The results of the analysis of the relationship between management innovation towards competitiveness potential by using the Structural Equations Modeling (SEM) statistics, the regression weights have a standardized estimate of 0.722, a CR value equal to 15.979 and P value equal to 0.000. This can be indicated that SMEs entrepreneur in service businesses in Thailand have good innovation that covering all 4 areas resulting in a good competitive potential.

### Hypothesis testing:

Assumptions: management innovation has a direct influence on competitiveness. At the influence of coefficient equal to 0.73 with statistical significance at the level of 0.05. This can be explained that when the operators of the service business in Thailand have management innovations it will resulting in having good competitive potential. This is consistent with Ahmad et al. (2016) which stated that the level of innovation is positively correlated with the level of competitiveness.

## **RESEARCH SUMMARY RESULTS AND RECOMMENDATION**

1. The results of the management innovation level with survey research techniques, the researcher found that management innovation is at the high level, consisting of the context of organizational culture and services, with the same average value equal to 3.925. Business process and operation, Social media, the average values are 3.855 and 3.895 respectively.

2. The results of the competitive potential with survey research techniques, the researcher found that the competitiveness of SMEs entrepreneur in the service business in Thailand is at a high level. This is in consisting of profitability aspect, security aspect and the average was at 3.895 and 3.975 respectively. For the dynamic ability aspect and service quality aspect, the result shown at the same average value of 3.875.

3. The results of the study of the influence of management innovation on the competitiveness of SMEs entrepreneur in the service business in Thailand with the analysis of the Structural Equation Model (SEM), the researcher used the SPSS software package and found that management innovation has a direct impact on the competitiveness of SMEs entrepreneur in the service industry in Thailand.

### **Policy Recommendation:**

Service business operators should develop service innovation both in the form of websites and applications to be more in line with the skills and knowledge in using information technology of customers. Moreover, should offer unique products or services such as customized the customer service packages, etc. In addition, there should be a process to build more trust in using the service for customers through activities that can connect or create interaction between customers and operators, such as sending messages via email, line application to notify the time of delivery and news about the experiences of other customers who have been impressed by using the service, consultation function before using the service as well as increasing more marketing activities.

## **CONCLUSION AND FUTURE WORK**

For the future research, the equation model of influence structure of digital market innovation, service quality, trust in service, the user behavior and experience in using service businesses in Thailand should be studied, in order to use the information in service management innovation that is in line with the needs of users efficiently to expand the customer base and scope of service businesses in Thailand accordingly.

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