A DEVELOPMENT OF STRATEGIC MANAGEMENT MODEL OF SMALL AND MEDIUM ENTERPRISES IN THE AUTOMOTIVE PARTS INDUSTRY IN THAILAND

SUTHISA JUNTARBUTRA

A DISSER TATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF DOCTOR OF PHILOSOPHY PROGRAMIN BUSINESS ADMINISTRATION

FACULTY OF BUSINESS ADMINISTRATION
RAJAMANGALA UNIVERSITY OF TECHNOLOGY THANYABURI

ACADEMIC YEAR 2020

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Program	Business Administration
Dissertation Advisor	Associate Professor Chanongkorn Kuntonbutr, D.B.A.
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August 17 , 2020

หัวข้อวิทยานิพนธ์	การพัฒนารูปแบบการจัดการเชิงกลยุทธ์ของวิสาหกิจขนาดกลางและขนาดย่อมในอุตสาหกรรมชิ้นส่วนยานยนต์ในประเทศไทย
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บทคัดย่อ

ท่ามกลางการแข่งขันทางธุรกิจทำให้วิสาหกิจขนาดกลางและขนาดย่อมในประเทศไทยต้องพัฒนากลยุทธ์บริหารการจัดการเพื่อสร้างความได้เปรียบในการแข่งขันขององค์กร ปัจจัยที่สำคัญประการหนึ่งที่ช่วยส่งเสริมความสามารถในการแข่งขันได้แก่ปัจจัยด้านภาวะผู้นำ ซึ่งถือว่ามีความสำคัญต่อการพัฒนาและเพิ่มประสิทธิภาพในการดำเนินงานของบริษัท การวิจัยครั้งนี้มีวัตถุประสงค์เพื่อศึกษาผลกระทบเชิงสาเหตุระหว่างความเป็นผู้นำ การจัดการเชิงกลยุทธ์ นวัตกรรมขององค์กรและผลการดำเนินงานของวิสาหกิจขนาดกลางและขนาดย่อมในอุตสาหกรรมผู้ผลิตชิ้นส่วนยานยนต์ในประเทศไทย

งานวิจัยนี้เป็นงานวิจัยเชิงปริมาณ โดยเก็บข้อมูลจากผู้บริหารระดับสูงจากบริษัทที่เป็นสมาชิกสมาคมชิ้นส่วนยานยนต์ไทยจำนวนทั้งสิ้น 300 คน เครื่องมือที่ใช้ในการรวบรวมข้อมูลคือแบบสอบถามซึ่งถูกพัฒนาขึ้นจากการทบทวนวรรณกรรมที่เกี่ยวข้องและผ่านการทดสอบค่าความเชื่อมั่นและตรวจสอบโดยผู้เชี่ยวชาญ สถิติที่ใช้ในการศึกษาคือแบบจำลองสมการโครงสร้าง (SEM)

ผลการวิจัยพบว่าภาวะผู้นำการเปลี่ยนแปลงมีอิทธิพลทางตรงต่อกลยุทธ์ทางธุรกิจและนวัตกรรมขององค์กร และปัจจัยดังกล่าวมีอิทธิพลทางอ้อมต่อผลการดำเนินงานของวิสาหกิจขนาดกลางและขนาดย่อมในอุตสาหกรรมธุรกิจชิ้นส่วนยานยนต์ในประเทศไทย ซึ่งจากผลการวิจัยครั้งนี้ผู้ประกอบการในอุตสาหกรรมชิ้นส่วนยานยนต์ควรพิจารณาการใช้รูปแบบความเป็นผู้นำการเปลี่ยนแปลง ในด้านการมีอิทธิพลอย่างมีอุดมการณ์ การสร้างแรงบันดาลใจ การกระตุ้นทางปัญญาและความเป็นปัจเจกบุคคล มาเป็นนวทางในการสนับสนุนกลยุทธ์ทางธุรกิจและนวัตกรรมขององค์กร นอกจากนี้รูปแบบความเป็นผู้นำการเปลี่ยนแปลงและนวัตกรรมมีความสำคัญต่อความสำเร็จ ผู้ที่เกี่ยวข้องควรนำปัจจัยดังกล่าวมาพิจารณาและมุ่งเน้นหากลยุทธ์ที่เหมาะสมสำหรับการพัฒนาการดำเนินธุรกิจให้มีประสิทธิภาพ

คำสำคัญ: ภาวะผู้นำเปลี่ยนแปลง กลยุทธ์ทางธุรกิจ นวัตกรรมองค์กร ประสิทธิภาพของธุรกิจ

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ABSTRACT

In business competition, small and medium enterprises in Thailand must develop management strategies to create an organization's competitive advantage. One important factor that helps promote competitiveness is leadership which is considered important to the development and increasing the efficiency of the company's operations. The purpose of this research was to study the causal impact between leadership, strategic management, organizational innovation, and company performance of small and medium enterprises in the automotive parts manufacturing industry in Thailand.

This study is quantitative research the data of which were collected from 300 top executives of the companies that are members of the Thai Autoparts Manufacturers Association. The instrument for data collection was a questionnaire that was developed from a review of relevant literature and tested for its reliability. It was also examined by experts in the related field. The statistical analysis technique used in this study was a structural equation model (SEM).

The research results indicate that transformational leadership has a direct influence on business strategy and organizational innovation, and the factor also has an indirect influence on the performance of small and medium enterprises in the automotive parts industry in Thailand. As a result, the automotive parts firms should consider applying transformational leadership styles, which include idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration to

support the business strategy and innovation of the organizations. Besides, transformational leadership styles, change, and innovation are critical to success. Related parties should take these factors into consideration and focus on finding suitable strategies for improving business operations effectively.

Keywords: transformational leadership, business strategy, organization innovation, business performance

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CHAPTER 1
INTRODUCTION

1.1 Background and Statement of the Problem

1.1.1 Historical Background

Office of small and medium enterprises promotion (OSMEP) is the organization which the main mission is to promote entrepreneurs in production sector, trading sector, agricultural sector including developing and promoting sustainable entrepreneurship. This would make them ready for any change and enhance the network strength. Presently, it has been accepted that Small and Medium Enterprises or SMEs is the foundation of Thai economy. It is also the driving force behind the Thai economy as a source of employment and support operations of large enterprises as dependable partners. It plays an important role in stimulating the economy of the country. It was found that the total number of SMEs in the Thailand is around 3,004,679 or 99.7% of the number of entrepreneurs nationwide. The trend is increasing continuously. Similarly, the nationwide employment was 11,747,093 or 78.5% of the total employment. (Lohawatanakul, 2018). Thailand's SMEs have been transformed and developed according to the direction of the country's development and the global economy (Office of small and medium enterprises promotion, 2017). Due to the rapidly changing social and economic conditions and globalization, all sectors need to focus and develop SMEs in Thailand seriously so that Thai SMEs would be strong and ready to deal with all kinds of problems and challenges.

The strategic transformation into practice, each strategy of The 12th National economic and social development plan set development issues to be operated in the first five years of the national strategy to prepare people, society and the economy of the country to be able to adapt to the impact of change appropriately. (The 12th National Economic and Social Development Plan, 2017).

The 3rd Small and Medium Enterprises Promotion Plan (2012 - 2016) focused on "small and medium enterprise development to grow balanced and sustainable to be the driving force of the Thai economy". According to The 4th Small and Medium Enterprises Promotion Plan (2017 - 2021) focused on the importance of empowering SMEs to grow strong, competitive in the international level through the concept of value creation and value for

goods and services along with the potential empowerment of SMEs in various areas. This would lead to the stepping up of the entrepreneurs as major economic drivers of the 4th Small and Medium Enterprises Promotion Plan of country and drive promotion into practice. This focused on developing and upgrading the capabilities of SMEs to suit their business growth and business life cycle. (Wangtal, 2017).

The global automotive industry continues to grow, especially in developing countries (Thailand Automotive Institute, 2016). Thailand is the largest producer in ASEAN and is a major auto parts manufacturer. (Thailand Automotive Institute, 2016). The automotive industry is one of the key industries in Thailand that can create economic value for the country. The automotive and automotive parts industry is related industries. The component market industry consists of two main parts: 1) Component parts market for automotive assembly (Original Equipment Manufacturer: OEM) which is the main component for domestic automobile assembly and export, and the demand for these parts will vary with the volume by cars and motorcycles. 2) Replacement market or replacement parts. (Replacement Equipment Manufacturer: REM). It is a market for replacement damaged or worn out parts. (Kasikorn Research Center, 2015). In addition, the automotive parts industry in the years 2017 - 2019 showed positive growth in accordance with car and motorcycle production due to the recovery of Thai economy and trading partners. According to The Board of Investment (BOI) promotion plan, it is expected that the production and sale of eco-car would be increased. (Yingchol, 2016). This is also the supply chain of the automotive industry, which has been continuously promoted by the Thai government. Moreover, this is the way to strengthen the automotive industry and to promote the production and use of automotive parts. The development of the entire manufacturing industry resulted in an investment in the manufacturing industry and an investment in the manufacturing industry continuously. This process can meet the needs of domestic parts completely. Domestic auto parts income is about 70-75% of the overall Thai auto parts industry. In 2015, Thailand is the number of one exporter in ASEAN. and the 14th in the world. (Krungsri Research, 2017). Currently, there are more than 1,820 automotive parts manufacturers in Thailand. (Thailand Automotive Institute, 2016) Tier-1, component manufacturers are high quality in accordance with the standards set by the automotive manufacturer used in automotive assembly plant (OEM). There are 720 operators in this level. Most Tier-2 and Tier-3 manufacturers are Thai SME which invests

in research and development for production technology. At present, there are more than 1,100 entrepreneurs engaged in two types of production: 1) Genuine parts are parts or components that the automotive company contract manufacturing in accordance with the prescribed standards, 2) Artificial parts are components that are manufactured without standard control by the vehicle manufacturer. (Krungsri Research, 2017)

In 2017, Thai auto parts generated revenue of $ 19,844.69 million, it was 15.50% increase compared to 2016 which imports were $ 16,623.53 million, its 8.15% increased from 2016. In the year 2017, imports - exports were showed more than of $ 3,221.16 million. Top five export partners were 1) the US, $ 2,779.19 million which accounted for 14% of the total exports and this is 20.62% increased from 2016, 2) Japan, $ 1,799.64 million or 9.07% of the total exports and this is 9.79% increased from 2016, 3) Indonesia, $1,695.07 million which accounted 8.54% of the total exports and this is 22.80% increase from 2016, 4) Malaysia, $1,349.47 million which accounted 6.80% of the total exports and this is 2.81% decreased from 2016 and 6) China, $ 1,173.27 million or 5.91% of the total exports and this is 37.92% increased from 2016.

The automotive industry is preparing for a bright future due to the coming economic upswing. In addition, the opening of the new ASEAN Economic Community would cause Thailand become the sixth largest automotive market in the world by 2018. (Thai Auto - Parts Manufacturers Association: TAPMA, 2017)

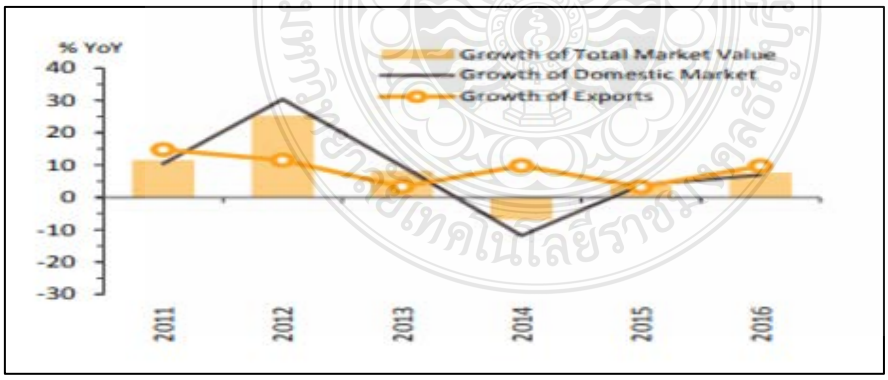


Figure 1.1 Growth of Thai Auto Parts Market Value

Source: Department of business development (as of April 2018).

1.1.2 Statement of the Problem

Most Thai people do not have basic skills to be an entrepreneur and have basic knowledge in doing business causing problems causing problems in starting up a business.

They don't know how to take advantage of technology and innovation in their business. Due to the focus on labor, labor productivity is under qualifications and lack of competitiveness in the world market. Most businesses are sole proprietors without a small amount of employment. Therefore, business owners do not have time to develop their own businesses, do not have business cooperation and have no restrictions on establishing an international business.

In addition, business owners have language barriers to communication, lack of in-depth market information, and both domestic and international marketing capabilities. In addition, problems with access to appropriate funding sources and costs are also the cause (Office of small and medium enterprises promotion, 2017).

Under a fierce competition, the market made a big market problem that Most SMEs have to deal with unsustainable businesses. There are less than half of SMEs that can survive in 5 years. Many small companies can develop into high-growth businesses, and 75% of businesses will fail due to lack of management capabilities and unable to adapt to the changing conditions (Thwidech, 2011). In addition, The Ministry of Industry also found that the major problems affecting SMEs were technology and innovation, production, marketing, social, financial, personnel, purchasing, production and corporate strategy. When considering the structure, it was found that there were problems at the policy level such as lacking clear directions and targets for SMEs development, lack of supervision and responsibility from government agencies. In addition, there is no serious cooperation between the government and the private sector, lacking creativity in creating their own technology and innovation in order to create sustainable growth for the organization and promote and support SMEs in hand business. In addition, it is found that most SMEs lack knowledge and ability in modern business administration, lack international business negotiation skills and are unable to contact the rapidly changing world. From the above problems, the aforementioned business is unable to expand and lead to the inability to compete internationally. Therefore, the government must increase

the capacity of SMEs in various fields such as basic knowledge of business, using information technology, strengthening international trade capacity, promoting business ideas aimed at the global market at all levels of necessity. Must be developed to run their business professionally (The 4th Small and Medium Enterprises Promotion Plan, 2017).

In addition to the problems mentioned above, the key issues for driving successful and sustainable SMEs is performance issues of small and medium enterprises since entrepreneurs often think about sales. Actually, the growth of marketing business is the successful of effective management. SMEs entrepreneur may think that optimization is a big deal and it involves in complex theory. On the other hand, The business processes and the infrastructure development of the country link both domestically and internationally to enhance efficiency and competitiveness in accordance with line with the changing world. At present, the important factors that are to enhance Thailand's long-term competitiveness are inefficient, especially the management issues. (Nillakarn, 2014) It is found that many SMEs have administrative problems and management which the key to the success in many areas. Since SMEs often start with only one experienced person, when it comes to the business itself, they often lack management skills and leadership skills which make management unmanageable. The opportunity to have talented people building up a business is difficult and the growth of the business would be gone. (Lelawattananon, 2018) Even though, SMEs are very crucial to the economy, but SMEs still have many problems such as the lack of the sense of entrepreneurship, ineffective management and administration in terms of recruiting the acquired personnel or business experts, lack of innovation of productivity and strategic management. Therefore, the business cannot be continued when faced with the economic crisis and the constantly changing situation. The best way to solve such problems and obstacles of SMEs is to develop effectiveness and effective management. (Thailand Future Foundation, 2013)

Key factors of effectiveness and effective management for SMEs in the 21st century under the policy of Thailand 4.0, organizations must always adapt themselves to the constant and contextual change. At the heart of the enterprise is to be sustainable to the future. Leadership is an important element which brings succeed or fail. Leader is the key factor of success or failure. If an organization has effective leadership, it can command subordinates to do that activity and can put the right man to the right job. If the organization is inefficient,

its subordinates will not be able to align with the knowledge and ability that organization would fail. (Vitayaudom, 2014) Leadership is aligned with the new leadership concept. There are empirical research papers supporting that leadership is suitable for organizations at the moment. The changes and the high competition society need effectiveness and effective leadership. It is international and suitable for Thai SMEs that leadership is the transformational leadership (Chongvisal, 2012). Leadership of SMEs is a Transformational Leadership by Bass Avolio (1994) since SMEs has a direct positive influence on the performance of SMEs. Those leaders motivate and encourage followers in the organization to give feedback and dedicate themselves to work through the vision and desired target. In addition, changing leadership also has an indirect positive influence on the SMEs performance through Innovation Leader will motivate, and encourage the followers to use creativity and innovation to meet the needs of their customers (B. Bass & R. Riggio, 2006). Leadership is one of the key factors in success or failure of an organization. (Chongvisal, 2012)

It is the source of adaptation and development for SMEs innovation application in the competitive market. Organizational innovation is one of the most important factors in building corporate performance. Organizations must try to create opportunities and conditions leading to innovation. Creating regulatory quality is excellent, including a competition to stimulate the development of innovative enterprises. According to Porter (1990). Innovation at the organizational level is the introduction of new ideas into the organization including production process, management model, system operation, and marketing activities of the organization. Drucker (1985). Management of SMEs requires strategic management that will be used in consistent with corporate governance. The problem of management is the lack of management skills, lack of confidence in administration and the management is not systematic. (Lelawattananon, 2018). Most SMEs' corporate governance does not focus on comparing the performance of other organizations as they should. Therefore, it is not possible to set goals and times to improve work rights and effectiveness in order to compete with competing organizations.

This result shows that there is no strategic integration, no goals set for the future and no human resource planning. Therefore, managing an organization through strategic business planning is important in driving the organization, both in choosing leadership

styles and creating an organizational culture in human resource management. The company is committed to offering innovative products and services that drive the efficiency, competitiveness and growth of the organization. (Loharjun, 2016)

From the background of the above problems, a researcher is interested in conducting information on leadership change, organizational culture, and human resource development. These are important factors in supporting the organization's business innovation of small and medium enterprises of automotive parts industry in terms of workflow management system focusing on innovative product development which make a difference and competitive advantages. This would result in maximizing customer satisfaction and creating profitability to the organization under intense competition and the rapidly changing economy. This is the way that the organization can survive and grow sustainably. It is also the guideline for business executives to deploy and develop their businesses successfully. This will lead to the promotion of Thailand as an efficiency-driven economy to be Innovation- driven economy country.

1.2 Purpose of the Study

1.2.1 To study the transformational leadership that affect the development of management model strategic of small and medium enterprises in the automotive parts industry in Thailand.

1.2.2 To study the business strategy and organization innovation that affect the development of management model strategic of small and medium enterprises in the automotive parts industry in Thailand.

1.2.3 To propose a strategic management model suitable for small and medium enterprises of the industry automotive parts production in Thailand.

1.3 Research Questions and Hypothesis

1.3.1 Research Questions

RQ 1. How do transformational leadership influence the development of strategic management models of small and medium enterprises in the automotive parts industry in Thailand?

RQ 2. How do business strategy and organization innovation influence the development of strategic management models of small and medium enterprises in the automotive parts industry in Thailand?

RQ 3. What should and strategic management model for small and medium enterprises in the automotive parts industry in Thailand be?

Research Hypothesis

H1: Transformational leadership influences the business performance of small and medium enterprises in the automotive parts industry in Thailand.

H2: Transformational leadership influences the business strategy of small and medium enterprises in the automotive parts industry in Thailand.

H3: Transformational leadership influences organizational innovation of small and medium enterprises in the automotive parts industry in Thailand.

H4: Business strategies influence the business performance of small and medium enterprises in the automotive parts industry in Thailand.

H5: Organizational innovation influences the business performance of small and medium enterprises in the automotive parts industry in Thailand.

1.4 Theoretical Perspective

This study is a quantitative study focusing on factors influencing the development of the strategic management model and strategies guideline for developing effective strategic management models of small and medium enterprises of the automotive parts industry in Thailand. The researcher has defined the scope of this research as follows.

1.4.1 Content Scope

Transformational leadership consists of 1) Idealized influence, 2) Inspiration motivation 3) Intellectual stimulation and 4) Individualized consideration. This concept has been developed from the concept of Bass & Riggio (2006), Bass and Avoli (1994)

Business strategy consists of 1) cost leadership strategy, 2) differentiation strategy, and 3) focus strategy. This concept has been developed from Porter (1985)

Organization innovation consists of 1) product innovation and 2) process innovation. This concept has been developed from Schumpeter (1934), Achara Chanchay (2010)

Business performance consists of 1) growth, and 2) profitability. This concept has been developed from Matzler, Schwarz, Deutinger, Harms (2008), Goodman and Dingli (2012)

1.4.2 Population and Sample

1.4.2.1 Population

The population is all small and medium enterprises of the automotive parts industry classified by grouping the population according to the criteria of determining the size of SMEs. (Revenue Department) There are 720 companies engaged in the production of parts for the assembly plant (Original Equipment Manufacturer: OEM) and 1,100 companies engaged in the replacement parts (Replacement Equipment Manufacturer: REM). Therefore, the total companies are 1,820. (Thai Auto - parts Manufacturers Association: TAPMA 2018)

1.4.2.2 Sample

The research samples are 300 of small and medium enterprises of the automotive parts industry executives selected.

In this research, the researcher studied the concepts, theories and literature related to the development of the strategic management model for small and medium enterprises of the automotive parts business since the 2017.

1.5 Delimitations of the Study

Small and medium enterprises businesses are businesses that are independent, privately owned, operated by their own owners. With low operating costs and not many employees covering 3 large groups of businesses, which are

1. Production sector covers manufacturing in the agricultural, agricultural processing, and industrial sectors. manufacturing and mining.
2. The trading sector covers the wholesale, retail trade.
3. Service sector services, such as the sale food, beverage sales of restaurants, entertainment and recreation rental services, etc.

The automotive and automotive parts industry is related industries the component market industry consists of two main parts:

1. Component parts market for automotive assembly (Original Equipment

Manufacturer: OEM) which is the main component for domestic automobile assembly and export and the demand for these parts will vary with the volume by cars and motorcycles.

2. Replacement market or replacement parts. (Replacement Equipment Manufacturer: REM). It is a market for replacement damaged or worn out parts.

Business performance represents a holistic approach to help organizations build and integrate the capabilities, processes, attitudes and abilities necessary to carry out its business strategy effectively. It also focuses on change management in line with business growth and a profitable, sustainable business.

Business strategy refers indicates policy planning for organizational management to increase business efficiency. With a focus on cost leadership strategy in the search for quality produce and make a difference by delivering products on time and meet the needs of specific customer segments to drive corporate sustainability.

Organizational innovation refers to the improvement of an organization by creating new concepts in the production process by using technology to reduce the steps to make the quality of the production process and determine the person responsible for creating a learning atmosphere to improve the product that will benefit the organization.

Transformational leadership is a leader whose behavior affects the performance of the organization's personnel to be efficient and effective to the organization and is also an influential leader who can motivate, inspire, promote intelligence and be aware of each follower. The leadership style has been emphasized as one of the most important people who influence the innovation of the company. The reason that leaders are able to make direct decisions on new ideas in the organization, set specific goals and promote innovation initiatives from subordinates, change leadership to the contemporary and bring change to the organization.

1.6 Benefits of Research

Educational

1. Knowledge of the industry to guide the management of business strategic alliances.

2. To provide guidance on strategy and innovation organizations in order to build a sustainable business, industrial manufactures, auto parts manufacturers as a quality organization.

3. To approach the strategy and innovation organization in order to build a sustainable business, industrial manufacturers as a quality organization.

4. To use the research guidelines and data for researchers interested in conducting research on relevant issues, as a guidance on increasing knowledge and understanding of strategic management for the organization to be effective.

5. To support theoretical concepts relevant in the context of automotive parts manufacturers.

Practical

1. Know the factors that influence the performance of small and medium - sized enterprises in the industry, manufacturers of automotive parts.

2. The information will be sent to relevant strategic management of the automotive parts manufacturers and industry operators in building improvements, leadership development, business strategy creation. Innovation and organization to achieve effective management for sustainability.

3. The information for organizations in both the public and private sector can be applied to the development of management strategies and innovative organization appropriately.

1.7 Organization of the study

This study consisted of five chapters.

Chapter One: Introduction presents background and statement of the problem, purpose of the study, research questions and hypotheses, research framework, delimitations of the study, definition of Terms, Benefits of Research.

Chapter Two: Review of literature presents the study.

Chapter Three: Research Methodology presents the methodology.

Chapter Four: Analysis of the data presented in this chapter was the results findings. The data from empirical survey would be analyzed and presented. The hypothesis testing and summary of finings.

Chapter Five: Conclusions and recommendations, this chapter presented conclusions from the findings, both a theoretical and practical perspective, including the discussions of the study, contributions, managerial implications, limitations, as well as recommendation for future research.

CHAPTER 2
RESEARCH OF THE LITERATURE

This chapter presents a review of the related literature on business strategy and organization innovation as mediators on transformational leadership. The researcher has studied theories, conceptual and relevant research to define the conceptual framework and research hypotheses. This chapter presents the definition, theories, relationship between variables and relates to a study of each variable. The variables in this study are transformational leadership, business strategy, organization innovation and business performance. The researcher synthesized in the view of many scholars, a variety of ideas, which were compiled into knowledge about variables with follow;

2.1 Small and Medium Enterprises

The concept of Small and Medium Enterprises (SMEs) have developed curiosity among researchers and practitioners from across the globe in over the past two decades. Amidst a country's status, whether developing or developed, most researches accentuate the role that SMEs play in economic development. (Garg & Walia, 2012), (Mundy & Menashy, 2012), (McIntyre, 2001) . From then on, researchers have begun offering definitions of SMEs in various contexts, which led the terminology to evolve.

Definitions made varied extensively from across nations, means of applications and among industries/sectors (Ilo, Schoenlechner, & Berghofe, 2000), (Müller-Falcke, 2002). Thus, arriving at a universally- applicable definition has become difficult. Assest size, annual turnover, and number of employees were the terms used to define SMEs, in most cases. For example, in countries such as USA, European Union, Australia, and Canada, the USITC (2010) exhibited the variety of SMEs' definitions through comparison of employee population and yearly turnover. In contrast, (Gibson & Van der Vaart, 2008) tried comparing recognized international bodies. This comprised the World Bank, African Development Bank, UNDP, and Asian Development Bank by adapting USITC's method and subsequently added maximum assets as a determiner. Apparently, (Makhmudov, 2004) compared them only by employee strength.

Table 2.1 Criteria for Determining SMEs of Gibson & Van der Vaart

Institution	Maximum Employees	Max. Revenues or Turnover (S)	Maximum Assests (S)
World Bank	300	15,000,000	15,000,000
MIF-IADB	100	3,000,000	none
African Development Bank	50	none	none
Asian Development Bank	No official definition, Uses only definitions of individual national governments		
UNDP	200	none	none

Source: (Gibson & Van der Vaart, 2008)

The relative usage of the term 'small' which varied from sector to sector brought about ambiguity in defining SME. It is further exemplified in the succeeding paragraphs.

Tracing back, the Bolton Committee in 1971 had the earliest definition of SME. They have carefully formulated a statistical and economic definition which attempted to overcome the problem of objective measures of organizational size as per employee population, sales turnover, ability to gain profit, etc. Two main parameters have become the basis of its definition namely as the 'sector' and 'criteria' upon which the judgment of 'smallness' was made (Cruz-Cunha, 2010).

Substantial improvement in the academic arena took place. This ignited the increasing number of interpretations of SMEs which were mostly from large scale firms in the United Kingdom (Walker & Petty II, 1978), (Bates & Bell, 1973). From then on, studies concerning the matter spread beyond UK. The growing number of distinguishing principles has emerged across nations. Some of which are as follows:

(Reuber & Fisher, 2000) noted that definitions which were recognized by developed countries will have greater edge than that of the developing countries. However, its boundaries were extended further for they perceived SME as a vastly flexible term which involves a mixed group of economic activities that range from self-employed artists up to the modern technological enterprises that target a distinct market division. General definition was given by Spence & Painter-Morland (2010) who regarded

SMEs as the basis of some mutual factors like number of employees, sales, total resources, and net investment level. Nevertheless, each different establishment has its own predetermined principles.

SMEs in Thailand

The Office of Small and Medium Enterprises Promotion (OSMEP) is the primary agency in drafting plans and guidelines to promoting SMEs, as well as in the determination of methods and processes to integrate overall efforts to promote SMEs. In the past year, OSMEP has achieved results in terms of fulfilling the government's missions and policies. For example, OSMEP has drafted the 4th SMEs Promotion Plan, 2017-2021, allocated the SMEs Promotion Fund for use in promoting and assisting SMEs, arranged an integrated budget for SMEs, and built international cooperation networks. Other measures included upgrading cooperation with all relevant sectors to drive various measures in concrete manner, along with special measures that the Royal Thai Government has entrusted to OSMEP in conjunction with other relevant agencies, in particular the Ministry of Industry and the Small and Medium Enterprise Development Bank of Thailand, to implement. These measures included the development and proposal of turn-around and revival funds for SMEs and a raft of measures to support SMEs in building new skills and know-how that are essential in this technological age that have seen radical and rapid changes in the shapes of businesses, as well as developing and upgrading the network of the SME Support & Rescue Center across the country. At present, it's agreed that SMEs play an important role in the country's economy. They are considered as the best engine to drive economic growth. Furthermore, SMEs are the business unit that creates the biggest profit margins for the country compared to the bigger scale enterprises, where a huge portion of revenue is used for imported machinery, technologies and materials. In addition, SMEs also develop wealth and prosperity in the rural areas of the country.

A recent study of the Office of Small and Medium Sized Enterprises Promotion (OSMEP), under the Ministry of Industry, showed that there are 3.3 million SMEs around Thailand, 99.70 percent of the total number of enterprises the nation has. This creates 78.48 percent and generates exports valued at 24.10 present.

Thai SMEs have been through changes following the national development plans and development of the world economy. With rapid changes with globalization, it

is required that all sectors seriously pay attention to strengthening our SMEs to be ready for any challenges.

Table 2.2 Guidelines for Defining Characteristics of SMEs

Type of enterprise	Number of employment (person)		Fixed Assets (Million baht)	
	SE	**ME**	**SE**	**ME**
Product Manufacturing	< 50	51 – 200	< 50	51 – 200
Service activities	< 50	51 – 200	< 50	51 – 200
Wholesale	< 25	26 - 50	< 50	51 – 200
Retail activity	< 15	16 - 30	<30	31 - 60

Source: Ministry of Industry, 2016

Thailand is entering a period of transformation through the national strategy of the Thailand 4.0 policy. The Royal Thai Government attaches great importance to the development of Small and Medium Enterprises (SMEs) in all sectors. Consequently, SMEs promotion has been designated a national agenda since they form the foundation of the Thai economy, have a wide impact in terms of employment and income generation, and play a role in narrowing inequality in many areas. Therefore, SMEs are an important cog in driving the Thai economy, especially in the present age that has seen leaps in technological innovation. These developments have led to new challenges and opportunities for SMEs to adjust their business methods from the old to the modern that can keep up with global developments, encourage creativity and innovation, and are able to adapt the appropriate technologies for effective use in adding value and contributing to sustainable growth. The State sector thus gives great priority in improving the capacity of SMEs to grow, be more resilient, and more competitive in the international arena through adding and creating value to products and services. An equally important parallel measure is to build the capacities of SMEs operators in various dimensions, such as technology, innovation, good production standards, creativity, as well as access to funding and the global market. These measures will allow SMEs to Bethe continuous driving force of the national economy. The State Sector Aims to promote, support, and integrate assistance from all sectors, including State, Private, Education, and Civil Society in the form of "Pracharath" (State of the People) that will allow SMEs to develop in

accordance with the needs and potential of each locality and government policies that are expediting measures to increase the resilience of the local economy. The Royal Thai Government aims to lead the country out of the Middle-income trap to attain the status of a high- income economy and elevate Thai citizens' quality of life and prosperity. Economic and social development policies will be implemented to reinforce resilience, stability, and fulfil the Thailand 4.0 policy. In addition, measures will be implemented to promote and support Thai SMEs to fulfil their potential, whether in the usage of new know- how in the running of their businesses, adding value to their products, implementation of technological services, innovation, and creativity, as well as to create a new generation of entrepreneurs, who will develop SMEs toward the age of SME 4.0. that the Office of Small and Medium Enterprises Promotion will be the center for the upgrade of this nation's SMEs, so that they can be an important mechanism in driving the national economy, employment, and citizens' income, which will create prosperity for the national economic system.

Table 2.3 Contribution of SMEs to Thailand's GDP (Unit: Trillion baht)

	Small (SE)	**Medium(ME)**	**SME**	**Large(LE)**	**Overall**
Value to GDP (trillion baht)	4.64	1.91	6.55	6.65	15.45
Percentage of GDP (%)	30.0	12.4	42.4	43.0	100.0
Growth Rate (%)	+5.6	+3.9	+5.1	+3.1	+3.9

Source: Office of the National Economic and Social Development Board (2017)

The SMEs their contribution to the year's GDP amounted to 6,551,718 M baht. The figure signified and expansion of 5.1% which surpassed the 4.9% of the overall GDP. With their GDP building performance, the SMEs respective contributions in terms of enterprise size were: Small Enterprises (SE) contributed 4,637,330 M baht or 30.0% of GDP; Medium Enterprises (ME), 1,914,388 M baht or 12.4% of GDP. These figures represented increases of 5.6% and 3.9% over the previous year. Factors supporting the SME-generated GDP growth had been due largely to the continued expansion of two key sectors of the Thai economy: Trade and Services.

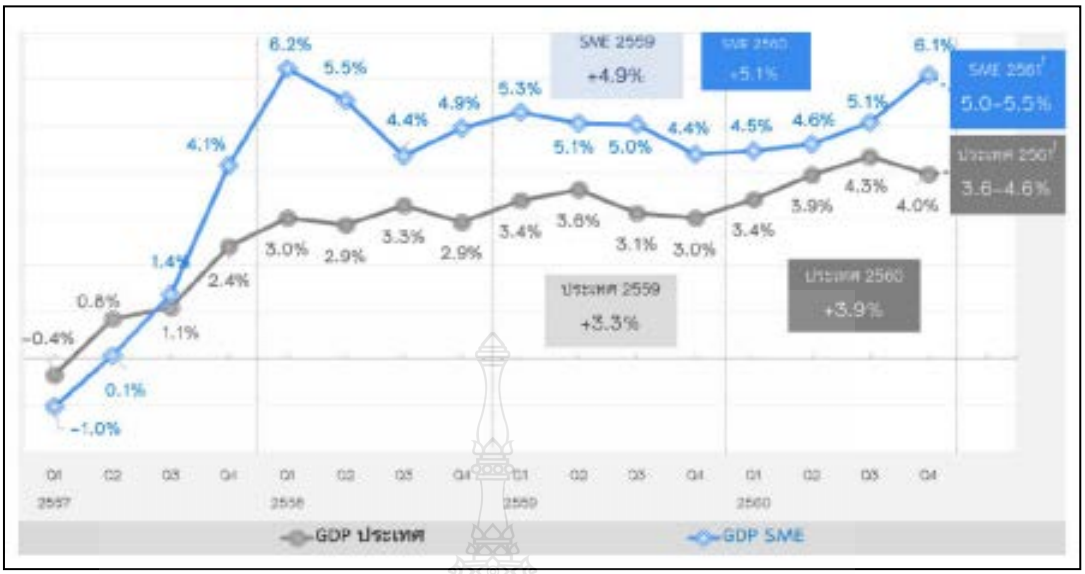


Figure 2.1 Export rate of SMEs Business

Source: Office of Small and Medium Enterprises Promotion (OSMEP)

Similarly, for the SME domain, the Services sector was well ahead of the others due to its economic importance to the SME-generated GDP. The next two key players, the Trade & Repairs and Manufacturing sectors, were both contributing favorably towards strengthening SME GDP growth. For 2017, these tree sectors together were responsible for contributions to SME GDP at 40.9%, 29.9% and 22.9% respectively.

Small and medium enterprises is a business that needs to accelerate the development and upgrade of potential growth Have the ability to do more international business and is a business that truly generates economic progress for the country Growing to compete internationally Is an important force in driving the economy through the use of Efficiency driven Economy to Being a country that uses Innovation- driven Economy Which Small and medium enterprises will be able to drive to have strong leadership in creating new strategies and innovations that are consistent and suitable for the context of the business in order to grow and compete internationally.

2.2 Thai Automotive Parts Manufactures

In the present time, the several things changes and happen quickly. This is the latest guidelines Focus towards innovation. Modern technology and the things. Those around us more. Many industry of Thailand aims to develop in that direction. 4 conforms to the policy in Thailand 4.0 of governments focused on the development of industry-driven innovation, using more. The automotive industry is considered one of the industry's pioneering Thailand. When combined with likely demand for products that are environmentally friendly global automotive manufacturing by making traditional. May not be able to respond to such changes Thailand's automotive industry therefore needs to develop a modern automotive design and looking to innovate by using innovation and advanced modern technology even more. In order to generate added value and a competitive advantage in the automotive industry and parts of Thailand. It is essential that the SMEs need to be adapted. Only by accelerating product development to be able to respond to such directions. As well as to be able to compete with the existing competitors in the country. and new competitors to invest in Thailand. or competitors abroad. In the era of market liberalization, such as the present. The information and elements.

The Thailand, Automotive Institute, (TAI)

The Thailand, Automotive Institute, (TAI) Was Established Based on The Cabinet Resolution on July 7, 1998, And The Ministry How of Industry's Order The Establishment Of The Thai, Automotive Industry, Dated September 1998, To Be An Independent Number Organization Under. The co-operation between the government and private sectors.

The organization administration will not be related with the rules and regulations of the government and the state enterprises; the Industry Development Foundation is the organization that supports the operation of the Institute. The committee of the Institute, which is responsible for defining scope, policy, plan, operational objective, and controlling the administration, comprises of representatives from the government and private sector, as well as, academics.

Movement in the World Automotive Industry

- UK chooses site for new EV battery hub

The UK has picked a site in central England to house a new automotive battery manufacturing development facility, in a move which the British government and

companies hope will lead to large-scale local production. The site in the West Midlands will benefit from 80 million pounds ($107 million) of investment to develop the processes required to manufacture the latest battery technology. Announcing the investment, UK business minister Greg Clark said the center will help Britain compete globally. "The new facility will propel the UK forward in this thriving area, bringing experts from academia and industry together to deliver innovation and R&D that will further enhance the West Midlands' international reputation as a cluster of automotive excellence," he said.

Source: automotive New. (2017). Retrieved from https://www.autonews.com/

- EU Gains Powers to Check up on New Car Approvals

European Union negotiators agreed to new rules that give Brussels the power to check up on national car approval authorities after Germany and Italy dropped their resistance to the EU having greater control. Under the new regulation, the EU executive will be able to trigger EU-wide recalls, carry out checks on cars and fine automakers up to 30,000 euros per car for breaches of the rules. Under current rules, national bodies, such as Germany's KBA authority, approve new cars and only they have the power to revoke those licenses. The draft law allows the EU to carry out an audit of national authorities which approve vehicle types and sets a minimum number of on-road emissions tests a country is obliged to carry out after such checks in the U.S helped to uncover the Volkswagen emissions-rigging scandal.

Source: automotive New. (2017). Retrieved from https://www.autonews.com/

Sales of Large Quantities of Vehicles to Get the Economy Ministry of Finance Expects Tax to Surpass Target

Mr. Suraphong Phaisitphatphong Vice President and Spokesperson Automotive Industry Group The Federation of Thai Industries (FTI) revealed the trend of car production in 2018 That initially expected to be 1.96 million units, slightly higher than 2017, which is expected to be 1.95 million units divided into 860,000 vehicles for sale in the country compared to 2017, it is estimated that 850,000 vehicles the important factor that needs to be monitored is that the situation of private investment numbers that are expected to increase will cause the economy to expand well And is good for car sales "Car production year, 61 Is a modest target Want to see November numbers And December this year,

again and again, we hope for private investment Including the EEC project That started to return to help 'make the economy better' Including the increasing purchasing power that will help domestic sales, "Mr Surapong said**.**

Source: automotive New. (2017). Retrieved from https://www.autonews.com/

The Links of the Automotive Industry. Automotive Parts Industry

At the outset of Thailand's automotive industry during the year 2504 - 2509 will focus on the production of cars, to replace imports from abroad. Upon entering, the year 2510 - 2512 has reduced import tariffs. It also determines the rate of the components in order to encourage investment in the year 2525 - 2530 to adjust the requirements for using domestic parts and export promotion during the year 2540- 2549. The government has established the Automotive Institute. The master plan of the automotive industry 2545 - 2549 and began promoting the use of renewable energy since 2550 has prepared a master plan for the auto industry is the second time the master plan for the automotive industry. Prof. 2550 - 2554 BC 2555 - 2559 (current) situation of the world automotive industry is growing steadily. Especially the developing country which is regarded as the largest producer in ASEAN. The country is a leader in the production of cars and motorcycles then. Thailand is also a major supplier of automotive parts, as well as important information about the industry, manufacturers of automotive parts are as follows.

Industrial, automotive parts, one in the supply chain industry that has been promoted by the Government of Thailand to continue to support investments to produce auto parts in Thailand began to fight in the years 2510 - 2520 and support. Continuing to strengthen the automotive industry, coupled with measures to promote the use and production of automotive components in the country. Including measures to promote the development of the manufacturing industry, automotive components and systems. The current government of Thailand to focus on supporting manufacturing auto parts and innovative use. Technology more in particular, the use of electronic components to control the operation of various auto parts. Increase for vehicles with internal combustion engines and oil- fired. To encourage the use of machinery. To help produce more to support vehicle electrification. The government is likely to push for. PHEV) that will be driven by technology. Mixed systems powered by electric batteries and conventional oil.

You can also plug in an external battery charging. The development direction of the automotive industry of Thailand, the government said that in line with the demand for cars in the future of the world. The current focus on the automotive, high-tech and more. and environmentally friendly, more so in the year 2016, Thailand's status as an exporter of auto parts in ASEAN and is ranked No. 1 in the world and 14 in 2017-2019 is likely to grow more in the direction of the car manufacturers. Motorcycles as a result of the economic recovery of Thailand and international partners together with the expected to accelerate the production and distribution of the car Eco-car plans to obtain investment promotion from the BOI and will be produced. A large automotive increased with the expansion of the camp motorcycle world.

Automotive Parts Industry Automotive Parts Industry

The auto industry and auto parts industry. A connection as the market industrial parts are composed of produce market main parts 2 types.

1. Market for parts factory automotive components (Original Equipment Manufacturer: OEM), which will be the main parts of both motor in Domestic and export. This trend needs this kind of parts will directly proportional to volume production cars and motorcycles.

2. Market replacement parts or replacement parts (Replacement Equipment parts market Manufacturer: REM) is produced for replacement parts. Dim damaged or worn from use. Which parts manufacturer this kind since the large enterprises and small the parts produced are different and varied.

The production of automotive parts by level structure, production structure, sequence is as follows.

1. Parts manufacturer the 1 (First-Tier). The type of input device assembly factory, car and motorcycle directly. The company will have the technological capability to produce parts according to the standard Car assembly and clump. Around the motorcycle

2. Parts manufacturer the 2 (Second-Tier). A parts manufacturer or sub supply raw materials to enter the 1 parts manufacturer.

3. Parts manufacturer the 3 (Third-Tier). A manufacturer or supply raw materials enter the parts manufacturer 1 sequence or 2.

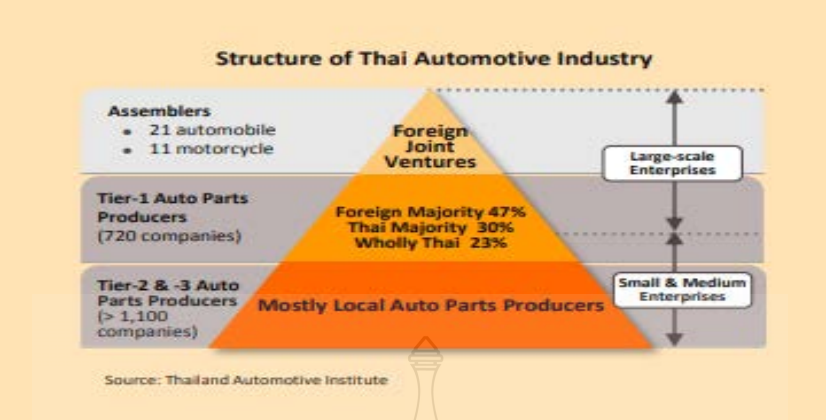


Figure 2.2 Number of Entrepreneur Automotive Parts Industry

Source: Thailand Automotive Institute (2018)

An overview of the automotive industry in January to December 2017 volume production cars, cars, include 1 988 823 cars, up 2 percent as compared with the same period last year 2016 than the target set, 1 950 000 cars, 2 percent of car production in pages. So to sell in the country increased percent 40 volume all cars and pickup truck production 1 tons. In order to increase export accounted. The percentage 48 volume all cars. Export auto parts by the manufacturer and automobile totaled 278, the 342 million. Increase from the same period last year, 2016 percent 7 mold and equipment held on to a target value output, 3 765 boost. According to the most of 130 by other parts have the export value 480% percent of the most 40 sending out. Most automotive parts in years 2560 have export value totaled 19, the 845 million. Increase of the same period of the year 2016 percent 16 classified as automobile parts, 19 287 million USD, and export. Motorcycle parts, the value 558 million. The parts with export value most is the components and other equipment, value 8 253 million by delivery. Also, Indonesia, Japan, Malaysia, respectively.

The Thai automotive parts include the year 2017 value, 16 624 million. Increase from the same period last year, 2016 percent 8 classified as automobile parts, value 16 066 million USD and piece part. On the value 558 million, motorcycle by the auto parts import most valued. The components and auto accessories. As well as the frame and body, value 9 636 million by imported from Japan, China and the United States, respectively.

Table 2.4 Export Value of Automotive Parts and Automobile Assemblers of Thailand 2012-2017

(Unit: Million baht)

List of Items	2013	2014	2015	2016	2017	2017	2018	% Change (2018/2017)
						Jan - Dec	Jan - Dec	
Machine	26,991.95	28,353.85	31,590.48	32,481.69	43,717.87	43,717.87	39,727.68	-9.13%
Mechanical Part	20,116.53	19,715.26	22,134.71	23,468.51	29,316.06	29,316.06	36,126.67	23.23%
Mold and clamping device	1,720.91	2,636.44	2,433.29	2,990.69	1,634.20	1,634.20	3,765.37	130.41%
Components and Accessories	168,541.97	190,386.45	195,863.84	188,761.24	184,480.71	184,480.71	198,242.43	7.46%
Other Parts	2,310.29	947.49	1,642.76	1,177.43	802.00	802.00	480.32	-40.11%
Total	**219,681.65**	**242,039.49**	**253,665.08**	**248,879.56**	**259,950.84**	**259,950.84**	**278,342.47**	**7.08%**

Source: Thailand Automotive Institute (2018)

In the whole of the industrial production of automotive parts in 2017, automotive parts, Thailand generates income for the country by exporting to 19,844.69 million, up 15.50% compared to the year 2016, the import value 16623.53 billion. An increase of 8.15% compared to the year 2016 by the import - export value for the year 2017 was a surplus of US $ 3221.16 million.

Partner countries that are exporting to the top 5 U.S. 2779.19 million, representing 14% of total exports, up 20.62% from the year 2016, followed by Japan 1799.64 million, representing 9.07% of. Total exports increased from 9.79% in 2016, Indonesia was ranked third at US $ 1695.07 million, representing 8.54% of total exports, up 22.80% from the year 2016, Malaysia was US $ 1349.47 million. The projector is 6.80% of the total exports, down 2.81% from the year 2016, China and the US $ 1173.27 million, representing 5.91% of total exports, up 37.92% from the year 2016.

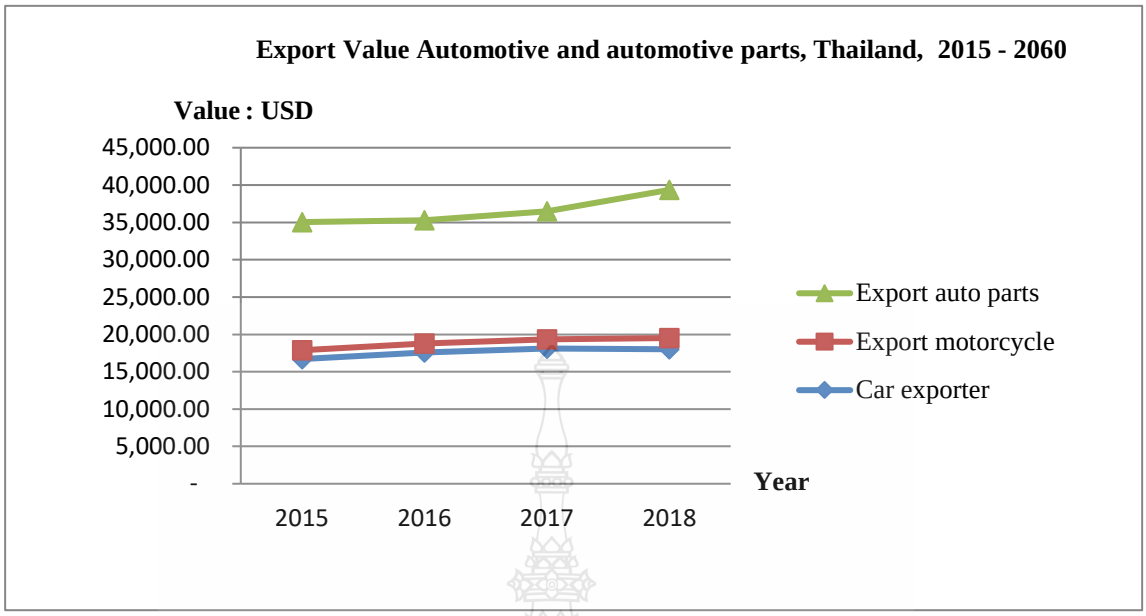


Figure 2.3 Value Export Automotive and Automotive Parts Thailand

Source: Thailand Automotive Institute 2018

The Automotive Parts Manufacturers' Association (Thai Auto - Parts Manufacturers Association: TAPMA), an organization that helps drive automotive parts industry to grow stronger and continue to strive to promote. Encourage the automotive parts industry can compete on an international level by the association has prepared a strategy for the years 2018-2020, divided into six key areas: 1) strengthening the organization's ethical system development focus. Management The strong this collaboration promotes a new generation to take care of the financial matters of the association. To be able to rely on their own 2) with a focus on technology. Improve the ability of workers in the industry. The skilled A better quality of life Disciplined society organizations and 4) the strengthening of doing business internationally oriented and linkage international network 5) Management for SMEs towards strengthening business promotion and development of enterprises, small and medium. Sized enterprises or SMEs with strong management and 6) support and promotion of export opportunities and cooperation channels between. Parts manufacturing company interested in exporting them to do activities together. The 6 strategic areas to help drive the global automotive parts supplier sustainable growth and continuity. Currently, Thailand is a manufacturing base for automotive parts exports strong. As can

be seen from the figures that the total market. Thailand is the No. 1 in production for export, followed by Indonesia, Malaysia and the Philippines, respectively.

Data from the study and a review of relevant literature on industrial manufacturers of automotive parts. The industry has found a group of entrepreneurs in SMEs, as many manufacturers. It is also the industry's support of the government and the private sector continued. Since it is a business that generates revenue for the local economy and encourage better respectively. But it is also a problem of organization management of enterprises. That must have been many developments. To keep the business stable and sustainable growth.

The global automotive industry continues to grow continuously. Especially in developing countries which Thailand is considered to be the largest producer in ASEAN and is the 10^{th} most important automotive parts manufacturer in the world then enabling Thailand to maintain the growth of the auto parts industry continuously and for the longest the key factor is having a business leader who understands and can manage the business to grow internationally. Including creating business strategies that create competitive advantage and modern innovation in accordance with the needs of customers and situations that are constantly changing to expand the growth with stability and sustainability.

From studying the information and reviewing various literature in the use of data to synthesize the variables used in this study there are people who give ideas and confirm with research results that are consistent. Linking to the reality of studying the strategic management model of small and medium enterprises in the automotive parts industry in Thailand.

2.3 Transformational Leadership

The theory of leadership is widespread in research and widely accepted in academics, which the results have been applied in the organization to perform effectively. The researcher believes that in the perspective of leadership, it can create inspiration and motivation to follow work to achieve the goals set. So, the goal set is performed by everyone in the organization. Several agencies were realignment in the direction of the organization's context. So it gained competitive advantages which affect the survival and sustainability of the organization. The leader has a critical role in organizational change. The style of leadership can

help the team succeed. Many styles of leadership are based on evolution and the organization's context. In this research, the styles of leadership are represented in transformational leadership and transactional leadership style.

2.3.1 Transformational Leadership and Business Strategy

A number of studies have analyzed the impact of transformational leadership on the performance of organization via intermediate constructs such as culture (Ogbonna and Harris, 2000), Innovation (Yasir et al., 2013) knowledge management (Gowen et al., 2009), enhancing human resource management (Zhu et al., 2005), and business strategy (García-Morales et al., 2008) and competitive strategies (Menguc et al., 2007). Nevertheless, having a complete understanding of all the processes through which leaders exert this influence is still quite limited and mostly speculative (Bass, 1999).

The impact of leadership and business strategy on organizational performance is a subject that has gained so much attention. particularly in this era of increasing globalization and market competition. Reference for instance, is of the view that the leadership behaviors of the top management of small/medium-sized enterprises (SMEs) can have a strong impact on the performance and level of innovation of the firms; therefore, as the business becomes globally competitive, SMEs need to develop new sets of vision to sustain their businesses and to become more competitive. In this regard, the leadership behaviors of the business owner or manager play a major role in providing the needed direction and a clear vision, which must be shared by all the employees in the establishments. The performance of SMEs is also a product of strategy, in which the business owner or manager plays an important role in the formulation of the firm's strategy. The owner competitive development and personal goals determine the understanding and use of strategic management and planning. A meta-analysis of existing studies by has indicated a positive linkage between strategy and growth. That strategy leads to superior and sustainable performance. As a result, when a company develops and implements effective long-term strategies, it could impact on the competitive positioning of the company on the market. The leadership styles and strategy on organizational performance in small scale enterprises in the manufacturing sector of Ghana. The analysis has shown that both leadership and strategy play a key role in influencing organizational performance of the SMEs. However, whereas transformational leadership style has significantly positive effect on organizational performance.

2.3.2 Transformational Leadership and Organizational Innovation

Transformational leadership style boosts up consciousness of collective interest among the organization's members and helps them to achieve their mutual goals. Theories of transformational leadership emphasize emotions, values and the importance of leadership focused on encouraging creativity and new ideas in employees (Garcia-Morales et al., 2012).

Leadership plays a crucial role in firms' innovation, because leaders can introduce novel ideas into an organization, establish specific goals, and encourage innovation initiatives from subordinates (Noruzy et al., 2013). Transformational leadership assumed to be a major determinant for innovation, Burns.(1978) described transformational leadership as a type of leadership that raises followers morality and motivation by four dimensions: Idealized influence, intellectual simulation, inspirational motivation, and individual consideration. But how Transformational leadership may affect innovation (Pieterse,A,et al.,2010) and (Engelen et al., 2014) illustrated that the effect of each dimension of transformational leadership may have a different influence on the organizational innovation.

Regarding the relation between leadership and new product development, numerous studies have shown that leadership has significant influence on new product development. In the process of new product development pace is very important, and some studies emphasize importance of leader role in new product development speed-up. One group of studies implies importance of leader's experience and expertise for the product development process, but also the need for product development market direction. That nurturant leadership plays an important role in the initial phases of ideas generation by stimulating employees' attention toward new ideas. Leaders can nurture innovation by encouraging followers to find out the solution of old problems in new ways. The quality of transformational leadership seemed to influence organization innovation as leader's ability to raise member's commitment to the organization. Thus, in such circumstances, the transformational leadership can play a major role in stimulation of creativity among employees and establishment of innovative environment of organization.

Leaders role in an organization should be like a creative thinker, prominent, captivating and humane. The leadership and job satisfaction have been extensively used in various researches to find their impact on the organizational performance and Innovation, these areas have been used independently or linkages between them. Transformational

leadership style act as a driving force for organizational performance and innovation side by side job satisfaction of employees as transformational leader interact with subordinates to motivate them, and facilitate employees to work up to mark. Transformational leadership style has shown significant achievement in growth and improvements in mergers and policies and for the development of innovative.

2.3.3 Transformational Leadership and Business Performance

In today's competitive world organizational success is linked with organizational performance and leadership style plays a significant role. Leadership is defined as capability of an individual to persuade and inspire other to contribute towards effectiveness and success of the organization. Leadership is a subset of management and modern managers should know the difference between management and leadership, as well as how to combine those two roles in order to achieve organizational goals. Basically, managers take care of business to get done, and leaders direct their attention on people who do that work/business. Hence, capability of calculated and logical approach to organizational process (management) and honest care for worker as a human (leadership) are required by combining management and leadership, which all together makes a good way towards development of transformational leadership. Focus in this paper is on impact of transformational leadership on company's business performance.

The style of leadership has been emphasized as one of the most important individual influences on firms' innovation, the reason being that leaders can directly decide to introduce new ideas into an organization, set specific goals, and encourage innovation initiatives from subordinates (Noruzy et al., 2013). Transformational leadership is a contemporary, hands-on approach that helps one leads people and brings change in organizations (Bhat et al., 2013; Qureshi et al., 2014; Qureshi et al., 2015).

Many research studies have concluded that transformational leadership has a positive influence on the performance of the followers and organizational outcomes. A number of comparative studies carried out by researchers have also testified that transformational leadership behaviors have a positive relation with subordinate effectiveness in multiple organizational settings (Bass, 1999). Transformational leadership usually carries an effect on performance which is over and above the effect exerted by transactional leadership (Bass, 1999).

The results show that there exists a strong relationship between transformational relationship and organizational performance. Telecom industry needs transformational relationship to improve their organizational performance (Garcia-Morales et al., 2012; Noruzy et at., 2013).

Transformational Leadership possess charisma, deliver inspiration and also promote intellectual stimulation (Bass, 1999). Charisma is responsible for generating the pride, respect and faith that leaders work to inspire their employees to inculcate in them, their leaders, and the organizations for which they are working. The term organizational performance refers to capability of a firm to materialize such objectives as high profit, good financial results, large market share, quality product, and survival at pre-determined time utilizing relevant strategy for action (Koontz and Donnell, 1993). Previous researchers found that there is direct influence of transformational leadership on organizational performance (Bass, 1999; García-Morales et al., 2008; García-Morales et al., 2012; Menguc et al., 2007).

Individual, group and organizational outcome have been associated with leadership styles, and transformational leadership is believed to achieve outstanding levels of outcome from their followers (Khan et al., 2014). Leadership leads to procedural changes which organizations are facing in the dynamic competitive environment and no doubt transformational leadership plays a crucial role in an organizational success.

There are five fundamental practices that enable leader to accomplish outstanding results in a creation of changes in organization transformation: path modelling, common vision creation, process review, enabling others to act and encouragement. Transformational approach to leadership is an effective leadership form. Transformational leadership requires managers to be aware of relation of their behavior to the needs their subordinates and the variable business dynamics of their organization.

2.3.4 Definition of Transformational Leadership

Bass (1995) defined the term "transformational leaders" as the person who motivates followers more than they initially expected, raise the level of high awareness, increase the number of needs for security or recognition to achievement or self- actualization, and lead to transcending their self-interests for the good of the organization or team.

Bass (1999) defined transformational leadership as the style of leadership that leads to increased consciousness of shared interest among the members of the organization and it also helps them in achieving their collective goals. Various theories of transformational

leadership put emphasis on values, emotions and the importance of leadership in order to encourage creativity in employees.

Transformational leadership on company's business performance. Transformational leadership gives more attention to leadership elements like charisma and feelings (Bryman, 1992)

This approach highlights inner motivation and follower's development (B. M. Bass & Riggio, 2006)

Transformational or charismatical leadership takes central place in leadership researches (Lowe, K. B. & Gardner, W. L. 2001)

It represents process in which people change themselves and implies a certain form of influence achievement through which followers are actuated to achieve more than they are expected to (Northouse, 2008)

For a follower to do more than what was originally expected, he must be motivated. Transformational leadership style motivates a follower by letting him feel trust, admiration, loyalty, and respect towards the leader (Bass, 1985; Katz & Kahn, 1978). Raising awareness of the importance of task outcomes among his followers is the initiating factor that a transformational leader uses to motivate. It induces followers to go beyond their self-interest for the sake of the organization. This activates their higher-order needs. Intellectual stimulation is brought about when followers are encouraged to think critically and seek new ways to approach their jobs (Bass et al,.1994). As a result, an increased level of performance, satisfaction, and commitment to the goals of the organization is formed (Podsakoff et al, 1996).

2.3.5 Transformational Leadership Style

Burns was the first who introduced the concept of transformational leadership in 1978, in his book (leadership), he was studying political leadership, but nowadays we are using transformational leadership concept in organizational studies, as the style that transforms followers to perform much better than they initially expected. (Bass,1985) . (Burns 1978) identified transformational leadership as a process where, "one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality".

Transformational leadership theory began from the concept of transactional leadership, which is based on the foundation of social exchange theory. It focuses on

trading benefits between leaders and followers. In 1973, the term transformation leadership was first used by Downton. The concept of transformational leadership was introduced by Burns in 1978. He said that excellent transformational leadership characteristics are similar to charismatic leadership or development leadership. Transformational leadership can take an important and necessary transfer to employees and their organization. The employees can pay attention to vision, value, intellectually stimulates with individual among employees (Du, Swaen, Lindgreen, & Sen, 2012). The transformational approach was one of the current and most popular approaches to research since the 1980s. The new paradigm of leadership was transformational leadership (Northouse, 2010).

The primary facet of transformational leadership style is the development of followers and their needs. Managers who exercise this style target the improvement of the value system of employees. This deals with their level of motivation and moralities (Ismail et al., 2009). Transformational leadership is the link between leaders and followers. It enlightens leaders on how to clearly understand the followers' interests, values, and motivational level. Basically, it guides the followers to attain their working goals in the organizational setting. Also, it inspires followers to be communicative and adaptive towards new and improved practices in the work place (Bass, 1994). A transformational leader attempts to broaden the vision of his subordinates and suggests recognition of the group (Bass, 1990). He allots a span of time to personally acquaint himself of his followers, the necessities required for them to perform at their best, and the extremes on how they can be challenged or supported (Avolio 1999). He seeks other options which can be explored and assesses the probabilities when taking risks. Rather than reacting to the changes of the environment alone, he tries to be actively involved with his followers. Addressing and modifying their subordinates' values and self-esteem are the tools that transformational leaders use in motivating their followers to superbly achieve.

Similarly, transformational leaders invite their followers to 'buy into' their aspirations. Later on, the followers become deeply motivated to attain the organizational goals and visions (Goodwin, Wofford, & Whittington, 2001, p. 77). Furthermore, followers are inspired to exceed their self-centered interests. According to Bass (1998), transformational leaders exert effort to dissuade followers from their personal interests and security towards

achievement, self-actualization, and the greater good. In consequence, followers are prepared to exert supplementary means in achieving these. For this to eventually take place, the transformational process requires the change in the followers' needs and values. This remarkable shift from transactional to transformational leadership occurs when a leader takes into account the follower's individual needs. Once these needs are intensified, the leadership exchange begins. (Bass & Avolio, 1997).

The transformational dynamic involves a strong personal identification with the leader, a joint vision of the future, and going beyond the self-interest exchange for rewards (Hater & Bass, 1988).

According to Bass and Avolio (1994), transformational leadership is seen when leaders:

1. Stimulate interest among colleagues and followers to view their work from new perspectives,

2. Generate awareness of the mission or vision of the team and organization,

3. Develop colleagues and followers to higher levels of ability and potential

4. Motivate colleagues and followers to look beyond their own interests toward those that will benefit the group.

2.3.6 Concept and Theories of Transformational Leadership

Scholars and researchers are interested in transformational leadership, which is capable of organizational performance. The organization will be changed with the characteristic of transformational leadership theory that motivates and creates inspiration to the employees. Such employees perceive the organization's vision, share its values, and culture. Then they will achieve their goals and objectives (Bass & Avolio, 1994; Griffin & Moorhead, 2006). The transformational leader's behavior will motivate employees to achieve goals above expectations (Long & Lee, 2011). Also, Gillespie and Mann (2004) found that the potential of a transformational leader to develop followers and communicate would promote trust in the relationships of the organization's members (Alsughayir, 2014). Therefore, transformational leaders change his or her followers to actual work-related outcomes and higher levels of performance (Lin & Hsiao, 2014). The theory of transformational leadership is studied about the behaviors of leaders in the aspect that the leaders can contribute to change in the organization. The leaders' actions have influence and inspire their followers to perform at full capacity. Therefore, the characteristics of

transformational leadership include; influence to the members' ideas, inspiration and motivation, intellectual stimulation, individualized consideration, a creation of strategic vision, ability to communicate a vision, good examples for employees.

Defined transformational leadership as the style of leadership that leads to increased consciousness of shared interest among the members of the organization and it also helps them in achieving their collective goals. Various theories of transformational leadership put emphasis on values, emotions and the importance of leadership in order to encourage creativity in employees (Mutahar, Rasli, & Al-Ghazali, 2015).

Transformational leadership focuses on satisfying the basic and higher-order needs of followers through inspiration to achieved desired goals. Transformational leadership is often juxtaposed against transactional leadership in which transactions form the basis of follower motivation (Orabi, 2016). Transformational leadership differs in that it creates a deep internal desire for motivation that is not sustained through transactions; rather motivation for the follower is sustained through true inspiration or transformation in the desire to achieve goals (Kim & Yoon, 2015).

Transformational Leadership Model has four Factors

1. Idealized Influence (II)

Before naming this dimension "Idealized influence", (Naguib & Naem, 2018) used the term charisma to describe idealized influence, but when developing the model, he discovered that the term idealized influence is better than charisma several reasons; First, charisma represents several meanings in the media. Second, some researchers use the term charisma to as all-inclusive term for transformational leadership. Third, the term charisma associated with dictatorship leaders (B. M. Bass, 1999).

Max Weber was the first scholar who discussed charisma, he defined charisma at 1947 as a divine gift Allows the leaders to lead in novel ways. They are different from ordinary leaders, because they have unique abilities that rouse and influence their followers. By Charisma leadership makes followers trust and honor them (Naguib & Naem, 2018).

Charisma is also regarded as idealized influence or attributes. It is characterized by vision and a sense of mission, instilling pride in and among the group, and gaining respect

and trust (Humphreys & Einstein, 2003). In the light of providing reassurance that hindrances will be overcome, and in stimulating confidence in the achievement and in the execution influence, charismatic behavior fuels followers to go beyond self-interest for the good of the group (Conger and Kanungo, 1998, Howell and Frost, 1989). Thus, followers exude extravagant amount of assurance and belief in charismatic leaders (Howell and Avolio, 1992).

Likely, charisma has gained its utmost significance when Bass (1985) identified three primary aspects of transformational leadership: charisma, intellectual stimulation, and individualized consideration. He treated charisma as 'the fundamental factor in the transformational process' (Deluga, 1988). However, the latter two are still fragments of the more recent conceptualizations (B. Bass & Avolio, 1995). As a factor, charisma was later subdivided into idealized influence and inspirational motivation. This was due to the theoretical criticism on the how charisma operates whereas bad connotation was attached, mainly in Europe or Asia. There were innumerable interpretations among the masses which ranged from renowned to gaudy to amiable (Bass, 1995).

More often, transformational leadership and charismatic leadership are perceived correspondingly (Hunt, 1999). The nearly isochoric existence of researches concerning the two has revealed theoretical similarity and empirical overlap. Both streams of research diverge from religious and mystic aspects or the extraordinary, superhuman capabilities of outstanding heroes of the first charismatic theories and their charismatic styles (Weber, 1922/1976). They have changed the previous concepts towards a more behavior-oriented and realistic perspective. Value-based attractive visions, inspiration, role modeling, support of personal growth, trust and consideration of followers' needs are the key aspect of both charismatic and transformational leadership (Alimo-Metcafe & Alban-Metcafe, 2001; Bass, 1985; Conger & Kanungo, 1987; House, 1977; House & Podsakoff, 1994; Podsakoff, Mackenzie, Moorman, & Fetter, 1990). Common to both theories is that upon the influence towards the followers' values, self-esteem, and self-concept, it later transcends elevated levels of effort, performance, satisfaction, and commitment (Bass, 1985; Shamir, House, & Arthur, 1993). Furthermore, Weber's (1922/1947) and House's (1977) treatises on charismatic leadership were acknowledged as important markers in

Bass' literature review for the first conceptualization of the transformational leadership theory (Bass, 1995).

2. Inspirational Motivation (IM)

When a leader sets higher standards, it automatically translates as the sign of reference. This phenomenon marks inspirational motivation accompanied by charisma. The inspirational leader is regarded by the followers as the sole agent who provides emotional appeal amongst others to increase awareness and understanding of mutually desirable goals (Bass, 1985). This becomes evident with the relaying of high expectations, using symbols to focus efforts, and articulating important purposes in simple means. An inspirational leader speaks optimistically of the future, articulates a persuasive vision of what lies ahead, and illustrates a thrilling image of organizational change (Bass & Avolio, 1994).

In providing meaning and challenge to the follower's work, motivation takes place. With this, individual and team spirit is aroused. Expectedly, passion and positivity are demonstrated. Envisioning an attractive future for the organization and themselves is how a leader encourages its followers (Bass et al, 1997). Inspirational motivation describes the degree to which the leadership has a vision that inspiring followers and instill hope for the future (Bernard, 1997), in a way to make that happen, the leader needs to motivate, communicate, and challenge his followers and provide meaning for the task. (Rumley, 2011).

3. Intellectual Stimulation (IS)

Through intellectual stimulation, followers are provided with challenging new ideas and are encouraged to escape from old ways of thinking (Bass, 1985). Promoter of intelligence, rationality, logical thinking, and careful problem solving characterizes a leader. Other means of defining a leader are his methods of pursuing differing perspectives in problem solving, his means of proposing approaches in scrutinizing assignments, and his ways of encouraging deeper analysis of ideas that have not been questioned in the past (Bass and Avalio, 1994). Followers are encouraged to be innovative and creative by breaking through norms, reevaluating obstacles and facing old scenarios with new methods. It means the leader ability to motivate his followers to think and to be creative (Fauji and Maulani,2013). Accordingly, the leader will challenge assumptions, and solicits follower's ideas by giving them enough freedom to make creatively overcome. (Steven,2007).

4. Individualized Consideration (IC)

The development of followers through coaching and mentoring concerns the fourth dimension of transformational leadership. It is termed as 'individualized consideration' (Bass, 1985; Bass & Avolio, 1990). As the mentor, the leader pays close attention to the inter-individual differences among the followers. He teaches and helps develop their assets, and attentively hears their distresses (Bass and Avolio, 1994). These are indispensable when raising the followers' level of maturity, and enhancing effective ways of addressing their goals and challenges (Bass, 1985).

The transformational leadership theory was successively improved since 1985, until; in 1991 Avolio & Bass improved and called this theory "Full Range Leadership Theory." The model of transformational leadership is concerned with enhancing factors, which are widely accepted from the scholar (Sahaya, 2012). According to a recent study, it was found that some of the scholars used transformational leadership style with four dimensions; idealized influence or charisma leadership, inspirational motivation, intellectual stimulation, and individualized consideration. also, the dimensions of transformational leadership style were represented to five dimensions. It was different in idealized influence. They separated idealized influence into attribute and behavior. The term "charismatic" has a meaning to be repeatedly used in positive and negative matters. In actual meaning, it has a specific meaning in the media and the public mind. Meanwhile, negative a meaning has adapted in communism i.e. Hitler, Tojo, Mussolini, and other dictatorships. This is the reason why Avolio and Bass use it instead of the term idealized influence for the charismatic factor (Bass, 1995). The degree to which the leader meets the follower's need and listen to the followers problems and concerns, It is also related to the degree to which the leader interested in follower's skill developments and growth (Naguib & Naem, 2018).

Idealized influence: Leaders behave as a role model for their employees, which reflects a vision and an obvious purpose. Under the current changing environment, the leaders will help to develop a vision of organizations and conduct ethics of the occupation. They will enhance the employees to perform and accept a risk so the employees can work with their utmost efficiency (Nemanich & Keller, 2007).

Inspirational motivation: It consists of the appreciation of tasks and challenges to followers. It causes enthusiasm to create favorable positive attitudes. The leaders will

help the members to accept the vision and mission to work for the organization's benefit. Thus the leaders must be used as a communication approach to motivate the followers to see a vision of the society. So it is represented for a higher effort of the supporters.

Intellectual stimulation: A leader urges an employee to solve the problem occurring in their organization with new methods using creative thinking and a systematic solution. So the employee hypothesizes problems and stays with the situations while solving new challenges. No criticism of the idea is not consistent with what the leaders think, so as we look at what the problems are and find a solution with a new approach based on their new concept.

Individualized consideration is to say that the leader is a mentor, coach, and regards the abilities, goals, and needs of the employees (Guay, 2013). The leader pays attention to the needs of individuals, supports to each Employee. So the leader is a person who will promote the employee to grow in his/her career in the future.

Although the basic definition of transformational leadership provided above facilitates comprehension of the process and how transformational leadership differs from other types of leadership practice, a review of what has been noted about this paradigm clearly indicates that there are specific mechanisms through which transformational leadership operates to provide motivation for the follower. Specifically, research indicates that transformational leadership is comprised of the Four I's‖ including: idealized influence, inspirational motivation, intellectual simulation, and individualized consideration (Tharnpas & Boon-it, 2015). Each of these elements contributes to the transformational process through which effective and positive leadership is achieved (Caillier, 2014).

Information regarding the role and function of each of the Four I's indicates that specific elements of follower development are cultivated in order to create a holistic foundation for leadership practice (Caillier, 2014). Idealized influence involves the ability of leaders to inspire followers to achieve a specific goal with additional personal effort while inspirational motivation involves the development of a vision and positive expectations that followers can accomplish (Verissimo & Lacerda, 2015). Intellectual stimulation results when leaders develop the capacity of followers to solve problems through creativity and innovation while individualized consideration requires leaders to recognize and support the contributions of each follower to goal achievement (Verissimo &

Lacerda, 2015). Each of these elements works in combination to facilitate the motivation of the employee on a deeper level indicating a high level of inspiration (Tharnpas & Boon-itt, 2015; Verissimo & Lacerda, 2015).

Enacted in its authentic form, transformational leadership enhances the motivation, morale and performance of followers through a variety of mechanisms. These include connecting the follower's sense of identity and self to the mission and the collective identity of the organization; being a role model for followers that inspires them; challenging followers to take greater ownership for their work, and understanding the strengths and weaknesses of followers, so the leader can align followers with tasks that optimize their performance.

2.4 Business Strategy

In this highly dynamic and uncertain environment, competitiveness is inevitable. As a result, organizations wishing to remain ahead of competition should therefore pursue suitable strategies. Business strategies have been found to have direct influence on firm's competitiveness and growth Sandlberg (1986). Porter (1985), posit that three competitive strategies namely; cost leadership strategy, differentiation and focus strategies are key to achieving competitive advantage and improving organizational performance. The focus of this paper is cost leadership strategy as it is one of the commonly used strategy dimensions in the literature.

Cost leadership strategy is an integrated set of action taken to produce goods or services with features that are acceptable to customers at the lowest cost, relative to that of competitors (Ireland, et. al, 2011). Cost Leadership also tends to be more competitor oriented rather than customer oriented (Frambach, et. al, 2003).(Porter, 1980), posit that a firm that successfully pursues cost leadership strategy emphasizes vigorous pursuit of cost reduction, tight cost and overhead control, research and development and advertisement among others to achieve a low cost position.

In relation to strategy, the measures were based on Porter's (1985) generic competitive strategy model, consisting of cost leadership, differentiation and focus strategy elements. John Parker Yanney (2014).

Porter (1985). posit that three competitive strategies namely; cost leadership strategy, differentiation and focus strategies are key to achieving competitive advantage and improving organizational performance.

According to Panwar (2016), a strategy refers to identifying factors which create a competitive advantage. A business strategy can be defined in various ways. It refers to a set of long-term actions designed to achieve certain objectives or goals of a firm (Panwar, 2016). Most definitions of a business strategy are associated with a set of theories used to achieve organizational objectives whereas other definitions relate to long-term business planning. (Watkins, 2007) defines it as "a set of guiding principles that, when communicated and adopted in the organization, it will generate a desired pattern of decision making" (p. 9). He explains that effective strategies allow managers to see clear roadmaps and help them operate and steer their businesses. From managerial perspectives, a strategy simply means the direction which a company aims to move towards (DuBrin, 2012). (Panwar 2016). claims that a business strategy requires the evaluation of a sequence of solutions to determine the best way to handle challenges.

However, Ansoff and Porter (as cited in Grundy, 2003) describe a business strategy as the application of a sustained competitive advantage to help organizations move from their current positions to their future desired destinations. Interestingly, Panwar (2016) points out that there is no best strategy, but it is more important for business to handle with each situation based on the evaluation of the business environment. Clegg, Carter, Kornberger, and Schweitzer (2011) assert that a strategy is related to big plan development. Generally, managers utilize all existing organizational resources to enhance organizational performance.

De Wit and Meyer (2010) explain that there are three categories of strategies in the business context such as a strategy process, a strategy context and a strategy content. First, the strategy process is concerned with how a strategy will be developed and implemented, by whom tasks will be carried out and when they will be implemented. Second, the strategy content is linked to the factors which should be included in an organizational strategy. Lastly, the strategy context is about where a strategy should be implemented such as in a certain industry or marketplace.

Strategy process: A strategy process is about how to implement and develop a strategy such as who will do the task; and when the actions should be taken (De Wit & Meyer, 2010). A strategy process is the investigation of strategy formation and strategy implementation. From the managerial aspect, this process is important as it provides opportunities to monitor and access the overall effectiveness of a strategy. It is contended that identifying, diagnosing, conceiving and realising are the four steps of actions in the strategy process (Ziriukina, 2014). It is concerned with making a set of choices or decisions for an organization. In order to make decisions, a lot of data is collected from many sources. McGee, Thomas and Wilson (2005, p. 34; as cited in Hen and Yang, 2006) suggest that "strategy content: basically the "how" of strategy. This details who is involved in the process and when activities take place. It is the story, the drama and the list of players in strategy as well as the characteristics of the process itself"

Strategy content: Strategy content refers to a set of joined choices and decisions that guide a firm to the future. Its target is to make a sustainable, organized, engaging and meaningful content to link with customers (Ziriukina, 2014). The strategy content is associated with what should be incorporated in an organizational strategy. The strategy context is concerned with where a strategy will take place such as a strategy for a particular business, a market or an industry. McGee, (Thomas and Wilson 2005) as cited in (Ehn and Yang 2006) claim that "strategy content: basically the "what" of strategy. This means defining what strategic decisions are about and what their intension is. The content perspective also address such questions as where are we going and what is the scope of the business"

Strategy context: A strategy context refers to a set of internal and external situations which are influenced by a strategy process and strategy content. Conducting detailed industry analysis such as Porter's Five Forces, PESTLE and SWOT can help us better understand the congruence among strategies, cultures and surroundings (Ziriukina, 2014). "The strategy context is the set of circumstances surrounding strategy making the conditions under which both the strategy process and the strategy content are formed. It could be said that strategy context is concerned with the where of strategy - where (i.e. in which firm and which environment) the strategy process and strategy content are embedded" (De Wit& Meyer, 2004, p.420)

Business-Level Strategy

An organization's core competencies should be focused on satisfying customer needs or preferences in order to achieve above average returns. This is done through Business-level strategies. Business level strategies detail actions taken to provide value to customers and gain a competitive advantage by exploiting core competencies in specific, individual product or service markets. Business-level strategy is concerned with a firm's position in an industry, relative to competitors and to the five forces of competition.

To help organizations create a competitive advantage among its industry rivals, four generic strategies were identified. Even firms resort to compete between the broad market and the focused market. There is also additional discussion over the fifth business level strategy called an 'integrated strategy'.

1. Cost Leadership- A wide customer-based price is what organizations compete with. Internal efficiency has become the basis of price. This was set to have a margin that will fuel above average returns and cost to the customers so that customers purchase the product/service. When product/service is regulated, this works very well. There can be universal goods that are acceptable to a wider range of customers, and can be at cheaper prices. Exerting nonstop efforts to decrease costs in order to appear lesser than that of the competitors is crucial. This enables one to become a successful cost leader. This can include:

Building state of the art yet efficient facilities (may make it costly for competition to imitate

Maintain tight control over production and overhead costs

Minimize cost of sales, R& D, and services

Porter's 5 Forces Model

A cost leadership strategy may help maintain profit even against rivalry, new entrants, suppliers' power, substitute products, and buyers' power.

Rivalry - Avoiding a price war is mostly avoided by competitors, since the low cost firm will continue earning profits after competitors have competed away theirs (Airlines).

Customers - Powerful customers that force firms to produce goods/services at lower profits may leave the market instead of earning below the average profits. This leaves the

low cost organizations in a monopoly of positions. The buying power of customers decreases.

Suppliers - Cost leaders are able to absorb greater price increases before it must raise price to customers.

Entrants - Low cost leaders create barriers to market entry. This isdone with continuous focus on efficiency and reduction of costs.

Substitutes - As a way of enticing customers to stay with their product, invest to develop substitutes, purchase patents, low cost leaders resort to lowering its costs.

Value Chain - This framework is utilized by firms to identify and evaluate the ways in which their assets and skills can add value. The value of the analysis lays in being able to break the organization's operations or activities into primary (such as operations, marketing & sales, and service) and support (staff activities including human resources management & procurement) activities. Through this, a firm is guided in assessing the organization how it is perceived by competitors, discover new ways to lower costs, and uncover means to add value to customer transactions that provides a competitive advantage.

2. Differentiation – Through the specialized features and characteristics of an Organization's products, value is provided to customers instead of giving the lowest possible price. Methods are exercised such as assuring that the product has high quality, features, high customer service, rapid product innovation, advanced technological features, image management, etc. (Rolex, Intel, Ralph Lauren are some known companies that commit to this strategy.)

Create Value by:

Lowering Buyers' Costs - Higher quality means less break downs, quicker responses to problems

Raising Buyers' Performance - Buyer may improve performance, have higher level of enjoyment

Sustainability - Creating barriers by perceptions of uniqueness and reputation, creating high switching costs through differentiation and uniqueness.

Risks of Using a Differentiation Strategy

Uniqueness, Imitation, Loss of Value

Porter's Five Forces Model – Effective differentiators can remain profitable even when the five forces appear unattractive.

Rivalry - Brand loyalty means that customers will be less sensitive to price increases as long as the firm can satisfy the needs of its customers (audiofiles).

Suppliers - Because differentiators charge a premium price, they can afford more to absorb higher costs and customers are willing to pay extra too.

Entrants - Loyalty provided a difficult barrier to overcome. Substitutes - One again, brand loyalty helps combat substitute products.

3. Focused Low Cost - Organizations do not just compete on price. Part of the competition is the selection of a small segment of the market to provide goods and services. An example of which is a company that restricts its products to the U.S. government.

4. Focused Differentiation - Organizations do not only compete based on differentiation. It can also happen at a small segment of the market to provide goods and services.

5. Focused Strategies - These are specific methods in seeking chances in serving the need of a particular customer segment.

Those who make use of this strategy may be able to serve the smaller segment (e.g. business travellers) comfortably than competitors who cater a vast range of customers. These special needs make it difficult to serve this kind of customers other than the industry-wide competitors. In catering a segment that was previously poorly segmented, greater chances are provided to an enterprise to establish it ground.

Risks of Using Focused Strategies

Maybe out focused by competitors (even smaller segment)

Segment may become of interest to broad market firm(s)

Using an Integrated Low-Cost/ Differentiation Strategy

This strategy has gained more popularity as the global competition arises. Firms that use this strategy may see improvement in their ability to:

Adapt to environment changes

Learn new skills and technologies

More effectively leverage core competencies across business units and product lines which should enable the firm to produce products with differentiated features at cheaper costs.

This enables the customer to realize the value based on both product features and a cheaper price. One company that uses this strategy is the Southwest airlines.

Though, there are risks that organizations must watch for such as: being stuck in the middle (for instance not being able to manage successfully the five competitive forces) and not achieving strategic competitiveness. An organization of this type must take hold of its ability to regularly reduce costs while consequently adding differentiated features.

Porter wrote in 1980 that strategy targets either cost leadership, differentiation, or focus. These are known as Porter's three generic strategies and can be applied to any size or form of business. Porter's generic strategies detail the interaction between cost minimization strategies, product differentiation strategies, and market focus strategies of porters. He also wrote: The two basic types of competitive advantage (differentiation and lower cost) combined with the scope of activities for which a firm seeks to achieve them lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation and focus. The focus strategy has two variants, cost focus and differentiation focus. In general:

1. If a firm is targeting customers in most or all segments of an industry based on offering the lowest price, it is following a cost leadership strategy;

2. If it targets customers in most or all segments based on attributes other than price (e.g., via higher product quality or service) to command a higher price, it is pursuing a differentiation strategy. It is attempting to differentiate itself along these dimensions favorably relative to its competition. It seeks to minimize costs in areas that do not differentiate it, to remain cost competitive; or

3. If it is focusing on one or a few segments, it is following a focus strategy. A firm may by attempting to offer a lower cost in that scope (cost focus) or differentiate itself in that scope (differentiation focus).

Companies that pursued the highest market share position to achieve cost advantages fit under Porter's cost leadership generic strategy, but the concept of choice regarding differentiation and focus represented a new perspective.

Cost Leadership Strategy

This strategy also involves the firm wining market share by appealing to cost-conscious or price-sensitive customers. This is achieved by having the lowest prices in

the target market segment, or at least the lowest price to value ratio (price compared to what customers receive). To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rivals. There are three main way to achieve this. The first approach is achieving a high asset utilization. In service industries, this may mean for example a restaurant that turns tables around very quickly, or an airline that turns around flights very fast. In manufacturing, it will involve production of high volumes of output. These approaches mean fixed costs are spread over a larger number of units of the product or service, service, resulting in a lower unit cost, i.e. the firm hopes to take advantage of economies of scale and experience curve effects. For industrial firms, mass production becomes both a strategy and an end in itself. Higher levels of output both require and result in high market share, and create an entry barrier to potential competitors, who may by unable to achieve the scale necessary to match the firm's low costs and prices.

The second dimension is achieving low direct and indirect operating costs. This is achieved by offering high volumes of standardized products, offering basic no-frills products and limiting customization and personalization of service. Production costs are kept low by using fewer components, using standard components, and limiting the number of models produced to ensure larger production runs. Overheads are kept low by paying low wages, locating premises in low rent areas, establishing a cost-conscious culture, etc. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. This will include outsourcing, controlling production costs, increasing asset capacity utilization, and minimizing other costs including distribution, R&D and advertising. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features. The third dimension is control over the value chain encompassing all functional groups (finance, supply/procurement, marketing, inventory, information technology etc.) to ensure low cost. For supply/procurement chain this could be achieved by bulk buying to enjoy quantity discounts, squeezing suppliers on price, instituting competitive bidding for contracts, working with vendors to keep inventories low using methods such as Just-in-Time purchasing or Vendor-Managed Inventory. Wal-Mart is famous for squeezing its suppliers to ensure low prices for its goods. Other procurement advantages could come from

preferential access to raw materials, or backward integration. Keep in mind that if you are in control of all functional groups this is suitable for cost leadership; if you are only in control of one functional group this is differentiation. For example, Dell Computer initially achieved market share by keeping inventories low and only building computers to order via applying Differentiation strategies in supply/procurement chain. This will be clarified in other sections.

Cost leadership strategies are only viable for large firms with the opportunity to enjoy economies of scale and large production volumes and big market share. Small businesses can be "cost focused" not "cost leaders" if they enjoy any advantages conducive to low costs. For example, a local restaurant in a low rent location can attract price-sensitive customers if it offers a limited menu, rapid table turnover and employs staff on minimum wage. Innovation of products or processes may also enable a startup or small company to offer a cheaper product or service where incumbents' costs and prices have become too high. An example is the success of low-cost budget airlines who, despite having fewer planes than the major airlines, were able to achieve market share growth by offering cheap, no-frills services at prices much cheaper than those of the larger incumbents. At the beginning low-cost budget airlines chose "cost focused" strategies but later when the market grow, big airlines started to offer the same low-cost attributes, and so cost focus became cost leadership. A cost leadership strategy may have the disadvantage of lower customer loyalty, as price-sensitive customers will switch once a lower-priced substitute is available. A reputation as a cost leader may also result in a reputation for low quality, which may make it difficult for a firm to rebrand itself or its products if it chooses to shift to a differentiation strategy in future.

Differentiation Strategy

Differentiate the products/services in some way in order to compete successfully. Examples of the successful use of a differentiation strategy are Hero, Asian Paints, HUL, Nike athletic shoes (image and brand mark), BMW Group Automobiles, Perstorp Bio Products, Apple Computer (product's design), Mercedes Benz automobiles. a differentiation strategy is appropriate where the target customer segment is not price-sensitive, the market is competitive or saturated, customers have very specific needs which are possibly under-served, and the firm has unique resources and capabilities which enable it to

satisfy these needs in ways that are difficult to copy. These could include patents or other Intellectual Property (IP), unique technical expertise (e.g. Apple's design skills or Pixar's animation prowess), talented personnel (e.g. a sports team's star players or a brokerage firm's star traders), or innovative processes. Successful differentiation is displayed when a company accomplishes either a premium price for the product or service, increased revenue per unit, or the consumers' loyalty to purchase the company's product or service (brand loyalty). Differentiation drives profitability when the added price of the product outweighs the added expense to acquire the product or service but is ineffective when its uniqueness is easily replicated by its competitors. Successful brand management also results in perceived uniqueness even when the physical products is the same as competitors. This way, Chiquita was able to brand bananas, Starbucks could brand coffee, and Nike could brand sneakers. Fashion brands rely heavily on this from of image differentiation.

Differentiation strategy is not suitable for small companies. It is more appropriate for big companies to apply differentiation with attributes throughout predominant intensity in any one or several of the functional groups (finance, purchase, marketing, inventory etc.). This point is critical. For example, GE uses finance function to make a difference. You may do so in isolation of other strategies or in conjunction with focus strategies (requires more initial investment). It provides great advantage to use differentiation strategy (for big companies) in conjunction with focus cost strategies or focus differentiation strategies. Case for Coca-Cola and Royal Crown beverages is good sample for this.

Focus Strategies

This dimension is not a separate strategy for big companies due to small market conditions. Big companies which chose applying differentiation strategies may also choose to apply in conjunction with focus strategies (either cost or differentiation). On the other hand, this is definitely an appropriate strategy for small companies especially for those wanting to avoid competition with big one. In adopting a narrow focus, the company ideally focuses on a few target markets (also called a segmentation strategy or niche strategy). These should be distinct groups with specialized needs. The choice of offering low prices or differentiated products/services should depend on the needs of the selected segment and the resources and capabilities of the firm. It is hoped that by focusing your marketing efforts on one or two

narrow market segments and tailoring you marketing mix to these specialized markets, you can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through product innovation and/ or bran marketing rather than efficiency. A focused strategy should target market segments that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investment. Examples of firm using a focus strategy include Southwest Airlines, which provides short-haul point-to-point flights in contrast to the hub- and- spoke model of mainstream carriers, United, and American Airlines.

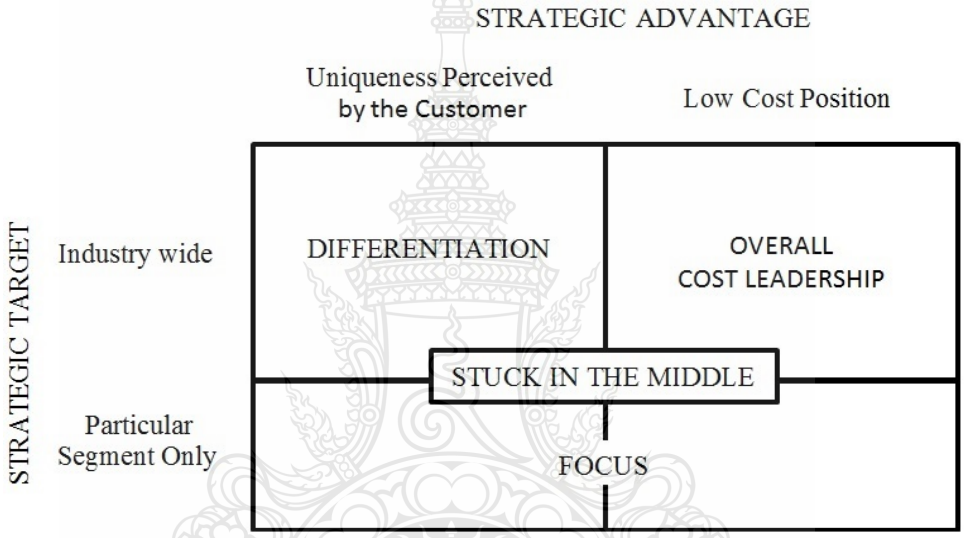


Figure 2.4 Michael Porter's Three Generic Strategies.
Source: Wikipedia, the free encyclopedia 2019.

Business Strategies for SMEs

Most people agree that a strategy can make a significant difference between success and failures in any competitive environment. In business, it helps firms to create 44 competitive advantages which are crucial to outperform competitors (Wunder, 2016). Warner (2010) asserts that every business needs to have its own business strategy so that it can compete and survive in the marketplace. This is because if organizations have no business strategies, it would be extremely difficult for them to compete successfully in the markets. Business strategies can be regarded as business plans which consist of visions, missions and goals. In order to develop an effective business strategy, it is

important for the organizations to observe both internal and external environment (Panwar, 2016).

However, Campbell et al. (2011) argue that a business strategy is not a fixed process or a permanent plan that an organization can always rely on in all situations. Instead, it is a continuing process and it needs to be reviewed and adapted according to the business environment in which the organization is functioning. Campbell et al. (2011) point out that "the purpose of strategy is either to make a business fit into its business environment or to use the resources of the business to change the rules of the game or reshape the environment". Besides this, the analysis of the macro and micro business environment is also important for developing a business strategy and business plan. The three categories of strategies suggested by De Wit and Meyer can be a fundamental concept for an SME to formulate and implement an effective strategy. According to Houston et al. (2003), the term "strategy" belongs to nobody and nobody can claim to be the owner of this term. A strategy can be described in other terms such as a plan, ploy, and pattern of behaviour, position and perspective strategy. A strategy could be understood as a plan. This is because it includes the process of work, management and control from the start to the end (Houston et al., 2003). As a ploy, it normally refers to a short-term strategy. As a pattern of behaviour, it relates to the activities which happen due to the impact of consistent or repeated behaviour. As a position strategy, it involves how firms position themselves against their rivals in the marketplace. As a perspective strategy, it is about changing the organizational cultures and beliefs of a particular group of followers in organizations (Campbell et al., 2011).

In order to survive in the competitive business environment, it is undeniable that SMEs should have effective business strategies. James (2014) insists that SMEs could take advantage of the markets as their strategies can be informal and emergent. This means 45 the strategies are adjustable to the needs of customers and marketplace. Grant, Butler, Orr, and Murray (2014) point out that SMEs should apply marketing strategies to increase the loyalty of their customers. These strategies are changeable and have nonfinite objectives to meet requirements in a certain period of time.

Challenges of Business Strategy Implementation

Due to the highly competitive market today, SMEs need competitive and effective business strategies to continuously support their current operations and organizational

growth. Karami (2012) points out that although some SMEs are satisfied with their present performance and have no concern about planning an organizational expansion, many SMEs are unaware of applying appropriate strategic plans. This can be regarded as the main reasons for failures among newly-established SMEs. Therefore, Levy and Powell (2005) assert that SMEs have difficulties in running their businesses due to a lack of understanding about business strategies, business plans and effective management.

The aim of a strategy is to create a competitive advantage for an organization. Besides, a competitive advantage refers to the capability of a company which has better performance than its rivals (Amason, 2011). Daft and Marcic (2012) claim that "competitive advantage refers to what sets the organization apart from others and provides it with a distinctive edge for meeting customer or client needs in the marketplace". A company can have competitive advantages over its competitors when its outcome is higher than the average outcomes of all firms in the same industry (Hill & Jones, 2007). On the other hand, Daft and Marcic (2012) pointed out that "business strategy is a plan of action describes resource allocation and activities for dealing with the environment, achieving the competitive advantage, and attaining goals" (The heart of strategy formulation is choosing how a firm will be different. Normally, business owners or managers will be the individuals who make decisions whether their firms will perform different or similar activities compared to their competitors.

In their study on performance of SMEs also found that strategy flexibility creates strengths and fastback niche-filling capabilities, which in turn focus more on differentiation strategies. They note that differentiation strategies show positive performance in terms of innovation also state that firms seeking to become more entrepreneurial must adopt differentiation strategies instead of cost leadership due to the nature of size. On the other hand, was of the view that a growth strategy or differentiation has a positive impact on performance rather than cost leadership strategy.

2.5 Organization Innovation

Schumpeter's work broadened the development of the conceptual approach to innovation way back 1912. According to Schumpeter (1934), is the action of innovating and creating processes which promote the disruption of the economic system while allowing the emergence of novelties.

Economic development is motivated by the technological innovations among capitalist economies. This occurs through the active process of 'creative destruction'. Here, innovation is regarded as the birth of something original by eliminating the obsolete while challenging the idea of economic balance. Neoclassical theory describes this notion further (Schumpeter, 1934).

The essential impulse needed for the process to occur is related to the setting and keeping the capitalist engine in motion. Creative destruction process is geared towards new consumer goods, novel manufacturing or transportation methods, new markets, and modes of industrial organization created by the capitalist enterprise (Schumpeter, 1951).

Oslo Manual (2005) has reported that Schumpeter's theories reveal that radical innovations lead to intense changes. Hence, incremental innovations provide continuous changes. There are five assumptions formulated by Schumpeter to allow innovation to take place in the market such as: (a) the introduction of new products; (b) the introduction of new processes; (c) the opening of new markets; (d) the development of new sources supplying raw materials and other inputs; and (e) the creation of new market structures within an industry.

Upon giving focus on the operation of inventions and the knowledge available to organizations driven by the search for competitive advantages which have economic impact, innovation occurs (Schumpeter, 1951). Ahmed (2001) stressed that innovation is a multi-faceted process. He clarified that even if something is easily identified and quite valuable for organizational success, management remains complicated. Definitions of innovation range from inquiry, discovery, trial, and implementation of new products, processes, and organizational styles. Four fundamental properties were identified as (a) the uncertainty generated by the existence of technical and economic problems with unknown solution procedures; (b) the reliance on new technological opportunities in the

scientific knowledge; (c) the increasing of formal research, development and execution activities within integrated manufacturing firms; and (d) the learning process due to informal problem solving activities and to the efforts made to meet customers' requirements (Dosi, 1982).

Innovativeness is a key capability which provides competitive advantage as in many other industry. Innovation, in its simplest form, is defined form, is defined as commercialization process which is converting the idea to product/or service, newly improved production/distribution method or a new social service. As such, innovation is the realization of a new or improved product (goods or services) or process, a new marketing method or organizational method in internal applications, workplace organization or external relations (Tirupati, 2008: 105). For innovation, product, process, marketing method and organizational method must be new or significantly improved for the company. In this context, innovation activities cover newly developed or adapted products, processes or method (OECD and Eurostat, 2006: 50). In general, innovation activities in a business are carried out with technical and administrative areas and products and processes (Cunliffe, 2008: 106). According to some authors, the concept of innovation which can be evaluated in two categories as product and process innovation goes beyond this basic classification and examined under four classes (product, process, marketing and organizational innovation) in Oslo Handbook (OECD, 2005). The innovation which is regarded as the main souce (Xu et. al., 2008: 340) of competitive advantage and developing the competitiveness of enterprises is examined under the dimensions of product, process, marketing strategic and behavioral innovation put forward by (Wang and Ahmed, 2004.)

Innovation Dimensions

It is seen that innovation is an evolving process where newer and significantly improved products or processes replace the existing ones. Theoretical approaches categorized innovation in four categories (Tidd, Bessant, & Pavitt, 2005).

Firstly, is product and/or service innovation.This suggests changes in a product or service provided by the organization by using new or existing technologies. Customer satisfaction is central to the development and marketing of new products and services. Secondly is process innovation. This includes alterations in the means of how new and improved products or services are created and delivered. It concerns the multiplicity of

manufacturing and delivery of services. Thirdly is marketing innovation which is also termed as competitive position. Focus on the consumers' needs is the core concept that suggests the changes in the context in which goods or services are presented to the market. Lastly is organizational innovation which is also termed as management of mental process. Altering the underlying mental models dictates the moves of the organization. Thus, it is the byproduct of strategic decisions undertaken by the newly developed business in order to provide a sustainable competitive advantage.

The innovation dimensions studied in the flat knitting industries of Caxias do Sul are referenced by authors who emphasize the innovation concepts from the four innovation dimensions, according to the Oslo Manual (2005).

Product innovation presents new and significantly improved goods and services as stated by Oslo Manual (2005). This involves improvements on technical specifications, components and materials, ease of use and the incorporation of software and other functional characteristics. All these run in respect to the characteristics of goods or services.

Product or service innovation addresses the source of change which creates a competitive advantage (Jonash & Sommerlatte, 1999). Though, when it comes to services, innovation includes the introduction of new service. Tidd et al. (2005) has reported that an organization's change on products and services is directly related to product/service innovation.

Higgins (1995) remarked that central to the improvement of the efficiency and effectiveness of the product process is process innovation. Tidd et al. (2005) added that process innovation includes the alterations in the way products and services are created and delivered to customers.

Process innovation is defined as the implementation of new or significantly improved method of production or delivery (Oslo Manual, 2005). Part of this is the significant changes in techniques and equipment. It even anticipates reducing production or distribution costs in order to improve the quality and distribution of products (OECD, 2005).

Significant improvements in marketing elements are generated by marketing innovation. Some of the elements that it targets are product, price, promotion, distribution, and market. This may be grounded on product differentiation, promotion, distribution,

market or costs (Higgins, 1995). These are then accepted as changes in setting in which products and services are introduced to the market (Tidd et al, 2005).

Therefore, marketing innovation addressed the implementation of new methods with significant changes in product development, packaging, promotion, positioning, and even in pricing. Hence, in addressing consumers' needs, marketing innovation needs to tap the opening of new markets, product repositioning of a company within the market, and aiming to increase sales (OECD, 2005).

Organizational innovation is essential for companies that intend to follow strategic challenges, since they result in improvements in the organization's management (Higgins, 1995). Thus, organizational innovation means the implementation of a new organizational method in a company's business attitudes, such as the arrangement of the workplace and also external relationships. New methods aid in the organization's routines and procedures, in addition to driving the work and practices which facilitate learning and knowledge sharing within the company (OECD, 2005).

Product innovation is conceived as an improvement of quality, while process innovation enhances product innovation for a low quality company (Bacchiega, Lambertini, & Mantovaini, 2011), and it is strengthened by the recruitment of new skills and staff in training (Bocquet, 2011).

One of the product innovation trends is the full integration of environmental concerns since the beginning of the product creation phase. Such trend is known as the "eco-innovation project" which applies simultaneous engineering principles based on definition, as well as the corresponding Information and Communication Technology (ICT) tools of innovation processes, thus improving communication and decision-making among geographically distributed groups (Sorli & Stokic, 2011).

An opportunity to develop faster, better and with more satiety among others is offered by quality innovation. At the same time, the direction of the enterprise may be ordered by the company itself (Davila, Epstein, & Shelton, 2012).

Product innovation is the input process adopted to improve the production of a standardized product (Abernathy & Utterback, 1978) and it is defined as the one used in different sectors (Pavitt, 1984). Despite the fact that innovation importance is recognized, not all organizations are capable to develop or apply it considering that the average

percentage of companies that have implemented any innovation from 2008 to 2010 was 53% (European Union, 2013).

The best performance of the company tends to focus on product and process innovation, and there is no simple winning strategy regarding the complementarity among different forms of innovation (Ballot, Fakhfakha, Galia, & Salter, 2015).

To summarize, to improve the introduction of innovations it is important to consider factors that influence not only their adoption but also their implementation. Furthermore, when considering adoption and implementation aspects in the introduction of an innovation it is not sufficient to focus solely on characteristics of the supplier and recipient. Characteristics of the innovation production innovation, and the processe innovation are involved in adoption and implementation, must also be considered.

2.6 Business Performance

In today's economic environment, calculating the business performance is an issue for academic scholars and practicing managers. Smith & Reece (1991) has broadly described business performance as 'the operational ability to satisfy the desires of the company's major shareholders'. It is deemed necessary to measure an organization's accomplishment. Various studies examine the connection between organizational practice and process to affect the 'bottom line', and vice versa (Wall et al. 2004). For more than 20 years, there had been attempts in examining the connection between strategy and performance. A number of recent studies also focus on this aspect. The importance of performance evaluation and practices for an organization were closely studied by scholars (Dess & Robinso, 1984; Sapienza et al., 1988; McGrath et al., 1995; Song et al., 2005; Gruber et al, 2010). Additional studies delved on the performance of small firms and recently, medium firms too (Pelham & Wilson, 1996; Jarvis et. al., 2000; Alasadi & Abdelrahim, 2008; Thomas et al., 2008).

Upon assessment of business performance, regular indicators were utilized such as profit, return on investment (ROI), turnover or number of customers, (Wood, 2006) and design quality and product improvement (Laura et al., 1996). Measuring business performance through the business performance measurement (BPM) system was endorsed by Mann and Kehoe (1994) and Franco Santos et al. (2007). This serves as an imperative

tool within many research areas, mostly in business and Social Science studies. In this system, each quality that may affect a firm's business performance is examined. As a result, business performance is categorized in two comprehensive areas: operational business performance (OBP) and strategic business performance (SBP). To investigate in all the organization's functions at high and low levels activity is the chief purpose of this system (Mann & Kehoe, 1994). Likewise, this system is suitable in measuring the performance of small and medium enterprises (SMEs). Apart from this, it is also appropriate to measure both quantitative and qualitative research methods. Scholars reflected on the need for subjective measures in (like the seven-point Likert Scale in empirical research) in evaluating business performance. Thus, SMEs' performance may be evaluated through perception- based evaluation.

Growth

The firm growth perspective suggests that the sources of advice and the kind of information used by SMEs are a function of the growth and maturity of the firm. For example, founders of new firms, who may be deficient in knowledge and resources required to grow their business, will often turn to outside sources for advice (Smeltzer et al, 1991). Accountants, lawyers and bankers are common choices since bookkeeping, legal, insurance, and financial knowledge, and understanding of legal and statutory requirements, may be capabilities that the new firm does not possess (Dyer and Ross, 2008). As a firm matures, owners tend to favor more specialized business information (McGee and Sawyerr, 2003) and may engage in advice seeking and information search related to marketplace decisions on product quality, product lines and pricing (Pineda et al, 1998). The focus of firm attention may also expand further the 'immediate' micro-environment (customers, markets, and competitors) up to the 'remote' macro-environmental marketplace such as socio-cultural, demographic, political, regulatory, and technological trends (Mohan-Neil, 1995). The overt search of business growth is similarly expected to encourage the use of external assistance (Mole et al., 2017). A number of researches have discussed this relationship and has drawn attention to inquiries towards the path of causality (I.e.whether growth leads to seeking advice or whether advice stimulates growth). Caution is suggested in comparing findings, given the differences in methods by which growth was measured and the research questions posed.

In analyzing the data that links to the owner-managers' objectives rather than actual business performance, a hypothesis was derived by Johnson et al., (2007). It stated a positive relationship between growth orientation and pursuing external support. This is true when the growth and associated firm changes offer an extreme challenge to the internal resources and knowledge base of smaller firms. It can be concluded that growth orientation (using 'anticipated' employment growth as a substitute) is a major influence that affects businesses in seeking and drawing upon external support. In the utilization of various business performance measures, Robson and Bennett (2000) found that the use of outside advisors has astonishingly little relationship with each of the measures of growth. A justification to this lack of clear relationship with business growth is for those firms that face complications which impedes their survival. This leads them to seek external support, though it may come from subsidized sources.

A clear firm size threshold effect in demand for external support was exposed by Mole et al. (2017). This occurred with SMEs with more than ten employees who favored the access of formal sources of information and advice. Aside from this, they also found that these formal external advice come from private sources and those struggling in doing so, did not seek external advice at all. The Business Link 'brokering approach' used in England was not capturing all the SMEs that could be aided of external assistance.

Although scholars, including Pineda et al. (1998) suggested that personal attributes of the owner alone can explain external advice seeking activity. It was even suggested by Robson and Bennerr (2000) that since growth is the prime motivation in competitive market conditions, the used of advice may be related to this tendency. As pointed by Dryer and Ross (2008), small business owners are sensitive to the environment in which they exist. If there suddenly exist a surge of dynamism and complexity of the environment, there is a higher chance for owners to pursue environmental information (MczGee and Sawyerr, 2003).

Relatively, pieces of advice that small business owners would probably seek are those about marketing practices such as customer preferences and problems, pricing, and market communications (Dyer and Ross, 2008). Furthermore, perceptions on greater business success directly correspond to frequent advice seeking. The more complex a firm marketing decision is may be equated to the frequency of advice seeking that takes

place. This may involve diverse products, services or market segments, broad geographical markets, innovative products, and techniques.

In summary, the firm growth perspective suggests that explicit pursuit of business growth may stimulate firms to use external assistance. However, various scholars identify the challenge of causality in determining whether growth leads to seeking advice or whether advice stimulates growth. The growth perspective highlights the importance of business owner motivations and behavior in pursuit of growth as well as the competitive market which influence growth opportunities.

Profitability

In order of achieve satisfactorily in a competitive marketplace, business owners must firstly determine the level of profitability. The ratio to measure the performance of the company is termed as profitability. This is the chief feature in the company's financial reports. Profitability reflects the company's capacity to generate earnings within a certain period at a rate of sales, assets, and certain capital stock. The key factor in that helps managers on developing profitability strategy for their company if firstly understanding the major determinant of profitability (Gitman and Zutter, 2012).

Yazdanfar (2013) has stressed that one of the vital precondition of long term firm survival if firm profitability. Achievement and other financial goals of the firm are directly affected by the determiner of profitability of the firm. These elements are necessary for they impact economic growth, employment, innovation, and technological change. A company's prime objective is to boost further their profitability. Without it, a firm could not invite outside capital and the business would dangerously perish in the long haul. Feedback is directed to the firm if profitability is known and understood. A firm may device a strategy that must be undertaken to resolve a problem and/or minimize its negative impact in business continuity. Various studies were conducted in identifying profitability determinants, which were mostly performed in industrial organization discipline and uses large sample businesses. Such were found in the study of Schiniotakis (2012) in analyzing the data of 961 large Australian firms whereas determinants of firm probability are lagged profit rate, lagged productivity level, and its persistence, firm size and sector effects. After the reforms, Verma (2013) investigated the factors affecting profitability of the commercial banks in India. It was revealed that profitability and efficiency private sector

banks are comparatively higher than others. Gul, Irfad, Zaman (2011) analyzed the data of top fifteen Pakistan commercial banks over the period of 2005-2009 which they have examined the influence between bank-specific and macro-economic profitability characteristics. However, Erina and Lace (2013) sought the indicator of profitability from the factors affecting commercial banks evidences from Latvia, using Return on Asset (ROA) and Return on Equity (ROE). In their study, most medium-sized and large firm profitability determinants were highlighted. Profitability at macro-economic level was studied depending on the indicators. Though, Burja (2011) investigated the factors influencing the company's profitability at the SMEs economic level. Unlikely, Salman and Yazdanfar (2012) have examined the factors that determine profitability using the Swedish data of a micro firm. It indicated that firm size, growth of sales, lagged profits productivities, assets turnover and firm's age are variables that affect profitability. Their findings have revealed that growth and total factor productivity have significant positive effect on micro-firm profitability, and the size was found to have significant effect on micro-firm profitability.

Owners or part-owners manage Small and Medium Enterprises (SMEs). These are referred to as independent businesses that have a small market share. In fact, there is a vast diversity of businesses, so arriving at a single definition of a small firm is difficult. It varies from one country to another. European Union, however, pertains to SMEs as non-subsidiary, independent firms which have characteristics such as the employing fewer individuals.Though, the limitation on the number of employees, depend on the country. Some set the limit at 200 employees yet the United States assume SMEs as those having less than 500 employees.

Burja (2011) stated that SMEs level of performance is reflected by the direct result of managing various economic resources and their efficient use within operational, investment and financing activities. Supplementary to this, Salman and Yazdanfar (2012) believes that SMEs play a key role in the generation of jobs, new ideas and encouragement of entrepreneurial activities, and making a major contribution to the well-being of nations. Profitability and performance is vital for the evolution of SME firms and regional development. For Indonesia itself, the role and contribution of SMEs in the national economic structure not only become one of the national priorities but also the hope of accelerated development. When there are shocks of external pressure in the economy, national

SMEs firm serve as pads that keeps the national economy going. If global economy worsens, SMEs act as pillars of national economic growth and job creation.

In light of the studies stated above, the researcher is highly motivated to seek the indicators which identifies the profitability of SME firms in Thailand through examining the effects of variables such as firm, size, firm age, growth, productivity, and industry affiliation that impacts a firm's profitability. Therefore, the research question in this study is: How do firm size, age growth, lagged profitability, productivity and industry affiliation affect company profitability?

Leadership impact on various business performances is in focus of interest of numerous references. Many studies prove the impact of leadership on company performance. Significant relation between transformational leadership and organizational operations has been confirmed. Financial performance has also relation to the leadership and strategy and innovation which has extraordinary importance for this paper. It is proven that transformational leadership can significantly advance financial performance level. The research investigated organizations the same industry but with different ownership regarding the extent to which top management influence organization performance. Their results suggested that the leadership has positive influence on top management as well as on company performance.

2.7 Conceptual Framework

The conceptual model presented here has been derived from the discussions presented in the literature review. The conceptual framework presents the researcher' s schematization of the relationships of current study variables. The variables included transformational leadership, business strategy, innovation organization and business performance. Based on this framework, various hypotheses were developed and tested.

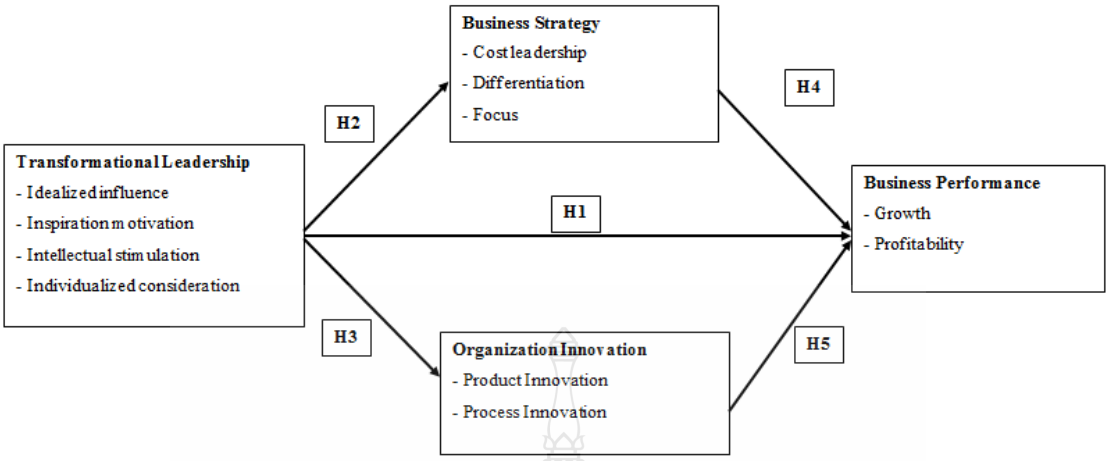


Figure 2.5 Concept Framework

CHAPTER 3
RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents methods and explains the methods chosen for the study. Methodology is the methodology of overall philosophy and research design. The method of education is a specific operational option that chooses to enact methods. (Zikmund, Babin, Carr, & Griffin, 2013). Depending on the research question and the current state of the research, the research design may look like a descriptive, descriptive, and predictive report (Cooper & Schindler, 2014). As explained in Chapter 2, there is a possible explanatory relationship in this study, and research questions and hypotheses are designed to test the relationship between variables. The research methodology is quantitative research. A study of the causal model of leadership, business strategy changes, organizational innovation and business performance. This chapter consists of population research methods and sample sizes, tools and procedures for data collection through questionnaires and statistical analysis.

3.2 Hypothesized Structural Model

The choice of research philosophy or a set of highest philosophies or assumptions that describe the beliefs of researchers about the role of education depends on the questions and research situations (M. N. Saunders, Lewis, Thornhill, & Bristow, 2015). The purpose of this chapter is to suggest and explain the methods used in the initial study. This helps readers understand what the results are from. There is also specific information to allow others to repeat or expand their studies if necessary to check the results or use the model with other markets.

The methodology was derived from the research reviewed in the mentioned literature, and was designed to test the relationships in the conceptual framework. The primary study was designed to test strategy management factors as the predictor (independent) variables.

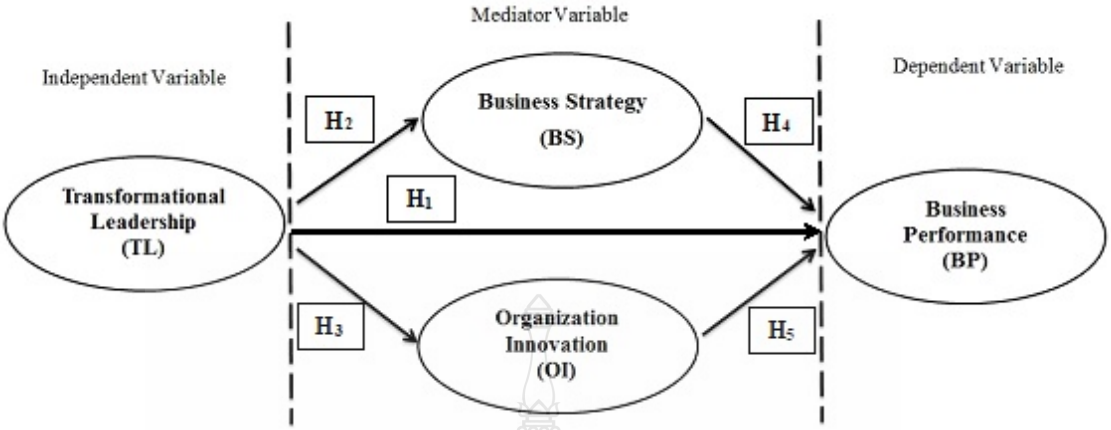


Figure 3.1 Hypotheses Model

These variables are divided into three types. The first category is transformational leadership, which includes four variables with ideal influence, inspiration, inspiration, intellectual stimulation and individualized consideration. The main result variable was business performance, which is identified as non-financial performance, including growth and profits.

3.3 Research Design

The study uses structural equation modeling techniques (SEM) as a statistical tool for data analysis in education (SME), allowing for multiple analysis and independent creation of criteria. This advantage overcomes the drawbacks of traditional statistical analysis, especially the models that have more than one relationship. SEM defines structural models, measurement models, and path analysis for the study of relationships at the same time. In order to obtain information to answer research questions by using structural models that have a relationship between latent and latent variables or test the relationship between latent and observable variables via SEM.

3.4 Population and Samples Used in the Research

The population of interest was top management who are companies in the Thai Automobile Parts Association (TAPMA) from 1,820 companies. The sample size determination This research uses the structural equation model (SEM). The sample size must be suitable for statistics. If the sample size is too small, the correlation coefficient estimation will have a high standard error. (Tabachnick & Fidell, 1996; Snijders & Bosker, 1999) Regarding the sample size, many previous studies suggest that the sample size, research, structural equation model (SEM) is a technique that requires a large number of samples that will need more than 200 samples. (Hair, Anderson, Babin, & Black, 2010). So, the sample size should between 200 - 300 cases. Anderson & Gerbing, (1984) and Bollen, (1989). suggested that there should be about 20 samples per 1 predictor variable, as well as Steven (1986), said that the sample size that should be studied should have about 10 samples per 1 parameter. The researcher selected the sample size of this research sample with the concept of Hair, et al. (2010) assisted that the size of the sample is appropriate at the level of 200 - 300 samples. Therefore, the optimal sample size is 300 samples. To get quality samples with 95 percent confidence, accept 5 percent error, which is consistent with the structural equation model (SEM). Presented by Hoyle, (2014), Kanlaya, (2013), Yuth Kriween (2013). Non-probability techniques such as convenience sampling are often used, as these techniques provide the convenience of selecting samples and allowing researchers to consider ethical considerations. (Altinay, et al., 2015). Therefore, convenience sampling was used in this study because of such benefits. We select samples from executives or managers in the automotive parts manufacturing business in Thailand, which is a member of the Thai Auto Parts Manufacturers Association. (Auto Parts Manufacturers Association, 2017) the total was 300 samples as shown in Figure 3.1

Table 3.1 Population and Sample

place	Population		Sample		Total S&M
	Small	Medium	Small	Medium	
Bangkok	391	125	64	21	86
Chachoengsao	38	64	6	11	17
Chon Buri	59	83	10	14	24
Nakhon Pathom	45	38	7	6	13
Nonthaburi	36	33	6	6	12
Pathum Thani	69	78	11	13	24
Ayutthaya	42	70	7	12	19
Rayong	51	45	8	7	15
Samut Prakan	287	106	47	17	64
Samut Sakhon	82	78	14	13	27
Total	**1,100**	**720**	**180**	**120**	**300**

3.5 Research Instrumentation

Instruments used in the study are summarized below:

3.5.1 Review the concepts, theories, and research papers related to the study of variables to determine the research purpose, concepts, and definitions of variables to be studied.

3. 5. 2 Determine the nature of question types and each variable scoring measurement and transform the meaning of scores.

3. 5. 3 Definitions are identified as key factors in each question and then a behavioral indicator is written to measure the attributes listed in the definitions of each issue by avoiding leading questions and complex questions.

3. 5. 4 Pre-test is to examine the content validity and reliability of the questionnaire items. In order for the questionnaire appropriateness, the pre-test is conducted by 30 employees who are not sample's in this study.

3. 5. 5 The query is generated to determine the quality of tools validity and reliability.

3.5.6 The questionnaire modified to fit the purposes of research.

Demography: The researcher created a questionnaire that includes information on gender, age, education level, income, and work experience in the automotive parts**.**

The research strategy is the general approach to the research, including the type of data collection and the analytical approaches (Saunders, et al., 2015). The research strategy must be chosen based on consideration of other aspects of the research methodology as well as research questions and objectives. Therefore, there is no "correct" research strategy, but different research strategies are used for different types of queries. (Saunders, et al., 2015). The objectives of this study focused on explaining relationships between business strategy and organization innovation to business performance which response variables for automotive parts manufacturing. This is the basis for the choice of explanatory research with quantitative is the most appropriate choice for this study.

The questionnaire modified to fit the purposes of research includes:

Section A: Transformational leadership questionnaire**.** The questionnaire relates to transformational leadership with has been developed from the **(**Bass & Riggio, 2006**)** and **(**Zhu, Sosik, Riggio, & Yang, 2012**).** The questionnaire contains 20 question items**.** for transformational leadership it consists of four sub-variables on the aspects of idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration**.** Each aspect consists five questions by the participants' responses were obtained using a seven point Likert type scale where 1 = the least, 2 = less, 3 = rather less, 4 = neutral, 5 = rather much, 6 = much, 7 = the most.

Section B: Business strategy questionnaire. This questionnaire relates to business strategy which has been developed from the Petter, Delone and Mclean (2008). This questionnaire consists 15 question items. For Business strategy it consists of three sub-variables on the aspects of Cost leadership strategy, Differentiation strategy, and Focus strategy. Each aspect consists five questions by the participants' responses were obtained using a seven point Likert type scale where 1 = the least, 2 = less, 3 = rather less, 4 = neutral, 5 = rather much, 6 = much, 7 = the most.

Section C: Organization innovation questionnaire. The questionnaire relates to organization innovation which has been developed from the Bessant and Tidd (2007). This questionnaire consists 10 question items. For Organization innovation if consists of two sub-variables on the aspects of product innovation and process innovation. Each

aspect consists five questions by the participants' responses were obtained using a seven point Likert type scale where 1 = the least, 2 = less, 3 = rather less, 4 = neutral, 5 = rather much, 6 = much, 7 = the most.

Section D: Business performance questionnaire. This questionnaire relates to business performance which has been developed from the Matzler, Schwarz, Deutinger, and Harms (2008) and Goodman and Dingli (2012). This questionnaire consists 10 question items. For Business performance if consists of two sub-variables on the aspects of growth and profitability. Each aspect consists five questions by the participants' responses were obtained using a seven point Likert type scale where 1 = the least, 2 = less, 3 = rather less, 4 = neutral, 5 = rather much, 6 = much, 7 = the most.

Table 3.2 Independent, Mediator and Dependent Variables Measurement

Independent Variables	**Reference**
Transformational leadership - Idealized influence - Inspirational motivation - Intellectual stimulation - Individualized consideration	Bass & Riggio (2006)
Mediator Variable	**Reference**
Business strategy - Cost leadership strategy - Differentiation strategy - Focus strategy	Petter,Delone and Mclean(2008)
Organization innovation - Product Innovation - Process Innovation	Bessant and Tidd (2007)
Dependent Variable	**Reference**
Business performance - Growth - Profitability	Matzler, Schwarz, Deutinger, and Harms (2008) Goodman and Dingli**(**2012**)**

Requesting Permission to use Questionnaires with Gauge

The researcher requested permission to bring the questionnaire from the previous owner. We apply mail and phone to request permission to use the questionnaire we improve the questions that will be used in the research in accordance with the conceptual framework.

3.6 Measurement Variables

Data analysis begins with a descriptive analysis consisting of percentage and frequency, mean, standard deviation or frequency distribution in various categories. (Holcomb, 2016). Analysis of descriptive statistics about population is limited but provides information that is the benefits of the sample help to compare with the population and explain precisely (Holcomb, 2016). In this research, frequency distribution is used. The title describes the data into categories including personal information. Likert (attitude and responsive response) is described by using the mean and standard deviation, which describes the middle trend and change of the range. Time or successive numerical variables (Holcomb, 2016). The researchers used Liker scale 7 scale models starting from level 1, strongly disagreeing. Level 7 with more and more inadequate. The level of importance is as follows 7 = The most, 6 = Much, 5 = Rather much, 4 = Neutral, 3 = Rather less, 2 = Less and 1 = The least. Which the score will be used to analyze the mean and average score of the respondents Interval Scale, with points divided into equal ranges from 1 to 7 points, 7 levels, with a width of 0.86 points (Bryman & Bell, 2011). The average criteria in the questionnaire are as follows. 6.17 - 7.00 = The most, 5.31- 6.16 = Much, 4.45 – 5.30 = Rather much, 3.59 - 4.44 = Neutral, 2.73 - 3.58 = Rather less, 1.87 - 2.72 = Less, and 1.00 - 1.86 = The least.

Validity Analysis

The consistency assessment of the tool uses validity Search and reliability to create the validity content (Sekarn, 2003) and comparing it with criteria Precision standards (Tepprasit & Yuvanont, 2015) Validity refers to the instrument accurately measures or assesses the specific concept that the researcher intend to measure instrument (Cooper & Schindler, 2003). Regarding to content validity, researchers examined the quality of the research instrument by using the questionnaire, the research was examined and audited by the dissertation advisor and.

Co-advisor before being forwarded to five experts for content validity. The research needed to find an index of the consistency between each question and attribute with the objectives as follows:

$$\text{IOC} = \frac{\sum R}{n}$$

IOC = Index of Item Objective Congruence

$\sum R$ = Rate of expert's opinion

n = Number of experts

Score was set by the experts' following criteria:

+1 The "congruent" means the questions are corresponding with the meaning of the item and its dimension.

0 The "not sure" means the questions are not exactly corresponding with the meaning of the item and its dimension

-1 The "not congruent" means the questions are not corresponding with the meaning of the item and its dimension

All the items with Index of Item Objective Congruence scores of less than 0.5 were eliminated from the final instrument. After the experts had checked the quality of the questionnaire's content validity, it was found that the content validity ranged from 0.6 - 1.0. It was found that the questionnaires were appropriate because they were consistent with the objectives of the research questions. The research was conducted after the questions were resolved according to the advice of the consultants, such as the clarity of the questions, the use of an official language rather than an informal one and the elimination of unnecessary questions according to the suggestions of five professors who are experts on the leadership, strategy and innovation. The results of the consistency index of the transformational leadership showed that the consistency index was 0.93, business strategy 0.93, organization innovation 0.96, and business performance 0.74 and the consistency index of the whole questionnaire 0.89. As shown in the table 3.3

Experts Evaluate the Consistency Index of 5 cases as Follows:

1. Assoc. Prof. Prasert Pinprathomrat President Rajamangala University of Technology Thanyaburi

2. Dr. Payung Sakdasawit Director/ Chairman of the Executive Committee Thai Auto Tools and Die Co., Ltd.

3. Dr. Nophadol Krintong Professor, Department of Mechanical Engineering Faculty of technical Education Rajamangala University of Technology Thanyaburi

4. Dr. Pirayut Pattanayanon Executive Director Dentsu (Thailand) Ltd.

5. Dr. Supakorn Pornherunkun Executive Director Nxp.Manufacturing Thailand Ltd.

Reliability analysis

Reliability refers to the scope of any test result or measurement process that delivers the same results as every test. (Cooper & Schindler, 2003) Reliability refers to the scope of test results or measurement processes that give the same results as every test by testing with a sample of 30 samples. 30 samples are operators in the auto parts industry that do not exist. In the real sample area to check that respondents understand the question in the questionnaire and check their confidence. Reliability of the questionnaire indicated Cronbach's alpha coefficient. Therefore, Cronbach's alpha coefficient refers to the extent of which the items in the same structural test (Ho 2006) higher than 0.70 (Nunnally, 1978; Fornell & Larcker 1981; O 'Leary-Kelly & Vokurka, 1998). High confidence (Zikmund, Babin, Carr, & Griffin, 2010). Cronbach's alpha coefficient, the question used in the research, from the questionnaire used to experiment with 30 entrepreneurs in the automotive parts manufacturer industry that is not a sample. The question consist of 11 observed variables, alpha coefficient showed of 0.97. Reliability Transformational Leadership equal to 0.98. Business Strategy equal to 0.93. Organization Innovation equal to 0.94 and Business Performance equal to 0.95. To sum up alpha coefficient in each question, were more than 0.70. so, all values in the questionnaire is reliable. and be acceptable (Zikmund et al., 2010). as shown in the table 3.3

Table 3.3 Reliability and Validity of the Scales

Construct	Item	Reliability	Validity
Transformational Leadership		**0.98**	**0.93**
	Idealized influence	0.96	0.92
	Inspirational motivation	0.94	0.96
	Intellectual stimulation	0.92	0.88
	Individualized consideration	0.90	0.96
Business Strategy		**0.93**	**0.91**
	Cost Leadership	0.83	0.92
	Differentiation	0.81	0.88
	Focus	0.88	0.92
Organization Innovation		**0.94**	**0.96**
	Product Innovation	0.91	0.96
	Process Innovation	0.93	0.96
Business Performance		**0.95**	**0.74**
	Growth	0.85	0.68
	Profitability	0.94	0.80
	Total	**0.98**	**0.89**

From Table 3.3 Alpha Coefficient Coefficient of Cronbach and Consistency Indexes of Questionnaires Used in Research from the Questionnaire.

3.7 Data Collection and Data Analysis

The tools used to collect data were questionnaires. The questionnaire aims to examine the influence of leadership change, business strategy and organizational innovation on the efficiency of the automotive parts industry. The researchers made a letter requesting cooperation with the Auto Parts Manufacturers Association and companies that are members of the 845 Auto Parts Manufacturers Association. The company was allowed to collect data by asking respondents to send the information back within one month after The researcher Create a follow-up questionnaire that has not been returned until the 300 samples have been completed. After that, use the questionnaire to check the completeness for additional statistical analysis for the data collection period, which conducted from January - March 2019.

Statistical Analysis

This research study was Amos program was used for the analysis of descriptive statistic, conformance testing of confirmatory factor analysis: CFA and structural equation models: SEM (Hair ei al., 2010; Kline, 2010).

Confirmatory Factor Analysis (CFA)

This study examined the conditions for normal distribution by checking the skewness and kurtosis values. Curran, (Curran, West, & Finch, 1996) suggested that if the absolute value of the skewness index is more than 3, this means that the data is asymmetric or does not have a normal distribution. If the absolute value of the kurtosis index is more than 10, it indicates that the variable is normally distributed. In addition, the significance at 0.1 level, p-value was less than 0.1; the significance at 0.05 level, p- value was less than 0.05; the significance at 0.01 level, p-value was less than 0.01; and the significance at 0.001 level, p-value was less than 0.001 (Arbuckle, 2011).

Structure Equation Model (SEM)

Wright (1921) defined that SEM is a statistical technique for testing and estimating causal relations using a combination of statistical data and qualitative causal assumptions (Wright, 1921). Byrne (2010) further defined that SEM is a statistical methodology that takes a confirmatory approach such as hypothesis testing to the analysis of a structural theory bearing on some phenomenon.

The following indices were used to check the consistency of the model with empirical data.

1. Chi-square is the commonly used for statistical test in order to check if the harmony is significant. To indicate that the model is consistent with empirical data merging, the chi-square or CMIN must have $p > 0.05$ (Hox, 2013), (Kelloway, 2015).

2. Chi-square/degree of freedom or CMIN/df is used in order to indicate the model's harmony with empirical data. The value of less than 2.00 indicates that the model is in harmony with the empirical data (Hox, 2013; Kelloway, 2015).

3. Root Mean Square Residual (RMR) represents the average residual value derived from the fitting of the variance - covariance matrix for the hypothesized model to the variance - covariance matrix of sample data. RMR should be consistent with value of less than < 0.08 (Schumacker & Lomax,2010)

4. Comparative Fit Index (CFI) belongs to a class of fit statistics known as incremental or comparative fit indices, which are among the most widely used in SEM and can assess the relative improvement in harmony with the researcher's model compared with a baseline model. CFI should be consistent with values up to > 0.90 (Schumacker & Lomax,2010).

5. Goodness of Fit Index (GFI) is used for checking the consistency and should be > 0.90 (Schumacker & Lomax,2010).

6. Adjusted Goodness of Fit Index (AGFI) is considered consistent when it is > 0.90 (Schumacker & Lomax,2010).

7. Normed Fit Index (NFI) is considered consistent when it is > 0.90 (Schumacker & Lomax,2010).

8. Root Mean Square Error of Approximation (RMSEA) is considered good fit when it is less than 0.50 and considered reasonable fit when it is < 0.08 (Schumacker & Lomax,2010).

Table 3.4 Indices for Model Assessment (Goodness-of-Fits)

Indices	**Assessment Criteria**	
Chi-square fit index (χ^2)	p-value ≥ 0.05	Hox , 2010 , kelloway, 2015
Relative chi-square (CMIN/DF)	< 2.0	Hox , 2010 , kelloway, 2015
Root mean square error of approximation (RMSEA)	< 0.08	Schumacker & Lomax, 2010
Standardized root mean square residual (RMR)	< 0.08	Schumacker & Lomax, 2010
Goodness of Fit Index (GFI)	> 0.90	Schumacker & Lomax, 2010
Adjust Goodness AGFI of Fit Index (AGFI)	> 0.90	Schumacker & Lomax, 2010
Comparative fit index (CFI)	> 0.90	Schumacker & Lomax, 2010
Tucker Lewis Index or Non- normed fit index (TLI or NFI)	> 0.90	Schumacker & Lomax, 2010

3.8 Individual Interview

An In-depth Interview is the face-to-face indepth with Industry executives of 9 auto parts manufacturers. The questions are open-ended questions that provide the answer explaining without controlling. The answer would be phased by statement responds. The questions of deep interview comprise 4 parts as follows: Transformational leadership, Business strategy, Organization innovation and Business performance. The result of the interviews will be used to confirm the results of the statistical analysis in order to build confidence in the results of this study.

The executives of 9 auto parts manufacturers as follows:

1. Mr. Samart Wattanavijit S. FIVE Engineering co., Ltd.
2. MR. Bunjong Manisri Korat Saisan co., Ltd.
3. MR. Pornput Nunkaew BTD Auto part (Thailand) co., Ltd.
4. MR. Sombat Juangrattanasirikul J.S Auto work co., Ltd.
5. MR.Panphet Chininthorn Truck and Tailor co., Ltd.
6. MRS. Benya Chanboonyasitt General Spring Center co., Ltd.
7. MR. Sompong Charusombat SNN Tools & Dies co., Ltd.
8. MR. Payung Sakdasawit Thai Auto Tools & Dies co., Ltd.
9. MR.Surapat Tansupong Korawit Engineering co., Ltd.

CHAPTER 4
RESEARCH RESULT

This research focused on "development of a strategic management model of small and medium enterprises in the automotive parts industry in Thailand" with the following objectives: (1) to study the transformational leadership that affect the development of management model strategic of small and medium enterprises in the automotive parts industry in Thailand, (2) to study business strategies and organizational innovations affect the development of strategic management model of small and medium enterprises in the automotive parts industry in Thailand, and (3) to propose a strategic management model suitable for small and medium enterprises of the industry automotive parts production in Thailand. The researcher presented the results of the data analysis by dividing into two parts as follows: Part one is the analysis of preliminary statistics of the sample group and observation variables for transformational leadership business strategy and organization innovation for business performance of small and medium enterprises in the automotive parts manufacturer. Part two, it showed analysis of the influence of transformational leadership, business strategy and organization innovation towards the business performance of small and medium enterprises in the automotive parts industry to make the presentation of the data analysis more convenient and understandable about the results of the data analysis. The researcher provided a name of variable and defined the symbols to present the statistics and variables as follows.

Table 4.1 Abbreviation of Constructs and Observed Variables

Construct	Observed variable	Type of variable
Transformational Leadership (TL)	Ideological influence (II) Inspiration motivation (IM) Intellectual stimulation (IS) Individualized consideration (IC)	Dependent Variable
Business Strategy (BS)	Cost leadership (CL) Differentiation(DF) Focus (FC)	Mediator Variable
Organization Innovation (OI)	Production innovation (PDI) Process innovation (PCI)	Mediator Variable
Business Performance (BP)	Growth (Gr) Profitability (Pf)	Independent Variable

4.1 Demographic data

Part 1: Analysis of basic statistics of general data, business information of the sample group, and observed variables about transformational leadership business strategy organization innovation in the business performance of small and medium enterprises in the automotive parts industry.

The data analysis was presented the results by dividing into 2 parts: Part 1: percentage of respondents and Part 2: presented the average, standard deviation, variance, highest score, lowest score, which is an analysis of data of observed variables. Results of preliminary statistical analysis showed in Table 4.2

Table 4.2 Summary of the Demographic

background		Total	
		n	**%**
1. Gender	Male	232	77.30
	Female	68	22.70
Total		**300**	**100.00**
2. Age	Below 30 years old	17	5.70
	30-40 years old	106	35.30
	41-50 years old	112	37.30
	above 50 years old	65	21.70
Total		**300**	**100.00**
3. Marital Status	Single	44	14.70
	Married	239	79.70
	Widowed / divorced	17	5.70
Total		**300**	**100.00**
4. Education	Undergraduate	39	13.00
	Bachelor degree	203	67.70
	Master's degree	53	17.70
	Doctoral Degree	5	1.70
Total		**300**	**100.00**
5. Experience	Under 5 years	8	2.70
	5-10 years	56	18.70
	10-15 years	87	29.00
	more than 15 years	149	49.70
Total		**300**	**100.00**

Most respondents were male 77.30 percent, most of them aged 41-50 years, accounting for 37.30 percent, followed by 30-40 years of age, 35.30 percent and only 5.70 percent that were in the age range less than 30 years old. Most of the sample groups were married status 79.70 percent, followed by single 14.70 percent and only 5.70 percent with widow / divorce status. The highest level of education was bachelor's degree accounted for 67.70 percent, followed by 17.70 percent of master degree and 1.70 percent with doctoral education. For work experience, it was found that the sample group had more than 15 years of work experience accounting for 49.70 percent followed by 10-15 years experiences accounting for 29.00 percent and only 2.70 percent with less than 5 years experiences.

Table 4.3 Business Information

background		total	
		n	**%**
6. Business model	Public Limited Company	16	5.30
	Limited Company	233	77.70
	Partnership	51	17.00
	Other/Please specify……	16	5.30
Total		**300**	**100.00**
7. Nature of business	Thai owner business	237	79.00
	Joint venture with foreign countries	35	11.70
	Foreign affairs	28	9.30
Total		**300**	**100.00**
8. Number of Employees	Less than 50 people *	180	60.00
	51-100 people**	64	21.30
	101-150 people**	40	13.30
	more than 150 people**	16	5.30
Total		**300**	**100.00**
9. Registered capital	Less than 50 Million Baht	180	60.00
	51,000,000 - 100,000,000 Million Baht	52	17.30
	100,000,001 - 150,000,000 Million Baht	29	9.70
	More than 150 Million Baht	39	13.00
Total		**300**	**100.00**
10. Time of operation of the organization	Less than 5 years	24	8.00
	5 years - 10 years	74	24.70
	11 years - 15 years	81	27.00
	More than 15 years	121	40.30
	Total	**300**	**100.00**

*** Small= 180 ** Medium = 120**

Considering the data of the business model, it was found that most business models were limited companies about 77.70 percent followed by the partnership 17.00 percent and only 5.30 percent was other forms of the business model. Most of the business operations were Thai business owners accounted for 79.00 percent followed by joint ventures with foreign countries 11.70 percent and 9.30 percent of foreign affairs. In terms of the number of business people, it was found that the number of employees was

not more than 50 people accounting for 60.00 percent followed by the number of employees from 51-100 people accounting for 21.30 percent and only 5.30 percent with the number of employees 151-200. The registered capital found that most businesses have a registered capital of not more than 50 million baht 60.00 percent followed by the registered capital of 51-100 representing 17.30 percent and only 9.70 percent with registered capital of 101 - 150 million baht. The summary of organization profile of business groups was showed in Table 4.4.

Table 4.4 Characteristics of the Majority of the Respondents

	Characteristics	**Percentage**
Personal Profile	Gender Sample size is male	77.30
	Age between 41-50 years old	37.30
	Status Married	79.70
	Education Bachelor degree	67.70
	Experiences more than 15 years	49.70
Organizational Profile	Limited Company	77.70
	Thai owner business	79.00
	Less than 50 people	60.00
	Less than 50 Million Baht	60.00
	More than 15 years	40.30

4.2 Descriptive Statistics of Variables

Preliminary data analysis results of transformational leadership, business strategy and organization innovation for business performance of small and medium enterprises in the automotive parts industry can be summarized as following:

1. Transformational Leadership (TL)

The attribute of demand management capabilities construct was measured by four observed variables, which were Ideological influence, Inspiration motivation, Intellectual stimulation, and Individualized consideration. These independent variables comprised of five items which were used to rate respondent's level of agreement. The statistical analysis of the minimum and maximum score, mean value and standard deviation value, shown in Table 4.5.

Table 4.5 Transformational Leadership Statistics Information

Variables	Mean	S.D.	Min	Max	Var	Meaning
Ideological influence						
II1	5.87	1.15	3.00	7.00	1.32	Very important
II2	5.77	1.07	2.00	7.00	1.14	Very important
II3	5.71	1.17	2.00	7.00	1.38	Very important
II4	5.76	1.08	2.00	7.00	1.16	Very important
II5	5.60	1.06	2.00	7.00	1.12	Very important
Total	**5.74**	**1.01**	**2.40**	**7.00**	**1.02**	**Very important**
Inspiration motivation						
IM1	5.71	1.09	2.00	7.00	1.18	Very important
IM2	5.74	1.08	2.00	7.00	1.17	Very important
IM3	5.76	1.12	2.00	7.00	1.24	Very important
IM4	5.70	1.10	2.00	7.00	1.20	Very important
IM5	5.71	1.08	2.00	7.00	1.17	Very important
Total	**5.72**	**1.00**	**2.40**	**7.00**	**1.01**	**Very important**
Intellectual stimulation						
IS1	5.56	1.06	2.00	7.00	1.12	Very important
IS2	5.70	1.06	2.00	7.00	1.13	Very important
IS3	5.31	1.14	1.00	7.00	1.30	Very important
IS4	5.72	1.08	2.00	7.00	1.17	Very important
IS4	5.70	1.08	2.00	7.00	1.01	Very important
Total	**5.60**	**0.93**	**2.60**	**7.00**	**0.87**	**Very important**
Individualized consideration						
IC1	**5.76**	**1.16**	**2.00**	**7.00**	**1.35**	**Very important**
IC2	**5.72**	**1.13**	**2.00**	**7.00**	**1.28**	**Very important**
IC3	**5.68**	**1.08**	**2.00**	**7.00**	**1.16**	**Very important**
IC4	**5.68**	**1.09**	**2.00**	**7.00**	**1.19**	**Very important**
IC5	**5.81**	**1.08**	**2.00**	**7.00**	**1.17**	**Very important**
Total	**5.73**	**0.99**	**2.00**	**7.00**	**0.98**	**Very important**

Transformational leadership factors found that the variables used in all 4 measurements were averaging between 5. 60 - 5. 74. The respondents perceived ideological influences (average 5.74) at a very important level followed by consideration of an individual (average 5.73). There was only an average of 5.60 where the perceived level was very important including intellectual stimulation. Considering the variance of all transformational leadership found between 0.93 -1.01.

2. Business Strategy (BS)

The attribute of demand management capabilities construct was measured by three observed variables, which are Cost leadership, Differentiation and Focus. These independent variables comprised of five items which were used to rate respondent's level of agreement. The statistical analysis of the minimum and maximum score, mean value and standard deviation value, as shown in Table 4.6.

Table 4.6 Variables Business Strategy Statistics Information

Variables	Mean	S.D.	Min	Max	Var	Meaning
Cost leadership						
CL1	5.73	1.05	2.00	7.00	1.11	Very important
CL2	5.30	1.22	1.00	7.00	1.48	Very important
CL3	5.47	1.13	2.00	7.00	1.29	Very important
CL4	5.52	1.19	1.00	7.00	1.42	Very important
CL5	5.67	1.15	2.00	7.00	1.33	Very important
Total	**5.54**	**0.99**	**2.00**	**7.00**	**0.99**	**Very important**
Differentiation						
DF1	5.35	1.18	2.00	7.00	1.39	Very important
DF2	5.77	1.10	2.00	7.00	1.21	Very important
DF3	5.11	1.37	1.00	7.00	1.87	Very important
DF4	5.58	1.12	2.00	7.00	1.25	Very important
DF5	5.58	1.19	1.00	7.00	1.41	Very important
Total	**5.48**	**1.01**	**2.00**	**7.00**	**1.02**	**Very important**
Focus						
FC1	5.51	1.13	2.00	7.00	1.27	Very important
FC2	5.60	1.15	1.00	7.00	1.32	Very important
FC3	5.70	1.14	2.00	7.00	1.31	Very important
FC4	5.56	1.08	2.00	7.00	1.17	Very important
FC5	5.56	1.09	2.00	7.00	1.18	Very important
Total	**5.58**	**0.98**	**2.00**	**7.00**	**0.96**	**Very important**

The basic statistics of business strategy factors showed that the variables used in all 3 measurements were averaging between 5.48 - 5.58. The respondents' perceived customer-specific focus (average 5.58) in very important followed by cost leadership (average 5.54) at very important and least with an average of 5.48. For very important level of awareness was making a difference when considered the variance of all business strategy between 0.99 - 1.01.

3. Organization Innovation (OI)

The attribute of demand management capabilities construct was measured by two observed variables, which are Product innovation and Process innovation. These independent variables comprised of five items which were used to rate respondent's level of agreement. The statistical analysis of the minimum and maximum score, mean value and standard deviation value, as shown in table 4.7.

Table 4.7 Variables Organization Innovation Statistics Information

Variables	Mean	S.D.	Min	Max	Var	Meaning
Product innovation						
PDI1	5.40	1.29	1.00	7.00	1.66	Very important
PDI2	5.39	1.33	1.00	7.00	1.77	Very important
PDI3	5.37	1.28	1.00	7.00	1.64	Very important
PDI4	5.57	1.12	1.00	7.00	1.25	Very important
PDI5	5.42	1.22	1.00	7.00	1.49	Very important
Total	**5.43**	**1.11**	**1.60**	**7.00**	**1.24**	**Very important**
Process innovation						
PCI1	5.39	1.27	2.00	7.00	1.60	Very important
PCI2	5.47	1.21	1.00	7.00	1.47	Very important
PCI3	5.43	1.23	1.00	7.00	1.51	Very important
PCI4	5.39	1.23	1.00	7.00	1.50	Very important
PCI5	5.41	1.26	1.00	7.00	1.59	Very important
Total	**5.42**	**1.13**	**1.80**	**7.00**	**1.28**	**Very important**

The basic statistics of the factors on organization innovation showed that the variables used for both measurements were 5.42 and 5.43. The respondents perceived

product innovation (average 5.43) at very important and process innovation (average 5.42) at very important level when considering the variance of business strategy at 1.11 and 1.13.

4. Business Performance (BP)

The attribute of demand management capabilities construct was measured by two observed variables, which are Product innovation and Process innovation. These independent variables comprised of five items which were used to rate respondent's level of agreement. The statistical analysis of the minimum and maximum score, mean value and standard deviation value, as shown in table 4.8.

Table 4.8 Variables Business Performance Statistics Information

Variables	Mean	S.D.	Min	Max	Var	Meaning
Growth						
Gr1	5.39	1.10	1.00	7.00	1.20	Very important
Gr2	5.50	1.09	2.00	7.00	1.18	Very important
Gr3	5.46	1.15	1.00	7.00	1.33	Very important
Gr4	5.13	1.34	1.00	7.00	1.79	Important
Gr5	5.44	1.24	1.00	7.00	1.55	Very important
Total	**5.38**	**1.01**	**1.20**	**7.00**	**1.03**	**Very important**
Profitability						
Pf1	5.24	1.34	1.00	7.00	1.79	Important
Pf2	5.10	1.22	1.00	7.00	1.49	Important
Pf3	5.33	1.17	1.00	7.00	1.36	Very important
Pf4	5.38	1.20	1.00	7.00	1.44	Very important
Pf5	5.23	1.27	1.00	7.00	1.61	Important
Total	**5.25**	**1.13**	**1.00**	**7.00**	**1.28**	**Very important**

The basic statistics of the business performance factors found that the both variables measurements were 5.25 and 5.38, with respondents perceiving growth (5.38) in very important and profitability (5.25) was at important. The variance of business strategy was at 1.01 and 1.13.

Part 2: the influence analysis of transformational leadership, business strategy and organization innovation towards the business performance of small and medium enterprises in the automotive parts.

Examining the consistency of the relationship model with objective and empirical data, the researcher determined the research models and parameters that must be estimated to study the influence of the transformational leadership business strategy organization Innovation factors on business performance of small and medium enterprises in the automotive parts manufacturer industry. The method of analyze was using the AMOS program to examine the harmonization of the causal relationship model with empirical data and to check the validity of the relationship model generated from the relevant theoretical concepts, which indicated the consistency index. The steps were:

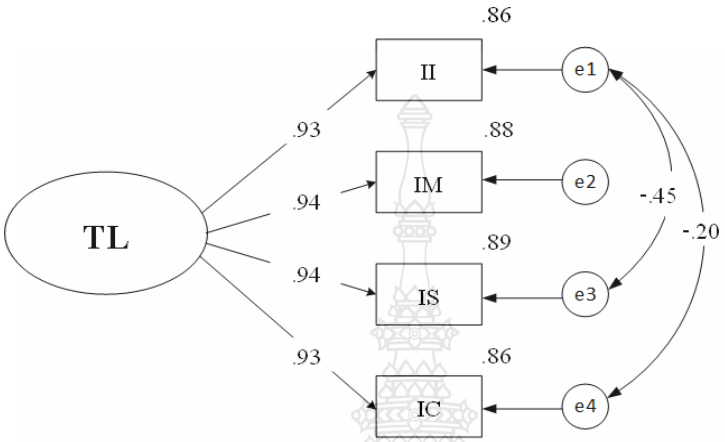
1. Test the model according to the objective by considering the standard regression coefficient (Standardized Parameter Estimates or Path Coefficients) and consider multiple correlation coefficients (SMC) or predictive coefficients.

2. If there are some routes that do not follow the hypothesis, then the route will be cut.

3. Test the model based on the chi-square value and consider the ratio between the chi-square statistic and the number of degrees of freedom (CMIN/ DF) such as the Goodness of Fit Index (GFI), Adjusted Goodness-of-Fit Index (AGFI), Tucker Lewis Index (TLI), Comparative Fit Index (CFI), Normed Fit Index (NFI), Root Mean Square Error of Approximation (RMSEA), Root Mean Square Residual (RMR). The chi-square value would be statistical significance for the sample size as the large group, therefore another methods of testing must be considered.

The researchers analyzed the Confirm Factor Analysis (CFA) to determine the consistency of the structural model created by the researcher with empirical data by examining the structural accuracy (Construct Validity) of the influence model of factors Transformational Leadership Business Strategy Organization Innovation for Business Performance. The researcher examined the structural validity of each model of the 4 Variables including Transformational Leadership (TL) Business Strategy (BS), Organization Innovation (OI) and Business Performance (PB). The results of structural accuracy analysis of each latent variable were as follows.

The structural accuracy analysis of latent variables of Transformational Leadership (TL), as measured by the four observed variables: ideological influence (II), motivation (IM), intellectual stimulation (IS), individuality (IC), analysis results as shown in the Figure 4.1.



CMIN = 0.85, DF = 1.00, *p* - value = 0.36, RMSEA = 0.00 CMIN/ DF = 0.85, GFI = 0.99

Figure 4.1 The Results of Structural Analysis of Transformational Leadership

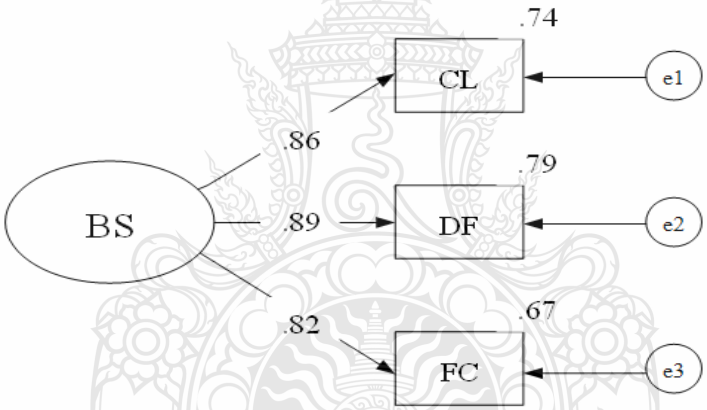
The results of confirmatory component analysis found that the measurement model was in harmony with empirical data. It can be determined by the chi-square value which was different from the center without statistical significance (CMIN = 0.85, DF = 1.00, p-value = 0.36, RMSEA = 0.00). The Goodness of Fit Index (GFI) was equal to 0.99 and the Adjust Goodness of Fit Index (AGFI) was equal to 0.99. The standardized root mean square residual (RMR) was equal to 0.00.

Considering weight of the composition of latent variables found that the total weight of all 4 variables was positive at the statistical significance level of 0.00. The latent variables with the highest component weight were intellectual stimulation equal to 0.94 followed by motivation equal to 0.94, weight of individuality was equal to 0.93 and the ideological influence was the lowest component weight equal to 0.93. Considering the variance that can be extracted (Average Variance Extracted) variables of transformational leadership was equal to 0.87 which passed the above criteria at 0.50.

Table 4.9 The results of the Confirmed Factor Analysis of Latent Variables in the Model Test

Variables	Factor Loading	R^2	Composite Reliability	AVE
TL			0.96	0.87
II	0.93	0.86		
IM	0.94	0.88		
IS	0.94	0.89		
IC	0.93	0.86		

The analysis of structural validity of latency variables on the Business Strategy (BS) was measured by 3 observed variables, namely (CL), cost leadership (DF), differentiation (FC). This focused on niche customers. The analysis results shown in Figure 4.2.



CMIN = 0.00, DF = 1.00, *p* - value = 1.00, RMSEA = 0.00, CMIN/ DF = 0.00, GFI = 1.00

Figure 4.2 Results of Structural Analysis of Business Strategy Factors

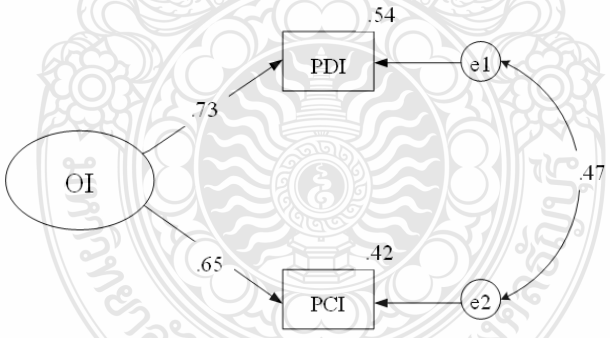
The results of confirmatory component analysis found that the measurement model was in harmony with empirical data. By considering the test results, the chi-square value was equal to 0.00, and degrees of freedom (df) was equal to 1.00, p-value equals 0.99. The root mean square error of approximation (RMSEA) was equal to 0.00 and the root mean square residual (RMR) was 0.00. The goodness of fit index (GFI) was 1.00. The adjusted goodness of fit index (AGFI) was 1.00.

Considering the weight of latent variable found that the total weight of all 3 variables was positive at the statistical significance level of 0.00. The latent variable with the highest component weight was the difference of 0.89, followed by the cost leadership of 0.86 and differentiation with the lowest component weight equal to 0.82. When considering the variance that has been extracted (Average Variance Extracted), the latent variable of the business strategy was equal to 0.73 which passed the above criteria of 0.50.

Table 4.10 The results of the Confirmed Factor Analysis of Latent Variables in the Model Test

Variables	Factor Loading	R^2	Composite Reliability	AVE
BS			0.89	0.73
CL	0.86	0.74		
DF	0.89	0.79		
FC	0.82	0.67		

Structural accuracy analysis of the variables, Organization Innovation (OI) latency, as measured by two variables namely Product Innovation (PDI) and Process Innovation (PCI) shown in Figure 4.3.



CMIN = 0.39, DF = 1.00, *p* - value = 0.53, RMSEA = 0.00, CMIN/ DF = 0.39, GFI = 0.99

Figure 4.3 Results of Structural Analysis of Organization Innovation Factors

The results of confirmatory component analysis found that the measurement model was in harmony with empirical data. This can be determined by the chi-square value which was different from the center without statistical significance (CMIN = 0.39, DF = 1.00, *p* - value = 0.53, RMSEA = 0.00). The goodness of fit Index (GFI) was

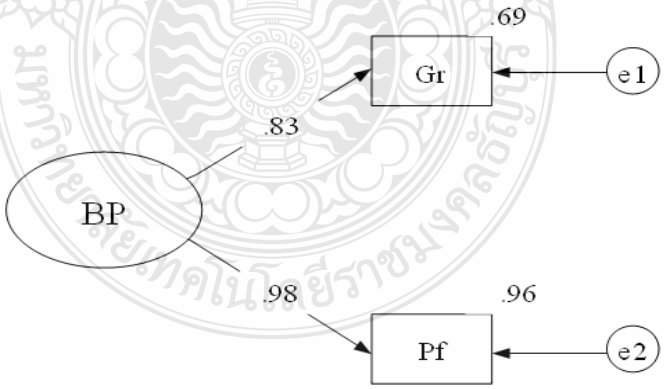
equal to 0.99 and the adjusted goodness of fit index (AGFI) was equal to 0.99 and the root mean square residual (RMR) was equal to 0.01.

Considering the weight of latent variables, it was found that the total weight of the 2 variables was positive at the statistical significance level 0.00 latency variables with the highest component weight value was the product innovation equal to 0.73, followed by process innovation equal to 0.65. When considering the variance that has been extracted (Average Variance Extracted), the latent variable of the organization innovation was equal to 0.48 which considered lower than the threshold, but because the confidence value was higher than 0.60, it was considered acceptable (Fornell and Larcker, 1981).

Table 4.11 Confirmed Component Analysis of Latent Variables in Model Testing

Variables	Factor Loading	R^2	Composite Reliability	AVE
OI			0.64	0.48
PDI	0.73	0.54		
PCI	0.65	0.42		

Structural accuracy analysis of the latent variables of Business Performance (BP), as measured by two observation variables: Growth (Gr) and Profitability (Pf) shown in Figure 4.4.



CMIN = 1.20, DF = 1.00, *p* - value = 0.27, RMSEA = 0.03, CMIN/ DF = 1.20, GFI = 0.99

Figure 4.4 Results of Structural Analysis of Business Performance

The results of confirmatory component analysis found that the measurement model was in harmony with empirical data. This can be determined by the chi-square value which was different from the center without statistical significance (χ^2 = 1.20, df = 1.00, *p*-value = 0.27, RMSEA = 0.03). The goodness of fit index (GFI) was equal to 0.99 and the adjusted goodness of fit index (AGFI) was equal to 0.99 and the root mean square residual (RMR) was equal to 0.01.

Considering the weight of latent variables, it was found that the total weight of the 2 variables was positive at the statistical significance level 0.00 latency variables with the highest component weight value was the profits equal to 0.98, followed by grow of business equal to 0.83. When considering the variance that can be extracted (Average Variance Extracted) the Business performance latency was equal to 0.82, it was considered acceptable as higher than 0.60.

Table 4.12 Confirmed Component Analysis of Latent Variables in Model Testing

Variables	**Factor Loading**	R^2	**Composite Reliability**	**AVE**
BP			0.90	0.82
Gr	0.83	0.69		
Pf	0.98	0.96		

The results of the analysis of the relationship between observed variables in the relationship of model influencing Business Performance shown in Table 4.13.

Table 4.13 Correlation coefficient of Transformational Leadership Business Strategy Organization Innovation to Business Performance of Small and Medium Enterprises in the Automotive Parts Industry

	x1	x2	x3	x4	M1	M2	M3	M4	M5	Y1	Y2	AVE
x1	1.00											4.72
x2	.87**	1.00										6.93
x3	.81**	.88**	1.00									6.19
x4	.83**	.86**	.88**	1.00								5.91
M1	.64**	.65**	.70**	.70**	1.00							3.29
M2	.58**	.59**	.64**	.64**	.76**	1.00						3.59
M3	.59**	.62**	.63**	.65**	.70**	.72**	1.00					2.76
M4	.56**	.54**	.59**	.61**	.71**	.77**	.70**	1.00				4.21
M5	.48**	.50**	.53**	.54**	.61**	.66**	.623**	.73**	1.00			2.54
Y1	.48**	.51**	.54**	.56**	.67**	.72**	.64**	.79**	.71**	1.00		4.61
Y2	.42**	.41**	.42**	.48**	.60**	.63**	.58**	.73**	.66**	.82**	1.00	3.47

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

From Table 4.13, the results of the analysis of the relationship between observed variables in the relationship model of factors influencing the business performance of small and medium enterprises in the automotive parts industry in the 11 Variables, including ideological influences, motivation, intellectual stimulation, individual considerations, cost leadership, making a difference, focusing on specific customers, product innovation, process innovation, profitability, growth process found that the correlation coefficient between all 55 pairs of variables was between 0.41 to 0. 88 with statistical significance of 0. 00.

All 55 pairs of relationships show all positive values, indicating relationships in same direction by all observed variables showing statistical significance level 0.00. To check the coexistence of multicollinearity, there was the relationship between all 55 pairs of variables with a correlation coefficient between 0.41 and 0.88. So there was no multicollinearity coordination between the observed variables in the model. Tabachnick and Fidel (2001: 82- 83) stated that multicollinearity come from the correlation coefficients between each pair of variables with values from 0.90 and above. Therefore, the analysis of the relationship between the variables was observed according to the agreement based on the statistical structure of the equation.

The results of the consistency analysis of the influence model of the Transformational Leadership Business Strategy and Organization innovation factors on the Business Performance of small and medium enterprises in the automotive parts industry.

The results of validation of relationship model based on hypotheses and empirical data as determined the model by researcher: hypothesis, research and various parameters that need to be estimated to study the factors on the business performance of small and medium enterprises in the automotive parts industry. By examining the harmony of the relationship model with empirical data and to verify the validity of the relationship model generated from the relevant theoretical concepts, which will indicate the index of harmonization. The researcher conducted the following steps: (1) test the model and route according to the hypothesis by considering the standard regression coefficient (Standardized Parameter Estimates) or Path Coefficients and considering the multiple squares correlation coefficient (SMC) or the coefficient of prediction, (2) if there

are some routes that are not in accordance with the hypothesis, then cut that route, (3) test the model by considering the chi- square value, because the chi- square values vary according to the size of the size group if the sample is large, the chi- square value will tend to be statistically important. Therefore, the ratio between the chi-square statistic and the number of degrees of freedom (CMIN/ DF) should be considered such as the ratio between Chi- square statistics and the number of degrees of freedom index, degree of harmony, such as Goodness of Fit Index (GFI), Adjusted Goodness of Fit Index (AGFI), Tucker Lewis Index (TLI), Comparative Fit Index (CFI), Normed Fit Index (NFI), Root Mean Square Error of Approximation (RMSEA), Root Mean Square Residual (RMR).

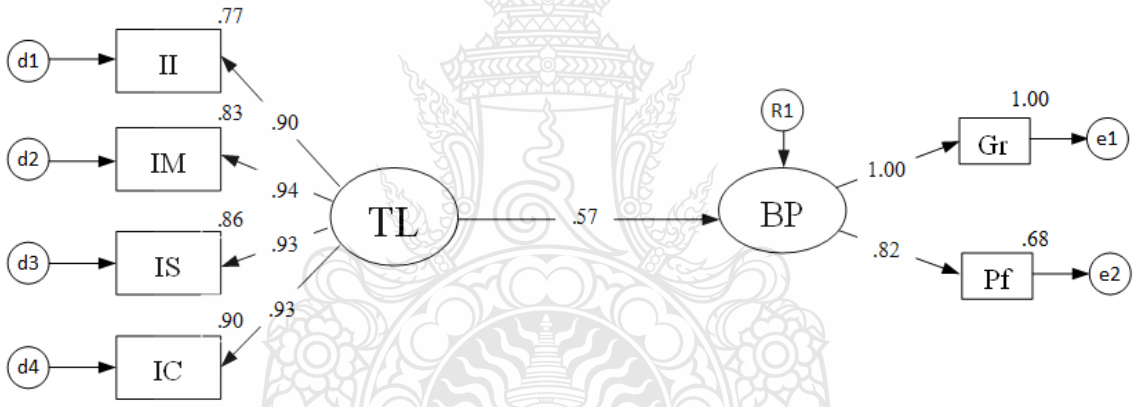
This analysis was an analysis of the influence of transformational leadership business strategy and organization innovation on the business performance of small and medium enterprises in the automotive parts industry and examining the consistency of the influence model of factors of transformational leadership business strategy and organization innovation in the business performance of small and medium enterprises in the automotive parts industry. The researcher created with empirical data with the research hypothesis as follows: (1) Transformational leadership influences the business performance of small and medium enterprises of the automotive parts industry in Thailand, (2) Transformational leadership influences the business strategy of small and medium enterprises of the automotive parts industry in Thailand, (3) Transformational Leadership was an influence on the organization innovation of small and medium enterprises of the automotive parts industry in Thailand, (4) Business Strategy has an influence on the business performance results of small and medium enterprises of the automotive parts industry in Thailand, and (5) Organization Innovation influence the business performance of small and medium enterprises of the industry of the automotive parts production in Thailand.

The squared correlation values ranged from 0.58 to 0.92 which were equal or more than 0.2 but not over 1.00. The testing result of the squared correlation was then accepted. This kind of discriminant validity could be checked from the comparison between AVE value and the squared correlation (J.F. Hair, 2010). Finally, the researcher proved on the discriminant validity of the instrument by examining the AVE which should be more than the squared correlation as recommended by Fornell and Larcker (1981).

The testing results showed that the values obtained supported the discriminant validity as shown in table 4.14. The value of AVE for each construct was greater than the level of correction involving the construct.

Table 4.14 Discriminant Validity

	TL	**BS**	**OI**	**BP**
Tl	0.924			
BS	0.804	0.854		
OI	0.685	0.835	0.857	
BP	0.583	0.833	0.798	0.910



CMIN = 30.82, DF = 8, *p* - value = 0.00, RMSEA = 0.10, CMIN/ DF = 3.85, GFI = 0.97

Figure 4.5 Structural Equation of Influence Factors Hypothesis on Transformational Leadership and business performance.

The objective of creating model of Influence Factors Hypothesis on Transformational Leadership and business performance. The model fit testing was conducted following the methodology stated as the analysis for structure equation model according to the research hypothesis.

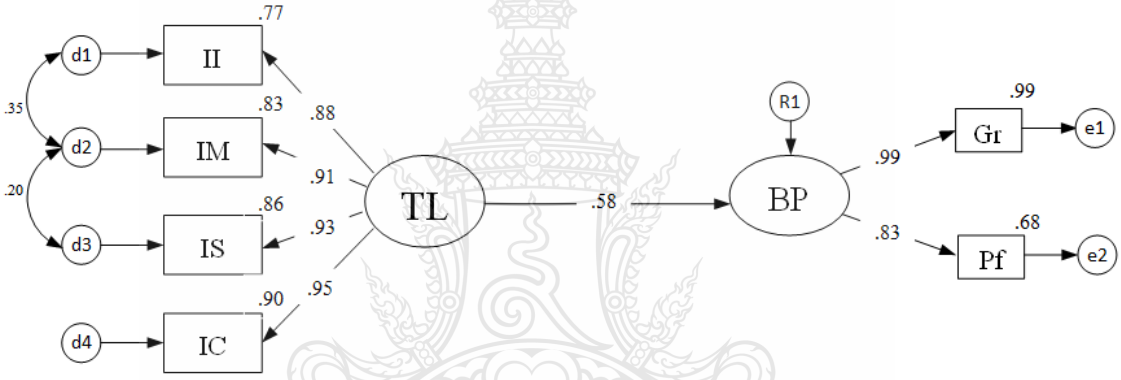
The results of the model fit testing was as follows: Chi-Square = 30.82, Degree of freedom = 8, Chi-Square/Degree of freedom = 3.85, *p* - value = 0.00, GFI = 0.97,

AGFI = 0.91 , RMR = 0.02 ,RMSEA = 0.10, NFI = 0.98, CFI = 0.99. After analyzing model of influence factors hypothesis, it showed that Transformational Leadership (TL) had a positive direct effect on Business Performance (BP) (β = 0.57).

The results of significance for the model are presented in table 4. 15 is statistically significant at the significance level of 0.00.

Table 4.15 Weighting Value of Variable Components Based on Hypothesis

			Estimate	**S.E**	**C.R**	**Estimate**	***p***
BP	<---	TL	0.63	0.06	11.04	0.57	***



CMIN=9.86, DF= 6, *p*-value = 0.13, RMSEA = 0.05, CMIN/DF =1.64, GFI = 0.99

Figure 4.6 Structural Equation of Influence Factors Hypothesis for the final model on Transformational Leadership and business performance.

The results of the final model fit testing was as follows: Chi-Square = 9.86, Degree of freedom = 6, Chi-Square/Degree of freedom = 1.64, *p* - value = 0.13, GFI = 0.99, AGFI = 0.96 , RMR = 0.01 ,RMSEA = 0.05, NFI = 1.00, CFI = 1.00. After analyzing model of influence factors hypothesis, it showed that Transformational Leadership (TL) had a positive direct effect on Business Performance (BP) (β = 0.58)

Table 4.16 Weighting Value of Variable Components Based on Hypothesis

			Estimate	**S.E**	**C.R**	**Estimate**	***p***
H1 : BP	<---	TL	0.66	0.06	11.12	0.58	***

The results of significance for the model are presented in table 4.16 is statistically significant at the significance level of 0.00.

Table 4.17 Weighting Value of Variable Components Based on Hypothesis

Testing	**χ^2**	**df**	***p***	**χ^2 /df**	**RMSEA**	**RMR**	**GFI**	**AGFI**	**NFI**	**TLI**	**CFI**
1	30.82	8	0.00	3.85	0.10	0.02	0.97	0.91	0.98	0.98	0.99
2	9.86	6	0.13	1.64	0.05	0.01	0.99	0.96	1.00	1.00	1.00

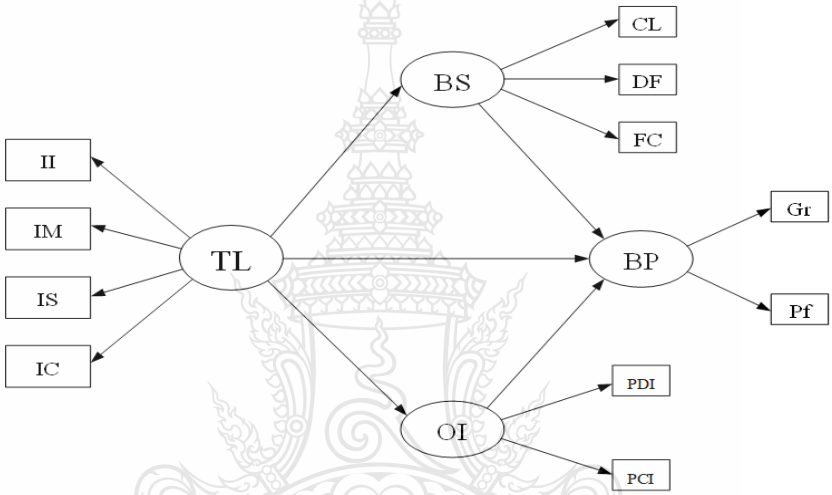
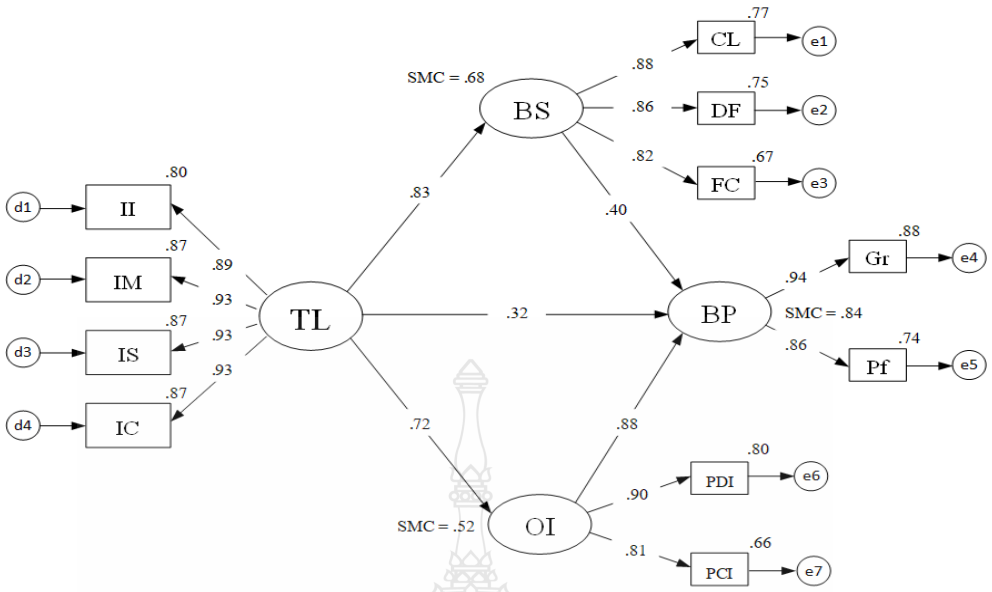


Figure 4.7 Structural Equation of Influence Factors Hypothesis

Influence test results of Transformational Leadership, Business Strategy and Organization innovation to Business Performance of small and medium enterprises in the automotive parts industry by using the finished statistics program as shown in Figure 4.7.



χ^2 = 247.64, df = 39, *p* - value = 0.00, RMSEA = 0.13, χ^2/ df = 6.35, GFI = 0.882

Figure 4.8 The Structural Equation According to the Research Hypothesis with Empirical Data

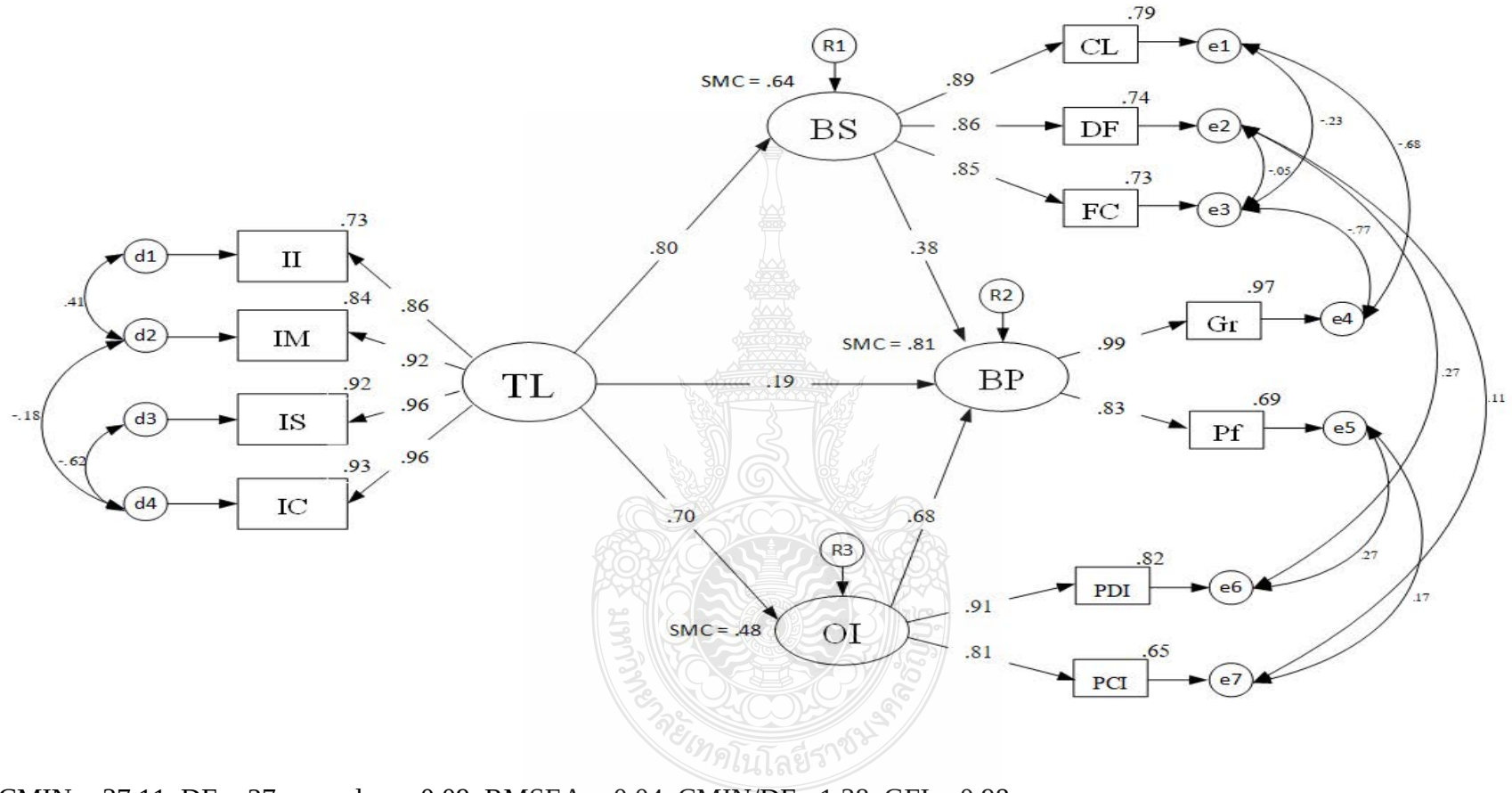
When considering the correlation coefficient in the influence model of factors on business strategy and organization innovation of small and medium enterprises in the automotive parts industry, Figure 4.8 shows that Transformational leadership was influence the business performance (β = 0.32, p = 0.00) Transformational leadership was influence the Business Strategy (β = 0.83, p = 0.00) non-statistical significance and influence. Organization Innovation (β = 0.72, p = 0.00) non-statistical significance at the same time, it was found that organization innovation still was influence on Business Performance non-statistical significance (β = 0.88, p = 0.00). In addition, business strategies also influenced business results non-statistical significance (β = 0.40, p = 0.00).

Table 4.18 Weighting Value of Variable Components Based on Hypothesis

			Estimate	**S.E**	**C.R**	**Estimate**	***p***
BS	<---	TL	0.78	0.05	16.92	0.83	***
OI	<---	TL	0.78	0.06	13.79	0.72	***
BP	<---	TL	0.31	0.09	3.38	0.32	***
BP	<---	OI	0.80	0.07	11.55	0.88	***
BP	<---	BS	0.41	0.08	5.12	0.40	***

When considering the squares multiple correlation coefficient (SMC) or the predictive coefficient (R Square) found that Organization Innovation was equal to 0.52, indicating that the variables in the model can explain the variance in the Organization Innovation percentage of 52.00 percent. Business Strategy was 0.68 that shows the factors in the model can explain 68.00 percent variance in business strategy variables, while Business Performance was 0.84 indicating that variables in the models of variance explanation in the Business Performance was 84.00 percent.

Based on the data in Figure 4.8, the structural equation based on the hypothesis was not in harmony with the empirical data as based on the chi-square value of 247.64 degrees of freedom (df), equal to 39.00, value CMIN/DF = 6.35, p -value = 0.00, the root mean square error of approximation (RMSEA) was equal to 0.13 and the root mean square residual (RMR) was equal to 0.11, which was higher than the indexing threshold. Goodness of fit index (GFI) was 0.88. The adjusted goodness of fit index (AGFI) was 0.80. The normed fit index (NFI) was 0.93 and the Tucker Lewis Index (TLI) which was equal to 0.91. These almost were below the criteria. The results of the structural equation analysis based on the hypothesis were not consistent with the empirical data. The researcher, therefore, adjusts the structural equation to be consistent with the empirical data as suggested by the program (Modification Index). The results of data analysis after adjusting the new structural equation as shown in Figure 4.9.



CMIN = 37.11, DF = 27, *p* - value = 0.09, RMSEA = 0.04, CMIN/DF= 1.38, GFI = 0.98

Figure 4.9 Based on the New Structural Equation Analysis

The results of the model analysis in the first round found that the model was not in harmony with empirical data. Therefore, the researcher adjusted the model by modifying the model index (Modification Index) according to the program's instructions, thus the model was in harmony with empirical data. When considering the statistics used to verify the consistency between models and empirical data, it found that the model was in harmony with empirical data by considering the test results. The chi-square value was 37.11, degrees of freedom (df) equal to 27, p-value equal to 0.09, the root mean square error of approximation (RMSEA) was equal to 0.04 and the root mean square residual (RMR) was equal to 0.02 which was lower than the specified threshold. The goodness of fit index (GFI) was 0.98. The adjusted goodness of fit index (AGFI) was 0.95, which was higher than the threshold. It can be concluded that the results of the structural equation analysis according to the objectives were consistent with the empirical data.

When considering the correlation coefficient in the influence model of Transformational Leadership, Business Strategy and Organization Innovation factors to Business Performance of small and medium-sized enterprises in the automotive parts manufacturer industry, it was found that transformational leadership the business performance ($\beta = 0.19$, $p = 0.00$) transformational leadership the business strategy ($\beta = 0.80$, $p = 0.00$) with statistical significance and influence on Organization Innovation ($\beta = 0.70$, $p = 0.00$) with statistical significance. At the same time, it was found that organizational innovation still had an influence on Business Performance with statistically significant ($\beta = 0.68$, $p = 0.00$). In addition, the business strategy influenced the business performance with statistical significance ($\beta = 0.38$, $p = 0.00$).

Table 4.19 Weighting Value of Variable Components Based on Hypothesis

			Estimate	**S.E**	**C.R**	**Estimate**	***p***
H 1: BP	<---	TL	0.20	0.08	2.60	0.19	0.01
H 2: BS	<---	TL	0.74	0.05	15.98	0.80	***
H 3: OI	<---	TL	0.73	0.06	13.27	0.70	***
H 4: BP	<---	BS	0.43	0.21	2.06	0.38	0.04
H 5: BP	<---	OI	0.67	0.15	4.53	0.68	***

When considering the multiple squared correlation coefficient (SMC) or the predictive coefficient (R Square), the organization innovation was 0.48, indicating that the variables in the model can explain the variance in the Organization Innovation percentage of 48.00 percent and Business Strategy value was 0.64. This indicated that the variables in the model can explain the variance in the Business Strategy variance of 64.00 percent, while Business Performance was 0.81, indicating that the variables in the model can be the Business Performance variance was 81.00 percent.

Table 4.20 Model Fit Statistics of Structural Equation Modeling Analysis

Testing	χ^2	df	*p*	χ^2/df	RMSEA	RMR	GFI	AGFI	NFI	TLI	CFI
1	247.64	39	0.00	6.35	0.13	0.11	0.88	0.80	0.93	0.91	0.94
2	37.11	27	0.09	1.38	0.04	0.02	0.98	0.95	0.99	0.99	1.00

Remark: the second round was adjusted on the modification indices

From Table 4.20 shown the statistics to check the consistency between the model and the empirical data. It was found that the model was consistent with the empirical data. Each time the analysis was done, the researcher has adjusted the movement and adjusted the model 1 and selected the results of the analysis in the second time in explaining. when considering the statistics used in the examination found that it was consistent with the data by the chi-square value reduced from 247.64 to 37.11 and the degree of freedom (df) decreased from 39 to 27, the value of CMIN/DF decreased from 6.35 to 1.38 while the GFI value increased from 0.88 to 0.98 (should be greater than 0.90 or higher). The RMSEA value from 0.13 decreased to 0.04 (should be less than 0.05) and the RMR value from 0.11 decreased to 0.02 (should be less than 0.05).

Table 4.21 Analysis of Direct Influential Factors, Indirect Influence, and Total Influence on Transformational Leadership, Business Strategy and Organization Innovation Factors affecting Business Performance of Small and Medium Enterprises in the Automotive Parts Industry (**Hypothesis Model)**

Factor	Business Strategy (BS)			Innovation Organization (OI)			Business Performance (BP)		
	DE	IE	TE	DE	IE	TE	DE	IE	TE
TL	0.83			0.72			0.32		0.96
OI							0.40		
BS							0.88		

Source: Structural equation analysis results

Table 4.22 Analysis of Direct Influential Factors, Indirect Influence, and Total Influence on Transformational Leadership, Business Strategy and Organization Innovation Factors affecting Business Performance of Small and Medium Enterprises in the Automotive Parts Industry (**Hypothesis Model after Modified)**

factor	Business Strategy (BS)			Innovation Organization (OI)			Performance (PM)		
	DE	IE	TE	DE	IE	TE	DE	IE	TE
TL	0.80			0.70			0.19		0.97
OI							0.38		
BS							0.68		

Source: Structural equation analysis results

From Table 4.22 shown the transformational leadership factors that have an idealized influence, inspiration motivation, intellectual stimulation, and individualized consideration. It was direct influence on business performance and business strategy factors consisting of cost leadership, making a difference, focusing on specific customers, and organization innovation that consists of product innovation and process innovation. At the same time, business strategy, which consists of cost leadership, differentiation, focus and organization innovation that consists of product innovation, process innovation

on niche customers which have a direct influence on business performance that consists of growth and profitability. With statistical significance.

Based on the analysis of the influence model of Transformational leadership Business Strategy and Organization innovation on Business Performance of small and medium enterprises in the automotive parts industry, according to the research hypothesis, it was consistent with empirical data and has coefficients. The forecast was quite high when analyzed to test the hypothesis of the research set individually that summarized as follows:

Hypothesis 1 Transformational Leadership influences the business performance of small and medium enterprises of the automotive parts industry in Thailand.

The hypothesis test found that transformational leadership factors influenced business performance factors with statistical significance at the level of 0.00. This was in line with the hypothesis.

Hypothesis 2 Transformational Leadership influences the business strategy of small and medium enterprises of the automotive parts industry in Thailand.

The hypothesis test found that transformational leadership factors influenced business strategy factors with statistical significance at the level of 0.00. This was in line with the hypothesis.

Hypothesis 3 Transformational Leadership influences the organization innovation of small and medium enterprises of the automotive parts industry in Thailand.

The hypothesis test found that transformational leadership factors influenced organization innovation factors with statistical significance at the level of 0.00. This was in line with the hypothesis.

Hypothesis 4 Business strategy influences the business performance of small and medium enterprises of the automotive parts industry in Thailand.

The hypothesis test found that business strategy factors influenced business performance of small and medium enterprises with statistical significance at the level of 0.00. This was in line with the hypothesis.

Hypothesis 5 Organization innovation influence the business performance of small and medium enterprises of the automotive parts industry in Thailand.

The hypothesis test found that organization innovation factors influenced business performance of small and medium enterprises with statistical significance at the level of 0.00. This was in line with the hypothesis.

Table 4.23 Hypothesis Testing Results

Hypothesis	Result
H1: Transformational leadership influences the business performance of small and medium enterprises of the automotive parts industry in Thailand**.**	**Supported**
H2: Transformational leadership influences the business strategy of small and medium enterprises of the automotive parts industry in Thailand**.**	**Supported**
H3: Transformational leadership influences the organization innovation of small and medium enterprises of the automotive parts industry in Thailand**.**	**Supported**
H4: Business strategies influence the business performance of small and medium enterprises of the automotive parts industry in Thailand**.**	**Supported**
H5: Organization innovation influences the business performance of small and medium enterprises of the automotive parts industry in Thailand**.**	**Supported**

4.3 Qualitative Data Analysis from In-depth Interviews

In this qualitative research, the researcher used the method of purposive random sampling and collected the data from in-depth interviews with semi-structured and open-ended questionnaires as a guide in the interviews. The samples used in the study were entrepreneurs of small and medium enterprises in the automotive parts industries in Thailand. The researcher focused on the respondents' willingness to provide information as a critical criterion for acquiring the data related to the conceptual framework of Transformational Leadership, Business Strategy, Innovative Organization, and Business

Results. The results from the analysis of the data obtained from the interviews were divided into two parts according to the research questions as follows:

1. Results of Interviewing key informants about their background

2. Results of interviewing entrepreneurs of small and medium enterprises in the automotive parts industries in Thailand about Transformational Leadership, Business Strategy, Innovative Organization, and Business Performance.

Background of Key Informants

There were nine key informants who participated in the interviews to express their opinions on Transformational Leadership, Business Strategy, Organization innovation, and Business performance Results for the development of strategic management model of small and medium enterprises in the Thai automotive parts industries. Due to the method of data collection in the research, all of the informants were anonymous. Neither their names nor their organizations' names were mentioned as the data sources. The researcher, therefore, summarized and reported the information individually by specifying each in sequence and using the codes as shown in details in Table 4.20

Table 4.24 Interview Profile

Name	Sex	Age	Education Level	Year of Experience	Position
Entrepreneur A1	M	61	Master's degree	29	Executive Managing
Entrepreneur A2	M	53	Doctoral degree	29	Director
Entrepreneur A3	M	57	Bachelor	27	Managing Director
Entrepreneur A4	M	61	Bachelor	32	Executive Managing
Entrepreneur A5	M	67	Doctoral degree	30	Director
Entrepreneur A6	F	51	Master's degree	20	Managing Director
Entrepreneur A7	M	64	Bachelor	40	Managing Director
Entrepreneur A8	M	55	Doctoral degree	25	President
Entrepreneur A9	M	42	Doctoral degree	20	Managing Director

Results of Interviewing Entrepreneurs of Small and Medium Enterprises in the Automotive Parts Industries in Thailand

Regarding the interviews with nine key informants, it was found that opinions on Transformational Leadership affected business strategy, and construction of organization innovation resulted in the successful strategic management of small and medium enterprises in the automotive parts industries. Details are as follows.

4.3.1 Transformational Leadership

Transformational leadership for the automotive parts industries according to the theories proposed by Bass & Avolio (1994) and Bass & Riggio (2006) was that a leader was a role model for employees, had vision and enabled to communicate with employees to make them understand and perform their work, had the ability to motivate, to inspire and to stimulate the team spirit, made employees feel that the job was challenging, made employees work together to solve problems, managed obstacles in work and enhanced creativity in achieving common goals including being a consultant to help solve problems, encouraging employees to use their talents to the fullest, and supporting the advancement of work. These characteristics were consistent with the statement of the A1 informant (7 March 2019) stating that “Leaders must act or behave themselves as a role model for employees to see as a model and have the power to command, pay attention to the importance of employees and promote their progress, and focus on the sufficiency economy management as well. This was consistent with the information of the interviewer A4 (11 March 2019) stating that "The leaders must be a consultant who guide the employees to find a solution to the problems, encourage employees to show their creativity in developing their work, help each other in order to create a culture of kindness in working together as a team and in moving forward together to the goals, and emphasize creating happiness in living together. This was similar to the results of the A8 informant interview (13 March 2019) who mentioned that “Leaders must act themselves in the way that causes the employees the need to imitate their actions, provide additional advice to create new knowledge in the manner of mentors, focus on employee development by supporting them to gain more knowledge and experience with study visits, provide training to the employees to enhance their experience and professional career. In addition,

there were several key informants who had opinions in line with the afore mentioned leadership interestingly as in the following samples of the informants' views.

"Leaders must have vision, pay attention to the creation of culture in the organization to transfer knowledge from generation to generation in order to create concepts that are in the same direction of employees, focusing on importance of employees and encouraging them to be developed with further education."

(Entrepreneur A5, 12 March 2019)

"Leaders must have a broad vision, strength, be decisive and accessible to employees. Leaders are advisors, supporters who give morale and encouragement to employees by giving rewards for creating new ideas and create activities for employee participation, and applying skills to create effective operational tools "

(Entrepreneur A6, 12 March 2019)

"Leaders must have a vision and are person in whom employees have faith and trust, as well as being a role model that makes employees want to imitate. Leaders provide support for employees to progress with a focus on creating happiness in the organization. "

(Entrepreneur A9, 15 March 2019)

4.3.2 Business Strategy

Business strategy according to Porter's theory (1990) states that if people want their business to be competitive, they need to pay attention on three things: having low production costs which can maintain a competitive market. This is the ability of the business to produce and sell products with lower costs than competitors. They also need systematic management of raw materials and inventory, creating differences by producing different products that cannot be obtained from others or increasing the effectiveness of valuable products for customers or providing after-sales services that are more than competitors and focus on meeting the needs of specific customers with on-time delivery together with production of products and providing valuable services. This corresponds to the statement of the informant A1 (7 March 2019) who stated that "The production process must be developed all the time. The organization must accumulate both people and expertise for quality production. Most importantly, products must be on-time delivery. Moreover, they need to create alliances and impress customers. This corresponds to the interviewee information of A 6 (11 March 2019), saying that "applying

technology with the skills of highly skilled employees to develop efficient production processes including planning the production of quality products in a systematic manner, and planning to solve problems in waste production in order to meet the needs of customers with on-time delivery for customers to gain confidence in quality and trust." These also in line with the results of the A8 informant interview (13 March 2019), saying that "The idea of thinking of sharing, having a stake in business, developing people and giving morale and encouragement along with the creation of both people and brand, all of which are the principles of management. Skilled employees with expertise and readiness to create value for the product are the creation of product value and of customer confidence. Therefore, the continuous development of employees in order to create modern production processes, and meeting the needs and satisfaction of customers can create tools to help the production process to be able to produce quickly and produce more, causing it a leader in cost and making a difference with the quality of products over competitors." There also were many important contributors whose opinions in line with such issues as in the following samples.

"Control of production costs and reducing temporary supplies, working faster in management, making a difference by adopting a budget approach to make profit, determining the sales (volume or number of units sold) and setting annual profits, focusing on the quality of products and production with standards as well as creating customer satisfaction with on-time delivery."

(Entrepreneur A2, 14 March 2019)

"Systematic management of inventory and raw materials helps the production process to be fast, reducing stages of production, reducing waste of material handling, calculating time according to the task, systematic and appropriate production planning, delivering products on time, and satisfying customers."

(Entrepreneur A3, 12 March 2019)

"Having employees who possess specialist skills and expertise can create customer confidence in obtaining quality products and reduction of loss in production including administration by using the principles of cost-effectiveness and appropriateness of the materials use with an aim to provide customers with quality products and on-time delivery. "

(Entrepreneur A9, 15 March 2019)

4.3.3 Organization Innovation

Organizational innovation according to Schumpeter's theory (1934) states that entrepreneurs must find a way to use technological innovation in the production process, service or innovation that is a new product to cause business benefits for the organization. Especially, the innovation can make the organization gain profit from being a monopoly and gaining competitive advantage in order to escape from the imitations of the original entrepreneurs or people who look for new innovations. This will create a new competitive model which Schumpeter called 'creative destruction', that is, when creating new things while destroying the existing ones. All of these aim to create something new and generate more profit for the organization. The concept of Tidd, Bessant, & Pavitt (2005) states that innovation is important to the organization because it supports the organization to bring knowledge and skills, technology and experience for the creation of product novelty including the methods and processes for creating, producing and delivering the products to customers. This is consistent with the concepts of Bean and Radford (2002) and Lee Yuan-Duen and Huan Ming Chang (2008) stating that innovation has contributed to organizational development in various aspects, not only in products and services but also in developing other departments both inside and outside the organization. It can link relationships which will lead to the success of innovation management that can create value and advantage in the business operations of the organization in the long term. This also corresponds to Chamberlin's concept, Doutriaux, & Hector, (2010) stating that "innovation is an important tool that organizations use to make a difference by applying new technologies or concepts to create new things from the original resources enabling them to compete in the business, and also to change concepts and implementation to find ways to improve the products and services of the organization." Additionally, the concept of Hidalgo & Albors, (2008) is that using innovation in organizational management to enable the organization to improve the quality of products and services faster which results in good performance. This is consistent with the statement of the informant A1 (7 March 2019) who states that "the creation of an organization's innovation is to bring the knowledge of employees for the improvement with an aim to create new innovation of quality products by using existing resources, gathering skillful and talented employees, gathering expertise and aiming to develop the production process continually. This

corresponds to the interviewer information A 3 (12 March 2019) viewing that “Innovation comes from the expertise of the staff. It was used to create modern production processes by reducing the work in process, and as a result, resulting in an increase of products simultaneously with quality.” This is in line with the results of the A8 informant interview (13 March 2019), stating that "Having a qualified and competent staff will contribute to sustainable innovation. By bringing expertise to combine with technology and tools used in the production process, it can make quality products and increase them as well. In addition, there were several important informants whose opinions were in line with such issues as follows.

“Adopting technology to apply with the creativity of the employees will lead to the creation of new innovations of the product and the creation of innovation in valuable production processes."

(Entrepreneur A5, 12 March 2019)

“ Creating a learning atmosphere can encourage employees to accumulate expertise in their duties, leading to the creation of product innovation and innovation in the production process."

(Entrepreneur A6, 12 March 2019)

“The analysis of both internal and external situations leads to the policy of encouraging employees to have self-improvement and to clearly define employees’ duties to enable them to have expertise and skills that give rise to the idea of changing new ways of working to have more quality work. This leads to the creation of innovations in production by making tools that can produce faster with quality products and reduction of work-in-process which contains fewer mistakes, that is, the less waste, the more products."

4.3.4 Business Performance

Regarding to performance according to the concept of Walter et al. (2006), they stated that non-monetary performance measures can be measured from product quality awareness, customer relationship, recognition of competitive advantage, business growth and confidence in the existence of the business. This is similar to the concept of Sandvik and Kare Sandvik (2003), they mentioned that “Effective and efficient business results is the value that the organization sends to customers. The level of sales, sales growth and

profits, as well as market share are a measure of successful business performance. This corresponded to the statement of the A1 informant (7 March 2019) saying that "The improvement of product quality over competitors is the cause of customer confidence and customer satisfaction which results in an increase of sales and additional profit gains without raising the price." This corresponded to the interviewer information A 4 (11 March 2019), saying that "the development of the production process and developing staff to be proficient can reduce the losses. It results in optimizing the production time which can reduce production cost while raising profits and gaining more customers. This corresponded to the A6 informant interview results (12 March 2019) revealing that "Focusing on gaining the sustainable profits through employee accessibility, profit sharing in the form of prize money can reduce losses in the production process which results in quality products, large quantities production, on-time delivery, and customer satisfaction. Not only are the profits increased, but also the productivity and customers." Several key informants had similar and interesting views as shown below.

"Management of production techniques and selling points including quality control and cost reduction by employing a cheap price policy with good quality can ensure the quality of the products for the customers, resulting in more sales and more profits gained."

(Entrepreneur A3, 12 March 2019)

"Quality of staff combined with appropriate and modern technology and on-time delivery is a sustainable and continuous growth. This also includes financial strength, quality staff based on the principles of employee development by applying skills and expertise with technology to achieve quality production processes, cultivating employees with discipline, ensuring on time delivery performance to both deliver good value for customers and retain existing customers."

(Entrepreneur A8, 13 March 2019)

With reference to the above interviewer data in terms of transformational leadership that consists of influential ideals, inspiring, intellectual stimulation, and consideration of individuality, it is the leader characteristics with a broad vision, a role model that employees accept, trust, believe and consent to follow including giving priority to employees, affording employees the opportunity to show their abilities, their

creativity in solving problems, seeing problems as challenges and encouraging employees to engage in continuous professional development. The administrators and entrepreneurs should take these into consideration to apply them in organizational management. Regarding to business strategy, it is a link that is consistent. This means that the leader must be the inventor of strategies for effective business management in terms of caring, paying attention of and responding to customer needs by creating production efficiency from the expertise of employees and creating an impression by delivering quality products on time, which is the heart of making a difference. Moreover, they also need systematic strategies of inventory and raw material management with an aim to be cost leader and creating a competitive advantage including the creation of organizational culture by developing production processes from existing resources combined with the creativity of the employees who accumulated it from their experiences. This can cause the production process to be faster in producing more quality products. These result in an increase of profits continuously, and sustainably business growth. The results of the interview data gained from all of the informants which are in the same direction are in accordance with theories and approaches together with the results of the quantitative analysis of data. It can be concluded that these findings assure the reliability of the research results and can be used as guidelines for entrepreneurs to achieve successful business management.

Additional Suggestion from Questions

The nine people of auto parts business executives stated that giving priority to human resources was important. Due to small and medium enterprises in the automotive parts industry was a business that was not large (a staff of no more than 200 people). Therefore, the management often managed inform of family and love, provide knowledge, make progress to create loyalty, and maintain good skilled personnel with the organization sustainably. In addition, the organization culture and the happiness of the organization for the personnel with techniques and methods to create culture in the organization by cultivating respect and honor was important in the organization.

From the above mentioned, it can be concluded that transformational leadership is suitable for the automotive parts manufacturer business because it has appropriate and consistent elements that contributes to the ideological influence of being a model. These would be good for employees to follow with confidence and faith. Motivation is created

by creating and encouraging employees to see the organization development goals together. There is an intellectual stimulation by organizing activities that give opportunities to express opinions in solving problems together, exchange of knowledge and creating unity in the organization with regard to individuality by encouraging employees to receive training. The result would be increase work skills and good morale.

In terms of business strategy, it focuses on customer-specific strategies first by caring and paying attention to existing customers in order to maintain old customers for a long time. This is also including building confidence by creating expertise in production, cost leadership strategy, focusing on raw material and inventory management to reduce costs and create full production efficiency. For creating a difference for every organization, it is important to deliver quality products according to the specified period in order to prevent the customers from being damaged. In terms of organizational innovation, it was found that executives gave importance to product innovation to create a working atmosphere that helps employees to be happy with their work, which will result in efficient operations.

In the process of innovation, it is important to apply technology for producing the production faster and effective. As the result, the business results are growing and the amount of production increased with higher sales and profits continuously. This can be seen that transformational leadership is consistent and influences the business strategy and organizational innovation in making the business performance. It is a harmonious in a systematic objective for sustainable strategic management.

CHAPTER 5
CONCLUSION AND RECOMMENDATIONS

The conclusion of the research results, discussions of the findings, limitations, and suggestions for future research are respectively given in the chapter.

5.1 Conclusion

This study investigated the effect of the development of a strategic management model for small and medium enterprises in the automotive parts industry in Thailand concerning to transformational leadership through organizational innovation and business strategy. The research questions are provided as follows:

Research Question 1: Do transformational leadership influence the development of strategic management models of small and medium enterprises in the automotive parts industry in Thailand?

Research Question 2: Do business strategy and organization innovation influence the development of strategic management models of small and medium enterprises in the automotive parts industry in Thailand?

Research Question 3: What should strategic management model for small and medium enterprises in the automotive parts industry in Thailand be?

Transformational leadership style boosts up consciousness of collective interest among the organization members, and helps them to achieve their mutual goals. Theories of transformational leadership emphasize values and the importance of leadership by focusing on encouraging creativity and new ideas among employees. In regards to the innovation of a firm, this is crucial since leaders can introduce innovative ideas, establish specific goals, and encourage innovation initiatives

In addition, business strategy is another key factor for successful business management and good business performance. The organizational performance in terms of growth and long-term profitability will be a sustainable competitive arena. The strategy focuses on niche customers by taking care of old customers, and providing quality products as well as online-delivery in order to meet customer needs, and satisfy them. Moreover, it is necessary to build customer confidence in the production process. To build business

efficiency, the main mechanism is innovation since it can generate sustainable economic growth. Production process innovation and product innovation can drive the business to grow effectively. Furthermore, technological innovation greatly reduces the production process and creates value for the business.

Moreover, transformational leadership style can define the policy of managing the business with a strategy to delight customers with on-time delivery. The use of innovation to drive the production process for quality products and the use of technology to reduce the production process can lead to sustainable business growth.

5.2 Discussion

This section provides research discussion regarding the research questions and hypothesis testing as follows:

Research Question 1: Do transformational leadership influence the development of strategic management models of small and medium enterprises in the automotive parts industry in Thailand?

5.2.1 Transformational Leadership Influences the Business Performance of Small and Medium Enterprises of the Automotive Parts Industry in Thailand

Transformational leadership has a direct influence on the overall business performance. Thus, leaders in the automotive parts business should have appropriate vision that support the dynamic situation in the global economy. The leaders who apply transformational leadership style can convince and motivate their staffs to work with highest efficiency to achieve organizational goals. Moreover, this style of leadership can encourage staffs to develop themselves, and fully utilize their capability to make appropriate decision when encountering problem at work. Consequently, it leads to an increase in sales volume, organizational profitability, and sustainable growth.

According to a study of management experts and change leaders, leadership plays an important role in organizational change in order to obtain success and sustainable growth. This corresponds with the result that leadership qualities in an organization have a direct influence on business growth (Church, 2012). However, a compatible leadership in the context of organization can drive the organization to achieve operational success according to Burns (1978); Bass and Avolio (1990); Bass & Riggio (2006). The leadership

that affects performance and efficiency of the organization results in four main guidelines: ideological influence (II), inspiration motivation (IM), intellectual stimulation (IS), and individualized consideration (IC).

Leadership is considered as the most important factor as it can lead the business to success and sustainable growth. This is line with the interviews with nine automotive manufacturers who shared the same opinion that leadership is an important factor that determines the direction of the organization. Moreover, leaders are responsible for inspiring, and instill their employees to work in the organization by creating pride, respect, and faith. This result is in line the theory of Bass and Avolio (1990, 1994). This study found that transformational leadership behaviors had a positive relation with subordinate effectiveness in multiple organizational settings. Bass & Riggio (2006) mentioned that transformational leadership improves the followers' performance, and enables them to develop to their full potential.

Additionally, the concept of Bass, 1999; Bass and Riggio, 2006 found that transformational leadership has been conceptualized in four components: idealized influence, intellectual stimulation, inspirational motivation, and individualized consideration. As leaders, it is essential to encourage followers to develop their own capacities and achieve exceptional results. Moreover, the main roles of leadership include stimulating, inspiring, and supporting the growth and development of their followers as leaders. This is consistent with Khan et al. (2014) who found that individual, group and organizational outcome have been associated with leadership styles, and transformational leadership is believed to achieve outstanding levels of outcome from their followers. Numerous research results also found that organizational performance in the form of high profit, good financial results, quality product, and survival at pre-determined time utilizing relevant strategy for action, refers to capability of a firm) Koontz and Donnell,(1993 . Previous researchers also found that there is direct influence of transformational leadership on organizational performance)Bass,1999 ; García-Morales et al., 2008; García-Morales et al., 2012; Menguc et al., .(2007

Research Question 2: Do business strategy and organization innovation influence the development of strategic management models of small and medium enterprises in the automotive parts industry in Thailand?

5.2.2 Transformational Leadership Influences the Business Strategy of Small and Medium Enterprises of the Automotive Parts Industry in Thailand

Transformational leadership has a direct influence on the business strategy. The empirical data statistically support research hypotheses and variable influence analysis. When business conditions focus on producing quality products for customers, on-time delivery of products for specific groups of customers, their business strategies must take care of the customers and give credibility of the delivered products. Thus, leader of change requires building faith and confidence in joining the organization to achieve its goals, assigning tasks to be responsible according to the ability of the employees, and encouraging employees to develop themselves. These motivate employees to participate the goals of common development through knowledge, expertise, skills and valuable work experience that will affect the organization's strategy. All of the components of change leadership have a profound impact on business strategies since they have to encounter the context and economic situation that an organization needs to grow and be able to compete to satisfy customers.

In terms of strategy, cost leadership can grow and compete with the use of raw material management strategies by using inventory materials, applying management principles, creating cost-effective production, and making the difference in delivering excellent value in services. According to in-depth interviews, a number of industrial entrepreneurs agree that due to constant changes in economy, change leadership is a suitable leader. Moreover, competition in business is rather high; therefore, business needs devoted leaders who are ready to change, stimulate, persuade, inspire and motivate the organization to achieve common goals.

The concept of business growth and sustainable survival is vital. Service strategies that pays attention to customers lead to more responsibility among employees to improve themselves and become professionals. In addition, trust from customers is also essential to produce quality products. The result is in line with Bass and Avolio (1990, 1994). Matzler, K., Schwarz, E., Deutinger, N. and Harms, R. (2008), who addressed the impact of leadership and business strategy on organizational performance as a major subject that has gained high attention, particularly in this era of increasing globalization, and market competition.

According to Atikiya (2015), who investigate the effect of cost leadership strategy on the performance of manufacturing firms in Kenya, the empirical evidence infers that cost leadership has a significant effect on the performance of manufacturing firm. This provides a

valuable reference for top manufacturing companies in Kenya in terms of implementing a cost leadership strategy, and help them achieve competitiveness and sustainable performance. This result of this study complies with Yanney (2014), who found that the leadership and business strategy statistically and significantly influence organizational performance. However, the strategy has greater influence. The result showed that transformational leadership style and cost leadership significantly influenced organizational behavior ($p = 0.000 < 0.01$). Thus, SMEs should take advantage of transformational leadership style and cost leadership to enhance growth and greater organizational performance.

In addition, Barry & Elmes (1997); Whittington (2007), and Porter's (1985) found that the business strategy influences business growth of the company in the automotive parts industry. In fact, business growth is based on different products with a lower cost within the same industry, development of product quality, and after-sales service. According to Porter (1985), these are important elements that can create a competitive advantage and lead to a result in sustainable business growth.

5.2.3 Transformational Leadership Influences the Organization Innovation of Small and Medium Enterprises in the Automotive Parts Industry in Thailand

Transformational leadership has a direct influence on the organization innovation according to the empirical data, statistical research hypotheses, and variable influence analysis. Change leadership has a direct influence on organizational innovation since it has an organizational management paradigm to create a competitive advantage from today's economic context. The automotive parts industry is a growing business and stimulates the economy of the ASEAN region to the world. Owing to globalization, it is obvious that business must drive technology and innovation which are necessary for business survival. Meanwhile, firms should also encourage and support their employees to increase their skills.

In regards to quality production process, it includes promotion by creating innovation in the process, and using modern tools and technology to accelerate the production process in order to produce an effective product, a reduction of work processes, and delivering quality products to customers. According to the interviews of a number of industrial entrepreneurs regarding concepts and business management, it is necessary to transfer the vision and direction of the organization to employees. Moreover,

it is important to promote employees to develop their knowledge and skills by providing training development in terms of work processes, tools, and technology in the production process. The training development can help the organization achieve more efficient products, and also reduce the risk of the products. Furthermore, every entrepreneur in the interview shared the same opinion that product innovation through the atmosphere in the organization creates a support culture including self-development, customer service, cultivating loyalty and good governance.

Gumusluouglu and Ilsev (2009) found a positive and significant impact of transformational leadership on organizational innovation. This is due to the fact that transformational leadership can play a major role in the stimulation of creativity among employees, and the establishment of an innovative environment of the organization. Additionally, De Jong (2006) mentioned that innovation is based on the vision which provides a direction of activities and general guidelines to encourage innovative work behavior. Gumusluouglu and Ilsev (2009) as well as Chamberlin, Doutriaux, & Hector, (2010) also pointed out that transformational leadership affects innovation, specifically the organization's tendency to innovate. Innovation is the introduction of new technologies or concepts to get new things from the original resources. Thus, it is an important tool that organizations can use to make a difference to be able to compete in the industry.

Leadership plays a crucial role in firms' innovation according to Noruzy et al. (2013) since leaders can introduce novel ideas into an organization, establish specific goals, and encourage employee's innovation initiatives, creative ideas that foster innovations within the organizations. Moreover, the result of this study is in line with Hussain, Talib, and Shah (2014) who found that the organizational innovation components and transformational leadership aspects were positively related to employee job satisfaction. In addition, Khan, Rehman, and Fatima (2009) revealed the relationship between all facets of transformational leadership and organizational innovation that there was a positive and significant impact of transformational leadership on organizational innovation. Samad (2012) also found that, based on the correlation matrix, all of the innovation components and transformational leadership aspects were positively related to organizational performance. Multiple regression analysis revealed that both innovation and transformational leadership had a positive and significant influence on organizational performance. It can be implied that all of the innovation and transformational leadership components

are considered as the contributing factor, and play important roles in enhancing organizational performance. Furthermore, Sirisak (2016) mentioned that transformational leadership had an indirect positive effect on the performance of SMEs in regards to organizational innovation.

Research Question 3: What should and strategic management model for small and medium enterprises in the automotive parts industry in Thailand be?

5.2.4. The Business Strategy Influences the Business Performance of Small and Medium Enterprises of the Automotive Parts Industry in Thailand

Business strategy has a direct influence on the business performance according to the empirical data, and statistical researches. Due to changes in global economy and the national economic policy to promote electric vehicle production, current and future auto parts industry may be affected. Thus, organizations should take effective action for long-term sustainability. In addition, strong leadership and changing business strategies are key factors for successful business management and good business performance. The organizational performance in terms of growth and long-term profitability can be a sustainable competitive ability.

Besides the strategy that focuses on providing quality products, on-time delivery to satisfy customers, the cost needs to be taken into consideration. Obviously, raw material management and inventory systems can reduce costs. Moreover, skilled employees and production expertise can also reduce the cost of employment. The results are consistent with the interviews with the automotive parts industry entrepreneurs. They indicated that employees need to develop knowledge, expertise, and technology to produce quality products in the production process. The key factor in the management's opinion is to deliver quality products within the stipulated time period. Thus, this strategy supports business operations and sustainable growth.

According to the theory of Porter (1990) , creating excellent value product for customers is an organization profit in terms of a competitive advantage. The organization can produce different types of products and services in the market and receive a high income while the operating cost is lower than other competitors. The result is in line with Slater & Olson (2001) who found that a great strategy needs to be well implemented to achieve the desired results. It is obvious that an effective implementation of the strategy is very important to organizational ability to achieve and maintain a competitive advantage over other organizations. In addition, a positive relationship between strategy and corporate performance was also found in their study. Pryol et

al. (2007) suggested that effective performance should begin with a clear understanding of the organizations' strategic process since organizational performance is a critical success factor for flawless implementation of the strategy.

Yingchol (2016) pointed out that a cost leadership strategy is the most widely used in the automotive parts industry. This is due to the fact that the production focuses on product quality and production standards. Since the parts that are assembled into a motor vehicle need to work with other parts, any non-standard components may also adversely affect other components. Inventory management can reduce the problem by managing the cost of the product in order to reduce the price and deliver products according to the specified time. This satisfies customers and leads to credibility which is consistent with the study.

The effect of leadership styles and strategy on organizational performance in a small scale of enterprises in the manufacturing sector of Ghana was examined by Yanney (2014). The analysis showed that both leadership and strategy play a key role in influencing the organizational performance of the SMEs. Furthermore, Atikiya (2015) found that cost leadership has a significant effect on the performance of the manufacturing firms. According to King, Fowler & Zeithaml (2001); DelaCerda (2007) and McClelland (1973), knowledge, skills, and characteristics of individuals in the organization support the organization to achieve its goals, and affect the efficiency and effectiveness of business operations strategies. This corresponds with the results of Barry & Elmes (1997); Whittington (2007) and Porter's (1985) which found that business growth comes from differentiation in products with lower cost when compared within the same industry. The development of product quality and after-sales service creates a competitive advantage, and results in sustainable business growth. Moreover, Ajagbe (2016) also found diverse empirical literature on business strategies and their effects on organizational performance. The author indicated that business strategies have a major impact on enhancing organizational performance. It was found that awareness regarding the causes of corporate performance is important in the view of highly competitive and chaotic business environment. This is supported by Afzal (2010, 87-102, who suggested that a business strategy is affected in the competitive business and successful organization.

5.2.5. Organizational Innovation Influences the Business Performance of Small and Medium Enterprises of the Automotive Parts Industry in Thailand

Organization innovation has a direct influence on the business performance according to the empirical data support statistical research hypotheses and variable influence analysis. Corporate innovation has a direct influence on business performance as a result of today's complex business environment. Due to globalization, it is necessary for all countries to change ways of creatively thinking, and develop national strategies to strengthen the economy.

Changes by using efficiency to drive business innovation, operators in the automotive parts industry must internally and externally change their operations to match current conditions. Since changes affect business growth, the organization must have a management strategy which is better than their competitors. Moreover, it is essential to keep up with the competition situation. However, the main mechanism is innovation.

Since innovation can create sustainable economic growth, entrepreneurs need to learn and create innovation in order to make the business thrive both economically and socially. The results indicated that the atmosphere in the learning process can determine who is responsible for product development. There are also innovative processes, such as technology in the production process that can be used to reduce the production process. Equipment in the process of product innovation and process innovation are also involved in the production of more products. The results of the study were consistent with the interview results. It was found that the concept of product innovation creates a learning atmosphere for employees to achieve effective learning.

Furthermore, policy on responsibility for development also affects business operations in terms of prices. Therefore, creating an innovative product by using technology can lead to more profits to business. This result is in line with Schumpeter (1934); Porter (1990); Rothwell (1992) who indicated that organizational innovation is one of the important factors in enhancing organizational performance. Similarly, Hidalgo & Albors (2008) also revealed that innovation in corporate management can quickly develop the quality of products and services which indicates better corporate performance. Habidin (2015) also illustrated that implementing process innovation can enhance organizational performance.

The aforementioned process innovation assists the organization to increase productivity and quality. In case the output's quality is improved, customers tend to be satisfied with the product and purchase it again. Thus, it increases productivity. In addition, the cost will be reduced, and finally achieve a competitive advantage. This effectiveness has been proven in the manufacturing industry and the healthcare industry particularly in Malaysia.

According to Tohidi and Jabbari (2012), innovation is one of the most important and complex problems that organizations encounter at present. In other words, it is the key to success. Thus, every company should have an innovation process. In order to enter the growth stage, it is necessary for companies to change their products, and distribute to the market to compete with other companies that have access to technology for production. According to the result of Suhag, Solangi, Larik , Lakho , and Tagar (2017), product innovation, process innovation, and organizational innovation have a positive impact on the efficiency of the organization.

The study also showed that the filter of corporate culture on the connection of product innovation and organizational performance is positive. The screening of organizational culture on the connection of process innovation and organizational efficiency is also positive. Similarly, the filtering effect of the corporate culture in connection with organizational innovation and organizational efficiency is positive. With the support of Wanarat (2018), Zamora et al. (2013) , and Saenz et al. (2008) who found that innovation has a positive impact on supply chain performance, the performance of the organization, and the organization's operations, the results of this study can help decision makers in the telecommunications industry to exercise innovation in their organization, and enhance the performance of the organization.

5.3 Contributions of the Study

The results can be applied in theoretical and practical implications as follows:

5.3.1 Theoretical Contributions

The findings from the concepts and theories indicate that transformational leadership, business strategy, and organization innovation influence business performance. The results of this study are consistent with organizational performance theories (García-Morales et al., 2012; Slater & Olson, 2001). The theories of the Bass & Riggio (2006), Porter (1985), Schumpeter

(1934), Goodman and Dingi (2012) can be used as a guideline for effective management of the organization's performance. The findings reveal that transformational leadership has a direct influence on business performance and business strategy. Moreover, business strategies and organizational innovation factors have a direct influence on business performance. These factors confirm the model in relation with empirical data. Therefore, the pattern of change leadership is a strategy to manage business systematically by applying organizational innovation.

According to the structural model of the validation equation to the relation model, it corresponds with theoretical concepts. The results of the previous study indicated that the factors are useful and influence good performance of the organization. According to the analysis, organizational management, leadership, change, business strategy, organizational innovation can contribute to effectiveness, and efficiency. The findings are useful for entrepreneurs, executives, academics or those who are interested in organizational management.

The transformational leadership style was proven that it affects the strategy of an organization, including the policies concerning to cost of the products, product differentiation, and specific type of products designed for niche market. The transformational leadership including idealized influence, inspiration motivation, intellectual stimulation, and individual consideration can be studied in depth in the future for specific behavior of each function.

In terms of theory, the phenomena of management for the organization's operations in various dimensions should be carefully explained since it may lead to misunderstandings, or misuse. Therefore, the results of each factor in each situation, context and policy should be clearly explained.

Moreover, this type of leadership style lead to innovation of an organization in the form of product innovation and process innovation. It is crucial to study the factors in various industries to confirm their relationships, and identify how management can enhance organizational performances.

5.3.2 Managerial Implications/ Practical Contributions

The business firms in automotive part industry are confirmed to have applied transformational leadership style to obtain growth and profitability by applying strategy

and organizational innovation. The results of this study provide the management practices as follows:

1. Appropriate management policy and practices should be taken into account. Leaders in this industry should also create and influence employee's participation to achieve organizational goals. The latter can be performed by allowing the employees to freely express their opinion concerning to goals and objectives at any level of practices. Moreover, trust among employees is important. Leaders can gain their employee's trust by their behaviors, such as respect the subordinate, speak fluently and friendly words, allow subordinates to comment on leader behaviors with respect, and capability of leader in communication of vision and organizational goals.

2. Individual performance should be determined. The result of transformational leadership style ensures that the management in the automotive part industry should apply dynamic team for staff to work in order to create good attitude at work. Importantly, motivating employees can support entire organization to overcome obstacles. The policies regarding activities that enhance preferable work environment, unity, and an atmosphere within the organization for employees to participate in all activities should be set in practice. In regards to workplace recognition due to dedication to work, there should be sufficient support in the resources for the operation in order to proceed smoothly.

3. In terms of innovation, the management should encourage employees to find creative ways at work, such as systematic work, setup process, and problem solving. The leadership with intellectual stimulation is proven to support initiative and effective problem solving. Thus, they tend to consider a problem as a challenge, and be able to overcome with the team.

4. For the continuous improvement, the human resource management practices should prepare employees at all level to apply transformational leadership style from the selecting, training, and motivating subordinates at work. Furthermore, training and development programs for employees should be continuously supported. This enables them to create product, and process innovation appropriately to meet customer needs. When the customers are satisfies, it consequently benefits overall firm performances.

5. Business executives should be aware of organizational management practices by applying a business strategy as the main policy to manage organizational performance.

The results can encourage modern practices by harmonizing innovation in each process. In return, employees will perceive the importance and value of being involved in making customers satisfied. This results in a continuous business growth and profitability.

5.4 Research Limitations and Suggestions for Future Research

Research Limitations

The study applied cross sectional study to clarify the results. The business situations have been unstable due to political regime and economic instability. Those factors may contemporarily affect the entire automotive industry. In order to apply the findings from this study, it is necessary to be aware of the diverse situations. In addition, the future trend of business operation is digital transformation which dramatically changes the business operation. It also causes different phenomena that need to be investigated more in order to find a more appropriate leadership style.

Suggestions for Future Research

Theories or phenomena that influence the work of small and medium-sized enterprises in the automotive parts industry in Thailand have been studied, analyzed and confirmed. The recommendations for future research are:

1. Further research should study other variables that may be related to the efficiency management of small and medium-sized enterprises in the automotive parts industry to guide the modeling process. This model should also be developed in further study.

2. In this research, the researcher studied only small and medium-sized enterprises in the automotive parts industry in Thailand. Thus, the model should be used to test other industries with different businesses to confirm the results, and to appropriately apply for the optimum benefits.

3. Leadership in other forms should be investigated whether it affects the performance of small and medium-sized enterprises, and organizational culture that is hindering work. This factor can improve the management system, and lead to businesses growth, which can help the business to survive in an ever-changing economy with high competition.

4. The appropriate leadership styles in digital transformation should be investigated in order to find the impact of different leadership styles including transformational leadership.

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APPENDICES

APPENDIX A

Amari Group Career Path Development

Reliability Statistics 30

Idealized influence

Cronbach's Alpha	N of Items
.96	5

Inspiration motivation

Cronbach's Alpha	N of Items
.94	5

Intellectual stimulation

Cronbach's Alpha	N of Items
.92	5

Individualized consideration

Cronbach's Alpha	N of Items
.90	5

Total Transformational Leadership

Cronbach's Alpha	N of Items
.98	20

Cost leadership strategy

Cronbach's Alpha	N of Items
.83	5

Differentiation strategy

Cronbach's Alpha	N of Items
.81	5

Focus strategy

Cronbach's Alpha	N of Items
.88	5

Total Business strategy	
Cronbach's Alpha	N of Items
.93	15

Product Innovation	
Cronbach's Alpha	N of Items
.92	5

Process Innovation	
Cronbach's Alpha	N of Items
.93	5

Total Organization Innovation	
Cronbach's Alpha	N of Items
.94	10

Growth	
Cronbach's Alpha	N of Items
.85	5

Profitability	
Cronbach's Alpha	N of Items
.94	5

Total Business Performance	
Cronbach's Alpha	N of Items
.95	10

Total Reliability	
Cronbach's Alpha	N of Items
.98	55

Descriptive Statistics TL

	N	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness	Kurtosis
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic
x1	300	2.400	7.000	5.742	1.008	1.017	-1.315	1.357
x2	300	2.400	7.000	5.724	1.003	1.005	-1.280	1.348
x3	300	2.600	7.000	5.597	0.932	0.869	-1.313	1.600
x4	300	2.000	7.000	5.730	0.990	0.980	-1.267	1.749
Valid N (listwise)	300							

Descriptive Statistics BS

	N	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness	Kurtosis
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic
M1	300	2.000	7.000	5.539	0.995	0.991	-1.184	1.811
M2	300	2.000	7.000	5.479	1.009	1.018	-1.077	1.131
M3	300	2.000	7.000	5.584	0.979	0.958	-1.076	1.097
Valid N (listwise)	300							

Descriptive Statistics OI

	N	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
M4	300	1.600	7.000	5.428	1.112	1.237	-1.199	0.141
M5	300	1.800	7.000	5.417	1.132	1.281	-1.287	0.141
Valid N (listwise)	300							

Descriptive Statistics BP

	N	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
Y1	300	1.200	7.000	5.385	1.012	1.025	-1.195	0.141
Y2	300	1.000	7.000	5.255	1.131	1.279	-0.957	0.141
Valid N (listwise)	300							

SEM Fit

Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P	Label
BS	<---	TL	0.774	0.057	13.599	***	
OI	<---	TL	0.811	0.067	12.119	***	
PM	<---	OI	0.557	0.061	9.182	***	
PM	<---	BS	0.269	0.063	4.311	***	
M1	<---	BS	1.074	0.062	17.195	***	
M2	<---	BS	1.000				
M3	<---	BS	0.972	0.063	15.488	***	
Y1	<---	PM	1.000				
Y2	<---	PM	1.329	0.098	13.609	***	
M4	<---	OI	1.000				
M5	<---	OI	0.890	0.066	13.554	***	
x1	<---	TL	0.983	0.040	24.629	***	
x2	<---	TL	1.000				
x3	<---	TL	0.979	0.039	25.023	***	
x4	<---	TL	1.040	0.042	24.852	***	

Standardized Regression Weights:

			Estimate
BS	<---	TL	0.804
OI	<---	TL	0.711
PM	<---	OI	0.672
PM	<---	BS	0.275
M1	<---	BS	0.926
M2	<---	BS	0.850
M3	<---	BS	0.852
Y1	<---	PM	0.832
Y2	<---	PM	0.991
M4	<---	OI	0.913
M5	<---	OI	0.799
x1	<---	TL	0.869
x2	<---	TL	0.888
x3	<---	TL	0.936
x4	<---	TL	0.937

CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	52	7.859	14	0.897	0.561
Saturated model	66	0	0		
Independence model	11	3468.1	55	0	63.056

RMR, GFI

Model	RMR	GFI	AGFI	PGFI
Default model	0.006	0.995	0.978	0.211
Saturated model	0	1		
Independence model	0.628	0.188	0.026	0.157

Baseline Comparisons

Model	NFI	RFI	IFI	TLI	CFI
	Delta1	rho1	Delta2	rho2	
Default model	0.998	0.991	1.002	1.007	1
Saturated model	1		1		1
Independence model	0	0	0	0	0

RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	0	0	0.025	0.995
Independence model	0.456	0.443	0.469	0

Squared Multiple Correlations:

	Estimate
OI	0.506
BS	0.647
PM	0.738
x3	0.875
M5	0.639
M4	0.834
Y2	0.981
Y1	0.692
M3	0.726
M2	0.723
M1	0.857
x1	0.755

x2	0.789
x4	0.877

TL Fit

Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P	Label
II	<---	TL	0.997	0.034	29.005	***	
IM	<---	TL	1.000				
IS	<---	TL	0.935	0.029	32.019	***	
IC	<---	TL	0.980	0.032	30.488	***	

Standardized Regression Weights: (Group number 1 - Default model)

			Estimate
x1	<---	TL	0.927
x2	<---	TL	0.938
x3	<---	TL	0.941
x4	<---	TL	0.928

CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	9	0.846	1.000	0.358	0.846
Saturated model	10	0.000	0.000		
Independence model	4	1383.604	6.000	0.000	230.601

RMR, GFI

Model	RMR	GFI	AGFI	PGFI
Default model	0.003	0.999	0.986	0.100
Saturated model	0.000	1.000		
Independence model	0.638	0.313	-0.145	0.188

Baseline Comparisons

Model	NFI	RFI	IFI	TLI	CFI
	Delta1	rho1	Delta2	rho2	
Default model	0.999	0.996	1.000	1.001	1.000
Saturated model	1.000		1.000		1.000
Independence model	0	0	0	0	0

RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE

Default model	0	0	0.148	0.515
Independence model	0.876	0.838	0.915	0

Squared Multiple Correlations:

	Estimate	
x4	0.861	0.859
x3	0.885	0.880
x2	0.880	0.885
x1	0.859	0.861

BS Fit

Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P	Label
M1	<---	BS	1.068	0.065	16.557	***	
M2	<---	BS	1.121	0.062	18.140	***	
M3	<---	BS	1.000				

Standardized Regression Weights: (Group number 1 - Default model)

			Estimate
M1	<---	BS	0.857
M2	<---	BS	0.888
M3	<---	BS	0.816

CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	5	0	1.000	0.999	0.000
Saturated model	6	0	0.000		
Independence model	3	516.26	3.000	0.000	172.086

RMR, GFI

Model	RMR	GFI	AGFI	PGFI
Default model	0	1.000	1.000	0.167
Saturated model	0	1.000		
Independence model	0.508	0.485	-0.030	0.242

Baseline Comparisons

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	1.000	1.000	1.002	1.006	1.000
Saturated model	1.000		1.000		1.000
Independence model	0.000	0.000	0.000	0	0.000

RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	0	0	0	0.999
Independence model	0.756	0.702	0.812	0

Squared Multiple Correlations: (Group number 1 - Default model)

	Estimate
M3	0.666
M2	0.788
M1	0.735

OI Fit

Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P	Label
M4	<---	OI	1.11	0.095	11.736	***	
M5	<---	OI	1.000				

Standardized Regression Weights: (Group number 1 - Default model)

			Estimate
M4	<---	OI	0.732
M5	<---	OI	0.645

CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	2	0.390	1.000	0.532	0.390
Saturated model	3	0.000	0.000		
Independence model	2	227.472	1.000	0.000	227.472

RMR, GFI

Model	RMR	GFI	AGFI	PGFI
Default model	0.011	0.999	0.996	0.333
Saturated model	0	1		
Independence model	0.529	0.652	-0.043	0.217

Baseline Comparisons

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	0.998	0.998	1.003	1.003	1.000
Saturated model	1.000		1.000		1.000
Independence model	0.000	0.000	0.000	0.000	0.000

RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	0.000	0.000	0.130	0.663
Independence model	0.870	0.777	0.967	0.000

Squared Multiple Correlations: (Group number 1 - Default model)

	Estimate
M5	0.416
M4	0.537

PM Fit

Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P	Label
Y1	<---	per	0.765	0.032	23.993	***	
Y2	<---	per	1.000				

Standardized Regression Weights: (Group number 1 - Default model)

			Estimate
Y1	<---	per	0.828
Y2	<---	per	0.980

CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	2	1.195	1.000	0.274	1.195
Saturated model	3	0	0.000		
Independence model	2	340.39	1.000	0.000	340.394

RMR, GFI

Model	RMR	GFI	AGFI	PGFI
Default model	0.015	0.996	0.988	0.332
Saturated model	0	1.000		
Independence model	0.543	0.595	-0.214	0.198

Baseline Comparisons

Model	NFI	RFI	IFI	TLI	CFI
	Delta1	rho1	Delta2	rho2	
Default model	0.996	0.996	0.999	0.999	0.999
Saturated model	1		1.000		1.000
Independence model	0	0	0	0	0

RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	0.026	0	0.158	0.435
Independence model	1.065	0.972	1.162	0

Direct Effects

Direct Effects

	TL	OI	BS
OI	0.811	0	0
BS	0.774	0	0
PM	0	0.557	0.269
x3	0.979	0	0
M5	0	0.89	0
M4	0	1	0
Y2	0	0	0
Y1	0	0	0
M3	0	0	0.972
M2	0	0	1
M1	0	0	1.074
x1	0.983	0	0
x2	1	0	0
x4	1.04	0	0

Standardized Direct Effects

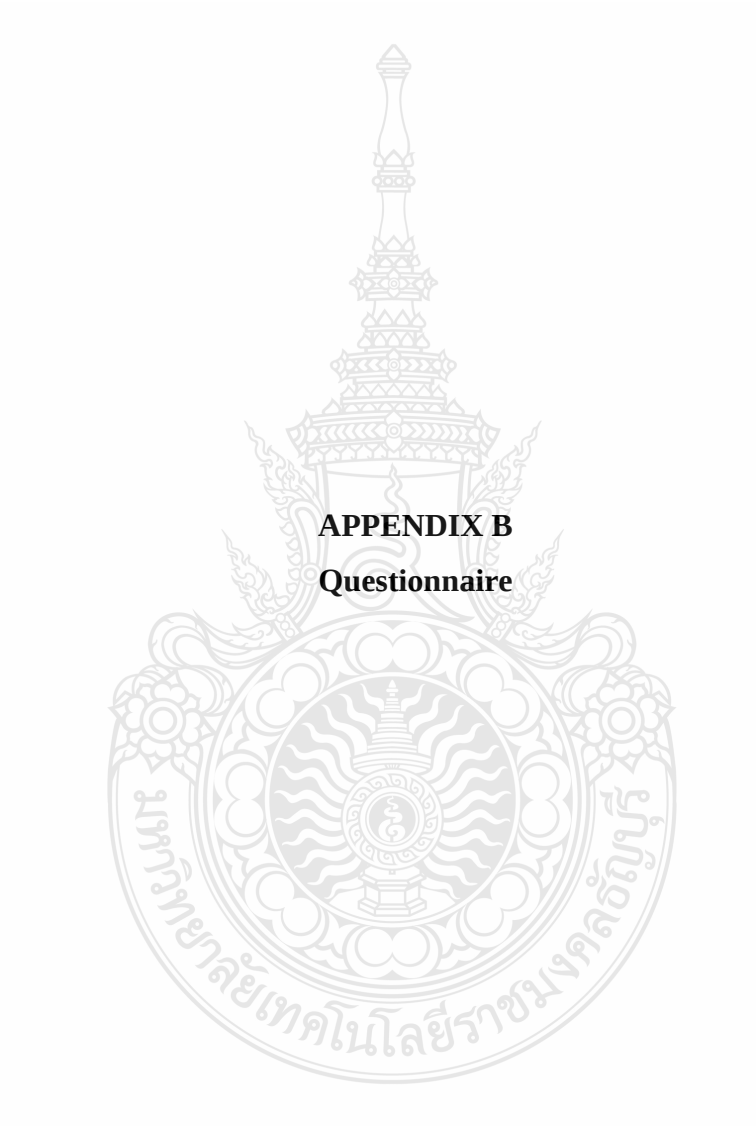
	TL	OI	BS	PM
OI	0.711	0	0	0
BS	0.804	0	0	0
PM	0	0.672	0.275	0
x3	0.936	0	0	0
M5	0	0.799	0	0
M4	0	0.913	0	0
Y2	0	0	0	0.991
Y1	0	0	0	0.832
M3	0	0	0.852	0
M2	0	0	0.85	0
M1	0	0	0.926	0
x1	0.869	0	0	0
x2	0.888	0	0	0
x4	0.937	0	0	0

Total Effects

Total Effects				Standardized Total Effects				
	TL	OI	BS		TL	OI	BS	PM
OI	0.811	0	0	OI	0.711	0	0	0
BS	0.774	0	0	BS	0.804	0	0	0
PM	0.661	0.557	0.269	PM	0.699	0.672	0.275	0
x3	0.979	0	0	x3	0.936	0	0	0
M5	0.722	0.89	0	M5	0.569	0.799	0	0
M4	0.811	1	0	M4	0.65	0.913	0	0
Y2	0.878	0.74	0.358	Y2	0.692	0.666	0.272	0.991
Y1	0.661	0.557	0.269	Y1	0.581	0.559	0.228	0.832
M3	0.753	0	0.972	M3	0.685	0	0.852	0
M2	0.774	0	1	M2	0.684	0	0.85	0
M1	0.832	0	1.074	M1	0.744	0	0.926	0
x1	0.983	0	0	x1	0.869	0	0	0
x2	1	0	0	x2	0.888	0	0	0
x4	1.04	0	0	x4	0.937	0	0	0

Indirect Effects

Indirect Effects				Standardized Indirect Effects				
	TL	OI	BS		TL	OI	BS	PM
OI	0.747	0	0	OI	0.687	0	0	0
BS	0.767	0	0	BS	0.821	0	0	0
PM	0.689	0.754	0.164	PM	0.675	0.803	0.15	0
x3	0.927	0.000	0.000	x3	0.932	0	0	0
M5	0.674	0.903	0.000	M5	0.558	0.812	0	0
M4	0.747	1	0	M4	0.629	0.915	0	0
Y2	0.689	0.754	0.164	Y2	0.581	0.692	0.129	0.861
Y1	0.677	0.741	0.161	Y1	0.641	0.762	0.143	0.949
M3	0.705	0	0.919	M3	0.674	0	0.821	0
M2	0.764	0	0.996	M2	0.71	0	0.864	0
M1	0.767	0	1	M1	0.722	0	0.879	0
x1	0.962	0	0	x1	0.893	0	0	0
x2	1.000	0.000	0.000	x2	0.934	0	0	0
x4	0.986	0.000	0.000	x4	0.933	0.000	0.000	0.000



APPENDIX B
Questionnaire

Rajamangala University of Technology Thanyaburi

Faculty of Business Administration

This questionnaire is conducted for the academic purposes. The aim is to survey the subjects on the research titled "A development of strategic management model of small and medium enterprises in the automotive parts industry in Thailand." Your answer will not affect to anyone, but create a new knowledge for academic society. I appreciate your kindly cooperation.

Section 1: General Information

Personal information of the survey respondents.

1. Gender

A: Female B: Male

2. Age

A: Less than 30 years B: 30 – 40 years

C: 41 – 50 years D: Above 50 years

3. Marital Status

A: Single B: Married

C: Divorce/Widow D: Other.....

4. Education Background

A: Below Bachelor's degree B: Bachelor's degree

C: Master's degree D: Doctoral degree

5. How long have you work in this company?

A: Less than 5 years B: 5 - 10 years

C: 10-15 years D: Above 15 years.

<u>Section 2</u>: General Information of your organization

1. Types of your business organization

A: Public Limited Company B: Limited Company

C: Partnership D: Other/Please specify.....

2. How many years have you been with automobile parts and accessories industry?

A: Less than 5 years B: 5 years – 10 years

C: 11 years – 15 years D: More than 15 years

3. How many employees do you have in your company?

A: Less than 50 people B: 51-100 people

C: 101-150 people D: more than 150 people

4. Registered capital (in Million Baht.)

A: Less than 50 Million Baht

B: 51,000,000 – 100,000,000 Million Baht

C: 100,000,001 - 150,000,000 Million Baht

D: More than 150 Million Baht

5. Your main products that your company produces.

A: Engine Parts

B: Body Parts

C: Driving-Transmitting and Suspension Parts

D: Car Accessories

E: Other.....

Section 3: Please evaluate the Business Performance your organization with the following scale. (1 = the least, 2 = less, 3 = rather less, 4 = neutral, 5 = rather much, 6 = much, 7 = the most)

No.	Transformational Leadership	1	2	3	4	5	6	7
Idealized influence								
1.1	Leaders always honor their colleagues. Do not disclose secrets of subordinates.							
1.2	When a crisis situation Leadership can control emotions. And turn the crisis into an opportunity.							
1.3	Leaders sacrifice personal benefits for the common good.							
1.4	The leader speaks fluently and uses friendly words with colleagues.							
1.5	Leadership allows the subordinates to comment on their performance at any time.							
1.6	Visionary Leader And can communicate to others to understand the truth.							
Inspiration motivation								
1.7	The leader creates and encourages the people to see the goals of organizational development.							
1.8	Leaders say you feel the job is important and proud.							
1.9	Leaders create morale for staff consistently.							
1.10	Leaders urge staff to work in a dynamic team. And create a good attitude to work.							
1.11	Leaders speak to each other for trust. That can help overcome obstacles.							
1.12	Leaders motivate people to feel valued. And can help the organization to overcome obstacles.							
Intellectual stimulation								
1.13	The leader encourages people to find creative ways to work, such as systematic work, process set-up, and problem solving.							

No.	Transformational Leadership	1	2	3	4	5	6	7
1.14	Leadership encourages people to be aware of the problems that arise in the organization. To find new ways. Help solve the problem.							
1.15	Leaders are motivated and support new initiatives. In considering problems and finding answers to problems.							
1.16	Leadership motivates people to express their ideas and reason and not criticize the ideas of personnel.							
1.17	Leadership makes people feel that the problem is a challenge. And it's a great opportunity to solve the problem together.							
1.18	The leaders will build confidence in the people that all problems need to be resolved. Even some problems will have many obstacles.							
Individualized consideration								
1.19	Leaders provide useful advice on the progress of individual personnel.							
1.20	Leaders promote and encourage personnel to develop their potential, such as sending them to training.							
1.21	The leader assesses the progress of the personnel without feeling that they are being monitored.							
1.22	Leadership gives people the opportunity to show their ability to work fully.							
1.23	Leaders show recognition and appreciation to the people when they perform successfully.							
1.24	Leaders create the atmosphere in the organization. The staff interacted with each other, such as seminars outside the venue.							

Section 4: Please evaluate the **Business Strategy** your organization with the following scale. (1 = the least, 2 = less, 3 = rather less, 4 = neutral, 5 = rather much, 6 = much, 7 = the most)

No.	Business Strategy	1	2	3	4	5	6	7
Cost leadership strategy								
2.1	You have a productive landscape. Gibbons can be produced in low cost areas.							
2.2	You can share resources locally. Or community. Skilled labor, raw materials, inputs For the production capital.							
2.3	You have more skilled workers. Reduce the cost of employment.							
2.4	You are planning Collect work information. And good quality control. Can reduce costs.							
2.5	You can find low interest funding for your business.							
Differentiation strategy								
2.6	Your products and services are differentiated. And valuable Unlike other products and services.							
2.7	Your product has a unique manufacturing process that is difficult to replicate.							
2.8	Products and services are born of wisdom. Domestic culture Social capital leads to unique identities and is different than others.							
2.9	Brand image, brand identity, identity There are differences can compete with competitors.							
2.10	Equipment used in production, resulting in identity. And the difference in the production process of goods and services.							
Focus strategy								
2.11	You are the leader in marketing. And respond to the needs of specific customers in mind.							
2.12	You can set a higher price. Apply to niche markets where consumers have specific needs.							
2.13	You can set low cost strategies for specific groups. The price is lower than the market. Apply to niche markets.							
2.14	You can predict the future needs of your customers. Repeat buying behavior in the product.							
2.15	You know the target audience to sell your products and services clearly.							

Section 5: Please evaluate the Organization Innovation your organization with the following scale. (1 = the least, 2 = less, 3 = rather less, 4 = neutral, 5 = rather much, 6 = much, 7 = the most)

No.	Organization Innovation	1	2	3	4	5	6	7
Product Innovation								
3.1	Your business is a leader in technology and innovation.							
3.2	Your business is improving or developing products with value added innovation.							
3.3	You have been using innovation to create new products continuously.							
3.4	Your business adds value to your products with a variety of innovations.							
3.5	The organization has new products and new products in the market.							
3.6	The organization always promotes and promotes product development.							
Process Innovation								
3.7	Work has changed. With innovation to increase productivity.							
3.8	The application of technology to reduce the work process to be more effective.							
3.9	Use of innovation To develop new markets both domestically and internationally.							
3.10	Innovation makes your organization Competitive advantage.							
3.11	Innovation makes a difference or has different attributes. Between your business and your competitors.							
3.12	Customers are involved in the new product development process.							
3.13	Innovation in the process has created a high quality product.							
3.14	Innovations in the process have supported the product development schedule on time.							

Section 6: Please evaluate the Business performance your organization with the following scale. (1 = the least, 2 = less, 3 = rather less, 4 = neutral, 5 = rather much, 6 = much, 7 = the most)

No.	Business Performance	1	2	3	4	5	6	7
Growth								
4.1	Effective management process. Can reduce errors and losses in the production process.							
4.2	The customer has increased continuously.							
4.3	Has improved the subject of the organization. Cooperation and Communication							
4.4	Employees have higher skills and competencies.							
4.5	Updated product Better quality							
4.6	More market share.							
Profitability								
4.7	Effective resource management. Make more profit.							
4.8	Reduced cost							
4.9	Sales increased.							
4.10	A turnover increase in profits every year.							
4.11	Increased production volume							
4.12	Strong financial support							

Thank you for your cooperation.

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