

**INNOVATIVE LEADERSHIP AFFECTING ORGANIZATIONAL
PERFORMANCE THROUGH ORGANIZATIONAL CULTURE,
STRATEGY OF THE MEDIUM ENTERPRISES**

Kunnaree Thanomsuk

**A Dissertation Submitted in Partial
Fulfillment of the Requirements for the Degree of
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ABSTRACT

Title of Dissertation	Innovative Leadership Affecting Organizational Performance through Organizational Culture, Strategy of the Medium Enterprises
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This research aims to 1) study the level of innovative leadership and organizational performance of the medium enterprises, 2) study the relationship among innovative leadership, organizational culture, and strategy that affect organizational performance of the medium enterprises, and 3) establish and validate the consistency of the causal model of the innovative leadership that affects organizational culture, strategy, and organizational performance of the medium enterprises, which has been developed with empirical data. Samples consist of 303 medium enterprises categorized in (1) 61 retail and wholesale businesses, (2) 103 service businesses, and (3) 139 manufacturing businesses, which are listed in the Office of Small and Medium Enterprises Promotion database. Research findings indicate that 1) the level of innovative leadership and organizational performance of the medium enterprises is high, 2) innovative leadership, organizational culture, organizational strategy, and organizational performance variables have the same direction correlation with relatively low to relatively high degree of correlation, and 3) causal model of the innovative leadership that affects organizational culture, organizational strategy, and organizational performance of the medium enterprises is consistent with the empirical data as follows, $\chi^2 = 51.88$, $df = 48$, $p = .32$ GFI = .98, AGFI =.94. Organizational performance variables receive direct effect with statistical significance of .01 from innovative leadership, organizational culture, and organizational strategy variables with the effect size of .37, .34, and .46, respectively.

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ABBREVIATIONS

Abbreviations

χ^2

Adho

AGFI

Analysis

b

B

C.V.

Clan

CUL

DE

Df

Economic

ECVI

Evaluation

Formula

FS

GFI

Hier

ID

IL

Implement

KU

Market

MAX

MIN

OP

Equivalence

Chi-Square Goodness of Fit Index

Adhocracy culture

Adjusted Goodness of Fit Index

Strategic Analysis

Raw Scores Factor Loadings

Standardized Solution

Coefficient of Variation

Clan culture

Organizational Culture

Direct Effect

Degree of Freedom

Economic Performance

Expected Cross Validation Index

Strategic Control and Evaluation

Strategic Formulation

Factor Score Coefficient

Goodness of Fit Index

Hierarchy culture

Indirect Effect

Innovative Leadership

Strategic Implementation

Kurtosis

Market culture

Maximum

Minimum

Organizational Performance

P	Statistical Significance Level
Personal	Personality
Process	Process Performance
Product	Product Performance
R	Multiple Correlation
R^2	Coefficient of Determination
RMR	Root Mean Squared Residual
Role	Roles
S.D.	Standard Deviation
SE	Standard Error
SK	Skewness
Skill	Skills
Social	Social Characteristics
ST	Strategy
TE	Total Effect
\bar{x}	Means

CHAPTER 1

PREFACE

1.1 Background and the Extent of the Problem

It is apparent that the current state of affairs regarding the economy, trade, society, and technology have all of a sudden been transformed, which directly affects the competitiveness of businesses and industries. This rings quite true for business competition factors that have clearly changed thanks to a number of interrelated influences, such as price, quality, and competitors (Tippawan Lorsuwannarat, 2010: 4). Such factors have an effect on organizational management. Therefore, an organization's goal should focus on business performance development and improvement so that it can endure the competition (Office of Small and Medium Enterprises Promotion, 2011: 13).

For an organization to be successful in reaching its goal, it must hold a good relationship among its various internal functions. This is because work performance is yielded from collaboration and cooperation inside the organization (Pennings and Goodman, 1994: 146-154; 160-164). Organizational performance only occurs as a result of the fit between two or more factors, from which the organization makes relevant self-improvements in order to survive or to create better performance. Moreover, organizations with a better structure that is in line with contingency plans will render better performance than those without. The consistency concept considers not only organizational structure, but also organizational behavior, management role, management strategy, and organizational culture (Deal and Kennedy, 1982; Carmeli and Tishler, 2004; Tanriverdi and Zehir, 2006; Chajacki, 2007; Herrera, 2007; Weiss and Legrand, 2011). These concepts are intended to produce organizational performance with the same consistency (Van de Ven and Drazin, 1985: 333-360). It is obvious that consistency of factors is vital to the creation of organizational performance.

A number of scholastic works on the effect of organizational culture to an organization's success focus on employees' values and organizational norms, as they are the core of the culture that can drive an organization to success or failure (Deal and Kennedy, 1982; Sithichoke Waranusantikul, 1997: 175-176). Organizational culture is also related to organizational effectiveness, since employees' beliefs and values that are in line with policy and operation affect organizational performance concerning the ability to bring management vision into practice. This aligns values and behaviors, which then leads to the development of increased organizational performance and effectiveness (Dension, 1990: 2; Calori and Sanin, 1991: 49-74; Kotter and Heskett, 1992; Gordon and DiTomaso, 1992: 783-798; Denison and Mishra, 1995: 204-213). Clearly, organizational culture has many forms. Each organization needs a culture in which its employees can demonstrate their beliefs, values, attitudes, thoughts, feelings, and behaviors toward a practical means as per an organization's need and to truly achieve their goal.

Therefore, if an organization wishes its performance to attain its set goal, it must adapt itself into the ever-changing environment (Teece, 1984: 23) by taking proper organizational culture and organizational strategy into account. If the culture fits the strategy, then it duly creates strengths for the organization because organizational culture has a tremendous impact on the success or failure of organizational strategy. However, no single organizational culture can answer to all situations; a good culture must be adaptive to fit the organizational environment and strategy in order to create a healthy organizational performance. An organization with proper management strategies consistent with both the organization's internal and external perspectives (Carmeli, Gelbard and Gefen, 2010; Porter, 1996; Rivkin, 2000) will result in better organizational performance (Amit and Schoemaker, 1993: 37-39). Thus, the success of medium enterprises depends on strategic fit (Carmeli and Tishler, 2004, Ketokivi and Schroeder, 2004) by taking advantages of the untapped market, as well as a more flexible structure and readiness on adaptation to a rapidly changing environment through organizational development that addresses missing needs (Agmon and Drobnick, 1994: 11-15; Jones and Tilley, 2003: 26-30; Ogawa, 1994: 12-20). Besides, an organization must be prepared for organizational change in order to fulfill its development goals and respond to the external environment since this adds an extra

channel for marketing, as well as organizational development (Suppakit Srikanchana, 2006: 2). The management must also be able to pick the best short-term and long-term strategies for the organization with the involvement of stakeholders in planning, along with an accurate assessment of the pros and cons of the enhancement of operational efficiency and effectiveness in seeking business opportunities in a highly competitive environment, as in the present. Research on strategy is then a development of theories that enables management to apply a strategic fit for its organization, business, and operations so that the return on investment can be boosted (Henderson, 1979: 79).

As we can see, in today's organization management, not only organizational structure, culture, management strategy, as well as internal and external perspectives, but management as a key driving and enduring aspect of organization must also be taken into account. The 21st century is an era of a knowledge based economy that knowledge, information technology, and innovation play a role in the organization management. Only professional management will be able to drive the organization management to success according to the set goals (Teera Rooncharoen, 2010: 41). For an organization to be effective, efficient, and able to successfully fulfill its objectives, it must depend on its leader's ability to administer using meaningful resources following an organization's policy, culture, and strategy in attaining the objective. So, leadership in the management heads results in an effective administration and joins the power of organization members by encouraging everyone's cooperation for goal achievement (Hersey, Blanchard and Johnson, 1996). The key attribute for today's leaders is innovative leadership (Sen and Erena, 2012), that is to say leaders must be capable of analyzing complex problems or opportunities and finding fresh ways of implementation. They need to acquire innovative intelligence so that they can respond to any growing situations (Weiss and Legrand, 2011: 36-37). Leaders should be recognized for their expertise, capability, achievement, performance, accountability, contribution, and collaboration (Bass and Stogdill, 1990), as well as credibility in team. Successful leaders must adapt their behavior and character fitting the situation with regard to their colleagues, direct and indirect influencers in the working environment to the function development such as economic pressures, changes in the information age, technological development, social needs, state of borderless world, business competition, as well as governmental policy and social tendency. It is clear that leader's or executive's

behavior affects organizational performance (Anthony, 1998: 329; Sen and Erena, 2012; Bowen et al., 2013). For example, a study by Horth and Buchner (2009) found that leaders with innovative leadership can influence the cooperation and performance of an organization. Innovative leadership also connects with organizational culture and management strategy planning right for internal and external organization perspective (Carmeli et al, 2010, Maladzhi, Yan and Makinde, 2012a).

Recent studies on the concept of innovative leadership, organizational strategy, organizational culture, and organizational performance merely focus on one notion or explore the relationship between notions. No research exists on the influence among variables for the corporate outlook. It is evident that many scholars have examined management tools with an academic body of knowledge pertaining to large enterprises, as well as an overview of small and medium enterprises, which fail to clearly explain the relationship among variables affecting the medium enterprises (Agmon and Drobnick, 1994; Jones and Tilley, 2003: 258; Robbins, 1990: 167-168). The researcher believes that research on factors affecting performance of the medium enterprises is duly called for because such organizations are considered an important engine of growth for the country's economy. However, in 2012, the growth rate for exports declined (-2.49%) compared to 2011. Therefore, it is necessary that the organizational management of the medium enterprises be developed immediately (Casey, 1996: 5). In fact, medium enterprises need leaders who are ready and able to handle many developing situations under different environmental changes which happen all the time. In addition, some leaders of medium enterprises have failed in operating the organization due to the lack of business administration skills, of resistance to marketing changes, of knowledge, of market-driven enterprises, and of sufficient technological knowledge (Mosia and Veldsman, 2004).

From the background and the extent of problems relating to innovative leadership, organizational strategy, organizational culture, and organizational performance, the researcher deems that research on factors affecting the performance of medium enterprises is well-deserved. This is because business administration development of medium enterprises, including innovative leadership, strategic fit, as well as the recognition of organizational culture importance relevant to ever-changing situations, should be promoted. Given such magnitude, this research entitled

"Innovative Leadership Affecting Organizational Performance through Organizational Culture, Strategy of the Medium Enterprises" genuinely attempts to find a practical body of knowledge for further development promotion of the medium enterprises performance.

1.2 Research Questions

1) What is the state of innovative leadership and medium enterprises performance?

2) Are innovative leadership, organizational culture, and strategy related to medium enterprises performance? If so, how is the relationship formed?

3) Is the developed causal model of the innovative leadership that affects organizational culture, strategy, and organizational performance of the medium enterprises consistent with the empirical data? And how is it consistent or inconsistent?

1.3 Research Objectives

1) To study the level of innovative leadership and organizational performance of the medium enterprises.

2) To study the relationship among innovative leadership, organizational culture, and strategy that affect organizational performance of the medium enterprises.

3) To establish and validate the consistency of the causal model of the innovative leadership that affects organizational culture, strategy, and organizational performance of the medium enterprises, which has been developed with empirical data.

1.4 Research Scope

This research aims to study the relationship between the level of innovative leadership, organizational culture, as well as strategy and level of organizational performance of the medium enterprises. The research scope is divided into three areas: population, variables, and timing. Details are as follows:

1.4.1 Population scope: population in this study consists of three segments of medium enterprises, i.e. 1) retail and wholesale, 2) service, and 3) manufacturing, which are listed in the Office of Small and Medium Enterprises Promotion database (Office of Small and Medium Enterprises Promotion, 2011).

1.4.2 Variable scope: since this is a structured equation model study, which describes linear causal relationship between cause variables or exogenous variables and effect variables or endogenous variables, the researcher has analyzed and synthesized documents and related research through grouping of latent variables, as follows:

1) One Endogenous Variable

Organizational performance includes three observable variables, i.e. 1) economic performance, 2) process performance, and 3) product performance (Carmeli, Gelbard and Gefen, 2010).

2) Three Exogenous Variables

(1) Innovative leadership consists of four observable variables, i.e. 1) skills, 2) personality, 3) social characteristics, and 4) roles (On-Anong Rochvatanaboon, 2010).

(2) Organizational culture comprises four observable variables 1) adhocracy culture, 2) clan culture, 3) hierarchal culture, and 4) market culture (Cameron and Quinn, 1999).

(3) Organization strategy includes four observable variables 1) strategic analysis, 2)strategic formulation, 3) strategic implementation, and 4) strategic control and evaluation.

(4) Timing of the scope: the researcher has spent three months on data collection.

1.5 Definitions Used in the Research

Preliminary definitions are intended to create a basic understanding of contents which have been mentioned in this document. However, throughout research, more pertinent details and issues have been added for better understanding.

1) Medium sized enterprises refer to three medium business segments, i.e. 1) retail and wholesale, 2) service, and 3) manufacturing that employ 51-200 full-time employees with fixed assets worth 50-200 million baht.

2) Organizational performance represents the overall performance of the organization assessable via financial and non-financial related performances, which can be categorized into three aspects, as follows:

(1) Economic performance refers to better organizational performance, including return on investment, growth rate in sales or service, and the ability for continued profitability of the organization.

(2) Process performance is the organizational performance consideration on internal processes covering proper workflow, good relationships among employees, and organizational performance evaluation.

(3) Product performance denotes organizational performance in terms of product and service quality. It includes innovative products and service development that satisfies customer needs.

3) Organizational Culture means pattern of beliefs, values, attitudes, and norms set up and practiced within an organization that is demonstrated through employees' behavior in response to the environment of the organization. It is passed on to the new members of the organization in order to improve organizational performance. There are four aspects of organizational culture, which are as follows:

(1) Adhocracy culture signifies organization adaptiveness values. People are always prepared for changes. They are growth-oriented, risk-takers, creative, and innovative who aim at leading with respect to production and services.

(2) Clan culture stands for organizational values that focus on work relationship. Leaders advise, support, and help facilitate followers. They are interested in teamwork and people's participation. This type of organization pays attention to the development of human capital and unity.

(3) Hierarchy culture indicates organizational values on structure and formality. It employs a control process in work and focuses on organization rules and policies, as well as employment security and behavior prediction ability.

(4) Market culture corresponds to organizational performance values. Employees vie for, and are committed to, winning the goal as well as getting

recognition and triumph. Long-term performance emphasizes competition and a target on market share.

4) Strategic Fit defines conceptual framework for the organizational operations. Corporate strategy is established making use of internal and external factors and put into action for goal attainment. It attempts to minimize likely obstacles so that the organization can succeed and gain organization's sustainably competitive advantage. Strategic fit consists of the following four aspects:

(1) Strategic analysis concerns the examination of an organization's environment for strengths, weaknesses, opportunities, and threats utilized for strategic formulation. Organization direction and goals are created according to corporate status.

(2) Strategic formulation implicates organization's course of action, which is established based on the strategic analysis of corporate status. Identifiable objectives and key performance indicators are set up. The feasibility of formulated strategy is assessed.

(3) Strategic implementation is associated with the deployment of planned strategy for all parties in the organization through a preparation of action plans. Setting up training courses and supporting of operational tools help facilitate the planned strategic implementation accordingly.

(4) Strategic control and evaluation means the establishment of an oversight committee to monitor and evaluate organizational strategy via proper assessing tools. An assessment report, along with strategy review and ongoing strategy development, are carried out.

5) Innovative Leadership refers to management's or a leader's ability to motivate others to work via new thoughts so they can better respond to and solve problems in real situations. This creates more innovations within, which can lead to value adding for the organization. Innovative leadership comprises the following four aspects:

(1) Skills represent management's vision for leading changes. The abilities include transformation of ideas into practice, learning curve, boost of innovation, creativity, trust building, and problem-solving.

(2) Personality denotes an open-minded manager who is a good listener and possesses entrepreneurial, ethical, risk-taking, challenging, and revolutionary traits.

(3) Social characteristics means management's skill to persuade others, communicate effectively, maintain emotional maturity, be socially responsible, and network with people inside and outside the organization.

(4) Roles imply management as an opinion leader, role model, collaborative working type, supporter of learning organization atmosphere, employees' advocate and inspirer, and sponsor of performed employees.

1.6 Expected Benefits

The body of knowledge gained from the study of the causal model of the innovative leadership that affects organizational culture, strategy, and organizational performance of the medium enterprises will be academically and practically beneficial for the following standpoints.

1) Academic Benefits

(1) Gain knowledge and understanding of the variables studied, including innovative leadership, organizational culture, strategic fit, and organizational performance of the medium enterprises. This can be utilized as a guideline for the agencies and organizations involved in the promotion and development of medium enterprises in Thailand and for those interested in further studying the different features of organizational performance.

(2) Promote the related literature in innovative leadership, organizational culture, strategy fit, and organizational performance of the medium enterprises in Thailand.

(3) Learn the variables pattern used in the causal model, which is helpful in developing a model framework for the medium enterprises in Thailand and as a guideline on the study of organizational performance level for other organizations and agencies.

(4) Gain the variable measurement tool used in the model framework study, including variables on innovative leadership, organizational culture, strategic fit, and organizational performance, which is suitable for Thailand's perspective. It can also be used for those interested in studying such variables in other organizations and agencies.

2) Practical Benefits

(1) Gain information indicating factors that affect the organizational performance of the medium enterprises in Thailand. It can be used as a direction on improvement, development, and promotion of organizational performance to the desirable level of society. It can also provide maximum benefits to future policy development, human resources, marketing, learning, and organization management and development.

(2) The research findings are useful for medium enterprises management in Thailand for organizational performance enhancement. They can learn how to plan the management strategies specifically on factors influencing maximum performance and use of organization resources to the best benefit for competition, which helps enable proper resources investment prioritization.

(3) It is valuable for related government agencies and the private sector in terms of support, promotion, and development of business operation capacity to medium enterprises. This helps improve organizational performance to the extent that an organization can survive under the rapidly changing situations. As a result, the nation's economic growth rate will increase.

CHAPTER 2

THEORY CONCEPT AND RELATED RESEARCH

Literature review in this chapter aims at examining theories, concepts, and related research. This is intended to study definitions, meaning, and concepts so that an understanding of the clear determination of independent and dependent variables in the research can be attained. Moreover, it investigates the relationships among variables in order to define the scope, samples, and population in relation to the research. Analyses of patterns, advantages, and limitations of the case studies on issues relevant to the research and applicable for conceptual framework used in the research are performed as well. This study is divided into four parts, as follows:

Part 1 Theories and Concepts Related to Innovative Leadership

Part 2 Theories and Concepts Related to Organizational Performance, Culture and Strategy

Part 3 Relationship among Variables Studied

Part 4 Conceptual Framework in the Research and Hypotheses

The researcher presents details in each part, as follows:

2.1 Theories and Concepts Related to Innovative Leadership

Presently, studies about innovative leadership are growing. However, no specific theory exists that explains innovative leadership. Many local and international scholars have tried to make use of concepts and theories that can associate and describe innovative leadership. The researcher has concluded the concepts taken from this study as the following.

Concepts studied by several academics define leaders as people who are recognized in the role of being chiefs and possess the ability to persuade others to work successfully as they wish (House 1971: 227). Leaders also hold an influential

capacity who can command people to work according to the specified goals and objectives (McFarland, 1979: 214-215). Leaders attempt to get followers' participation in teamwork so that the goals of an organization can be achieved. They are the most influential persons in the group who have been assigned as heads by the rest of the members or followers (Yukl, 1981: 3-4). Leaders thrive for organizational achievement through interactions with followers. In other words, with personal attributes along with relationships, leaders are people of influence who can drive followers to act accordingly toward the set goals (On-Anong Rochvatanaboon, 2010: 14-15). In summary, to followers, leaders are their influencers. Leaders have the ability to convince others to follow their demand by supporting and encouraging people to act towards goal achievement.

As for leadership, a number of scholars have suggested that it is an individual's ability to influence group members for their willful participation on reaching the group's outlined objectives. Such influence comes from a position either inside or outside of the organization. Stogdill gives an account on leadership as initiation and maintenance of structure in expectation and interaction among group members (Stogdill, 1974: 411). It is an interpersonal relation that involves the use of influence and power (Fiedler and Chemers, 1984). It is an art of mentoring subordinates or colleagues to perform their duties with enthusiasm and willingness as well. This process involves group influence by individuals to achieve the needs of the group or an organization's goal. It is a tactic of evoking influence or persuading practice over others' willingness and eagerness for successful work toward the aim of the group. It is the ability to exert influence on the group to reach the target (Robbins, 1990: 302). Lastly, Hersey, Blanchard and Johnson asserted that leadership is the process of influencing the activities of an individual or a group in efforts toward goal achievement in a given situation (Hersey, Blanchard and Johnson, 1996). In conclusion, leadership is the ability to influence group members toward goal achievement using process, command, and influence on others. It involves constant interaction on conveying of thoughts into practice surrounded by leaders, followers, and situations, which have relation and effect to each other leading to goal achievement. As for innovation, many scholars have proposed that it is subject to an individual's perception. According to Rogers and Shoemaker, an innovation is an

idea, practice, or object that is perceived as new by an individual or other unit of adoption. It matters little whether or not an idea is objectively new as measured by the lapse of time since its first use or discovery. The perceived newness of the idea for the individual determines his or her reaction onto it. If the idea seems new to the individual, it is an innovation (Rogers and Shoemaker, 1971: 13). Such newness and difference can be the nature of a practice, technique, or new object, which are dissimilar from the original (Cancian, 1979: 53). A new idea, practice, or object perceived as something new by individuals or other social entities through changes on thought, production, process, or organization, whether they have radically occurred by revolution or incrementally developed for practical usage and communicated to the community (Rogers, 1983: 11). Drucker defines innovation as the specific tool of entrepreneurship, the means by which they exploit change as an opportunity for different business or a different service. It is capable of being presented as a discipline, capable of being learned, and capable of being practiced (Drucker, 1985: 67). This has been reiterated by Porter, who concluded that an organization's competitive advantage can only be achieved through innovation by putting together new technologies and new ways of doing things (Porter, 1990). Innovation also covers production, learning, knowledge management, and application of new ideas for economic and social benefits, i.e. new products, services, production processes, technological improvements, diffusion of technology and utilization of technology for economic and social advantages. Therefore, innovation is any new idea, practice, or object subject to individuals' or entities' perception who adopt and use it. This also includes activities for commercial purposes, as well as the creation of new markets, products, processes, and services through differentiation utilizing changes that have happened nearby for opportunities to create new ideas beneficial to individual and society (The National Innovation Agency, 2004: 3).

Many academics have suggested that innovative leadership involves leaders' abilities to acquire innovative intelligence in order to take control of complex problems or opportunities and to discover new ways to respond to any growing situations, which help create more innovations in the organization (Weiss and Legrand, 2011: 36-37). They can apply their wisdom, knowledge, idea, and characteristics such as competency, personality, character, and social status to drive people in the

organization their abilities on formation of new and creative ideas that add values to the organization via products, processes, and services (On-Anong Rochvatanaboon, 2010: 219-220). In conclusion, innovative leadership is the ability of leaders or management to persuade people to develop or use new ideas or approaches in their work that better answer and solve problems in real life. It generates more innovations in an organization that lead to value being added for the organization. Currently, people who are interested in learning the qualities of ideal leaders that perform under ongoing environment changes pay special attention to one of the qualities, innovative leadership. However, there is no theory that directly explains such type of leadership. Only leadership theories and theories on innovation are basically used to describe innovative leadership, as discussed more fully below.

2.1.1 Leadership Theories

Concepts about leadership change over time. Studies and theories about leadership are collected and classified into four periods according to their development, i.e. 1) Trait Theories, 2) Behavioral Theories, 3) Situational or Contingency Leadership Theories, and 4) Transformational Leadership Theories.

1) Trait Theories founding can be dated back between 1930 and 1940. They are regarded as the earliest study of leadership. The concept began with the Greatman Theory of Leadership from the ancient Greeks and Romans. People then believed that leadership was naturally born, not made, and it could not be changed but can be improved. Good and effective traits of a leader include competency and intelligence. A work of Trait Theories by Gardner (1990) studied two components. The first, the Tasks of Leadership, refer to nine tasks, i.e. determination of group target, group norms and values, motivation building and employing, management, operation capability, explanation capability, group representation, group symbolization, and innovation. The second component, Leader-Constituent Interaction, believes that a leader has influence over other people, which satisfies the basic needs and expectations. A leader is independent and has the ability to develop oneself, as well as others. The theories indicate no specific or obvious attribute of a leader because some of them may not display these characteristics.

2) Behavioral Theories were introduced during 1940-1960. The core principles lie on leaders' practices. They also point out that both leaders and followers

influence each other. Theorists include Lewin, Likert, Blake and Mouton, as well as McGregor.

(1) Kurt Lewin's Studies (Lewin, 1997) divided leadership into three types. First, there are autocratic leaders are leaders who make their own decisions. No clear goals or objectives have been set, except for those made by the leaders themselves. This type of leadership is only good during crises. The organization unr45 this type of leader will lead to unconfident and uninspired followers. Second, there are democratic leaders, who are leaders who respect majority decisions. They encourage followers to participate in decision- making by listening to people's opinions. They like working in team and two-way communication, which render an increase in productivity and satisfaction. However, the downside of this type of leadership is the amount of time spent for group decisions, which usually takes longer than normal. Therefore, it is not practical during times of emergencies or crises. The last type are laissez-faire leaders, who are leaders who grant followers full authorization in making decisions. There are no specific targets, rules, or regulations defined. Tasks are distributed to the group. Good performance and creativity are attainable, provided that the group members are responsible, motivated, and self-controlled. The lack of members' motivation or responsibility can otherwise create frustration or dissatisfaction, thereby rendering low productivity. Different leadership styles create different working environments, thus the choices of leadership often rest on circumstances.

(2) Likert's Michigan Studies (Likert, 1984) categorized leadership into four types: 1) Explorative-authoritative leadership, where leaders are highly authoritative. Leaders do not seem to trust their followers much. Commands are exercised by means of coercion rather than compliment via top-down communication; 2) Benevolent-authoritative leadership, which is like paternalism. Followers are trusted and motivated through rewarding and penalization. Somehow, they are allowed for two-way communication and to provide feedback. Their decision making, which comes under leader's close monitoring is permitted from time to time as well; 3) Consultative-democratic leadership, which involves some trust and decision making delegation to followers. Policy planning and decision come from management. Certain operational decision makings are allowed however, those must

be consulted by the senior management. Followers' opinions are heard. Rewards are used as incentives. Moreover, management is participative style using two-way like bottom-up and top-down communication; and 4) Participative-democratic leadership, which refers to a management type that put their trust and confidence on followers. Leaders accept followers' opinions. Rewards are used as group economic security. Management is participative style, i.e. objectives and progress assessment are mutually defined and two-way communication is employed at all levels. Executive decisions can be made by management and group members. This type of management creates effective and successful leaders, as well as yielding higher productivity. Such accomplishments rest on followers' degree of involvement.

(3) Blake and Mouton's Managerial Grid (Blake and McCauley, 1991: 29) proposed two elements that make up good leadership, i.e. people and product. They specify a person's quality and nature of their relationships, as well as product, into a scale ranging from 1 to 9. Their Nine-Nine Style (9, 9 Style) concludes that a person's higher quality will result in better product quality, as well as quantity

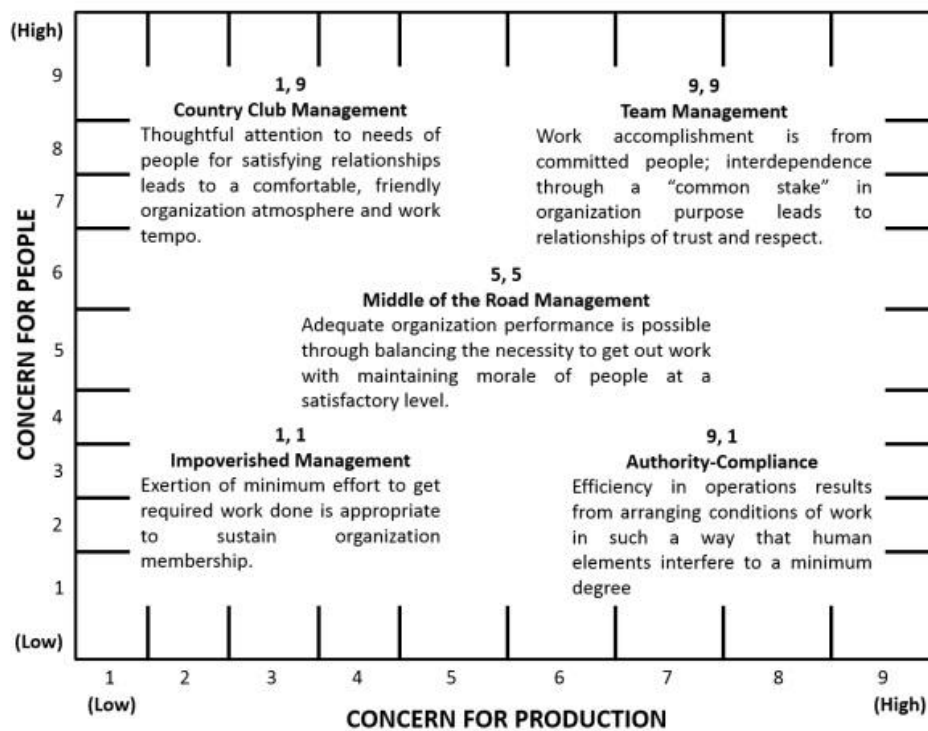


Figure 2.1 Managerial Grid

Source: Blake and McCauley, 1991: 29.

Figure 2.1 shows five leadership styles. They are: 1) Task-oriented/authority compliance means leaders who are production-oriented. They pay little attention to people. They have an authoritative behavior who plan and define direction, as well as command people to follow. This type of leadership focuses on production while ignoring relationship with teammates aside from staying away from them; 2) Country club management refers to leaders who emphasize on work satisfaction of the followers. They pay attention to human relationships rather than organizational productivity. They encourage people to feel as part of the organization, which leads to a good working atmosphere. Performance is driven without putting pressure on the followers as management believes that people deserve happiness in working. This is to avoid any potential resistances; 3) Impoverished implies leaders who are very much less attentive on people and work. They put little effort toward the attainment of their defined goal. Management has low authority and can barely maintain their status quo. The lack of leadership results in low coordination, which is mostly assigned to followers. 4) Middle of the road management is a leadership style in which leaders balance performance and morale of the workers. They employ a bureaucratic system, of which performance complies with rules and regulations. They focus on work satisfaction and avoid using force and power. Results are accepted as management expectation. Committees are formed and they steer clear of tasks associated with risks. Conflicts will be resolved through compromise. Coworkers expect that compensation will be based upon job performance; and lastly, 5) team management is a leadership style that focuses on both followers' work and morale. The needs of the organization and those of the people will never be in conflict. Efficient work, along with the relationship between executives and followers, are emphasized, leading to mutual trust and respect. Success comes from members' commitment to shared practices. These leaders believe that their role is merely to advise or consult the followers. Decision-making and authority rest with the people. Individual's competency is recognized, which contributes to creativity in the workplace.

(4) McGregor's Theory X and Theory Y (McGregor, 1960) associate with motivation theory and Maslow's Hierarchy of Needs. Human nature and human behavior must be taken into account when working with people. That is, a human has basic needs and wants motivation. Efficient leaders must provide what

followers need so they feel loyal and enthusiastically work in order to achieve the goal. Theory X deems that humans by nature are lazy, uncaring about work, greedy, and relaxed. This bunch of people requires some sort of control at all times. Strict rules and codes for punishment must be enforced. While Theory Y seems that people's nature are optimistic, mindful of their responsibilities, willing to work, capable of learning, want self-improvement and work development, creative, as well as prospective.

3) Situational or Contingency Leadership Theories take the leaders' environmental features into account presuming that they are critical to success. Such supporting environments or conditions consist of five notions: 1) Theory of 3-D Management Style (Reddin, 1970) adds efficiency dimension to working behavior and human relationship behavior dimensions. Efficient or inefficient leadership styles depend on the situations. Leaders who succeed in their roles and responsibilities need influencing conditions that fit leadership style; for example, technology, organization, and people. Therefore, it falls on management to exercise their own judgment on picking up any core elements that properly best serve their leadership style, 2) Theory Z Organization (Ouchi, 1981) believes that all people are creative and decent in nature. Leaders should, therefore, give followers the opportunity to engage in work development and decentralize authority to lower levels, as well as improve their quality of life. Leaders should only facilitate development and apply coordination skills, 3) Life-Cycle Theories (Hersey, Blanchard and Johnson, 1996); the amount of orders; recommendations; working behaviors; emotional, social, or interpersonal support behavior; and the readiness of followers make up this situational leadership theory, 4) Fiedler's Contingency Model of Leadership Effectiveness (Fiedler and Chemers, 1984) states that effective leadership must comprise three elements. First, leader-member relations involves leader's personality, which is essential for the group's acceptance. Atmosphere and attitude are accentuated and the group will render support only when leaders have good relationships with members, which can be assessed through members' conformity. The second element focuses on task structure and leaders' authority, which defined goals and objectives along with task structure assignment for members' guided by leaders on operation decision-making and problem-solving. Third, a leader's position of power refers to the authority that an

organization delegates to managerial positions so that operational goals can be achieved. This concept believes that an effective leadership depends on the situation. If leader-member relations is good and task structure is clear, leaders can handle organization situations. And 5) House's Path-Goal Model (House, 1971) divided leadership into four styles. For instance, directive leaders focus on command and control. Supportive leaders help coach members via facilitation, support, and advice. Participative leaders give an opportunity to members for their participation on idea generation, planning, and collaborating. And achievement-oriented leaders emphasize goal attainment. Task structure is specified in order to reduce barriers. Work procedures are clearly defined so that subordinates understand the task target.

4) Transformational Leadership Theories

Burns (1978) pointed out that the ever-changing environment and race for excellence require management to be keen on adaptation in order to fully succeed. However, leadership is still problematic due to people's lack of requisite knowledge about the leadership process. The nature of leadership is based upon the difference in leadership and power related to leaders and followers. Power rises when leaders utilize resources by influencing followers' behavior so that the leaders' expected goal can be achieved. Leadership takes place when management can motivate and satisfy the followers. Transformational leadership theories once believed that management should hold transactional leadership, which is how managers motivate followers to act according to their expectation through a clear job description and rewarding them in exchange for the followers' work towards achieving the goal. Such reciprocity makes members feel satisfied in working together towards the goal. Transactional leadership will be highly effective when working in a relatively stable environment. However, due to rapid environmental changes and more competition among organizations, Burns has proposed a new style of leadership that can encourage people to work better than expected. This new style of leadership is explained through the Transformational Leadership Theory. Leaders and followers help each other to raise the morale and motivation of each party. Burns believes that transactional leadership and transformational leadership are completely different and the latter is an effective leadership method in the current situation. There are three leadership styles, i.e. 1) transactional leadership involves the ongoing exchanges, which later become the

common interests between leaders and followers. This type of leadership can be found in any typical organization. Promotion is based on performance. Wages are paid for work delivered. Moreover, Bass (1990) presented that transactional leaders direct or encourage followers to work in accordance with the defined goal via clear role and task structure as well as work expectation in exchange with compensation requested by the followers. This drives for the projected target following two proposals: (1) contingent reward, and (2) management by exception. Transformational leaders and transactional leaders are distinguished by their ability to motivate followers to think wisely when solving the existing problems with alternative approaches and work more creatively with open mindedness. Because transformational leaders are not always satisfied with the current situation so they try to find new ways of working that can make the tasks most successful to their best ability. Transactional leaders, on the other hand, run day-to-day maintenance in order to keep the job stability status quo. 2) Transformational leadership realizes and tries to be more responsive to the needs of followers. Leaders focus on development, motivation, and mutual recognition of followers until followers are transformed into leaders, a recurring process refers to the domino effect. A sample of this type of leader includes community leaders. Burns (1978) conceived that transformational leadership will be heading to a reciprocated inspiration and leveraging between leaders and followers that will change the leadership status of followers. Leaders themselves will then be elevated to a symbol of moral support. So, changes occur with both leaders and followers. The primary role of the leader is the key factor to success for transformational leadership. Bass (1985) cited transformational leadership as being the higher moral and mental support that followers received from leaders. Leaders can inspire followers to try to work better than expectation. Transformational leaders hold (1) charisma, (2) individualized consideration, and (3) intellectual stimulation, which Bass suggests that leaders expand scopes and change interests of employees making them attentive and receptive on the group objective and mission. Leaders will always bring about employee awareness for the best interest of the majority over the individual. Through their charismatic personality, leaders act as a role model, which appeals to followers' work inspiration. Several studies reveal that transformational leaders attract followers to devote themselves to the leaders. Relationships on

transformational leadership along with effective leaders recognized by employees and employees' commitment are positive (Krishnan, 2005). For followers, an appealing model is a key feature of leaders because leaders have the power and influence over them, which compel them to follow with confidence and loyalty. Followers should have been individually considerate for their differences, which may need special guidance and suggestion for their own development and advancement. Leaders must also pay attention to the intellectual stimulation, in which followers must always be urged to seek new ways to solve problems (Bass, 1990). Lastly, 3) moral leadership refers to leaders who are able to change according to followers' requirements. Leaders interact with followers about their needs, aspirations, and values, which must adhere to the highest ethics, i.e. fairness and social justice. This type of leadership aims at changes that reflect the real needs and requirements of the followers.

2.1.2 Concepts and Theories on Innovation

In today's competitive environment, focus has been put on the creation of a competitive advantage through differentiation. It is considered as a uniqueness of an organization that is becoming more important. Thus, innovation is applied to products, services, or even organizational operations. Innovation is an indispensable and essential factor in the success of the organization which all executives must realize more, along with creativity. This is because the effective promotion and development of innovation in an organization definitely leads to a true competitive advantage worth the investment (Teerayuth Wattanasupachoke, 2005: 17).

Generally, innovation or a new item that is distributed to and is accepted by society consists of four aspects on the part of idea and part of object. The adoption of innovation is related to: 1) recipient; 2) social system, which is crucial for quick innovation adoption if social norms and values support social and cultural changes. Therefore, the distribution of something new into society will be easy for people to accept. Unlike modern society, the diffusion and amount of innovation of an underdeveloped society that sticks to beliefs seem sluggish or even rejective. 3) Types of communication between the sender and recipient that an innovation is passing through media from source to the end user or recipient. And 4) time or rate of adoption stands for a given time period for diffusing and adopting a process for an

innovation, i.e. a new idea or modification of an existing object, to be recognized and accommodated by, as well as beneficial to, society. Apparently, innovation is a human interaction process. While communication is important for the adoption of innovation, the innovation itself is also important. An easy to adopt innovation should consist of five features (Rogers, 1962): (1) relation advantage, which is the level of perception or belief that the innovation is better than the existing idea or object. The more benefits an innovation has to offer, the better chance it has for adoption. (2) Compatibility refers to the level of the innovation that is consistent to a recipient's values, experience, and demand. The more compatibility an innovation has with the aforementioned components, the more likelihood the innovation will get adopted. (3) Complexity is the confidence level of difficulty on understanding and implementing the innovation. Some innovations are easy to understand and use, while others are more complicated and difficult to learn. An innovation with less complexity stands a better chance for being adopted. (4) Trialability denotes the level of innovation that can be tried and measured for its results. Innovation without trialability has less chance for adoption. And (5) observability represents the level of innovation that its process can be physically observed; for example, a product offered through direct sales. Despite having a high price, it thrives due to an innovative approach that a customer can watch the product demonstration and learn about its value.

Before accepting any innovation, an interactive process between the innovator and the user must be carried out several times in society until the "adoption," or what is called technology adoption, occurs. This process is of particular interest to researchers, especially, the Diffusion of Innovation Theory (Rogers, 1962), which illustrates how the adopting of innovation process in human society works. Rogers segmented people in society who accept innovation diffusing in order to learn the way each social group's adoption of innovation, as follows: (1) Innovators are the first group of people in society classified as inventors and users with technological knowledge or technology enthusiasts. This group of people accounts for 2.5 percent of society. (2) Early adopters are the group of pretty well-to-do people who like to try something new. Members could be academics or famous people, which make up around 13.5 percent of society. (3) Early majority is the group of people who take time to decide. The innovation, however, must be easy to use and be valuable. The

choice of innovation is based on the decision of the first two groups. This group constitutes for approximately 34 percent of society. (4) Late majority belongs to the group of people who usually start to adopt a technology or innovation when it might already be outdated. They only pick an innovation that is really in need. In the researcher's opinion, any innovations or technologies adopted by this group are considered successful. This group comprises about 43 percent of society. And (5) laggards are a group of people who adopt an out-of-date technology or innovation. This is the last group in society who buy using only the information from people around them and especially watching the behavior of other groups. This group contains about 16 percent of the people in society.

The social adoption process of an innovation needs channels to communicate from one social group to another. When innovators, innovation lovers, inventors, or social adoption process creators adopt an innovation, a communication process will emerge so that other social groups can learn and engage. As wealthy, highly educated, and informed people who like to try something new, early adopters then follow suit. This is considered the most important group's adoption of innovation because they are perceived the elite social class. Adoptions of innovations or technology incorporations of this group reflect their "existence or extinction." Rogers (1962) designed an S-Curve to describe a step-by-step diffusion of technology in society for an easy understanding, as shown in Figure 2.2. It aims at forecasting a stage that technology would be taken on by society and when its time would have expired.

The "S" Curve of Technology

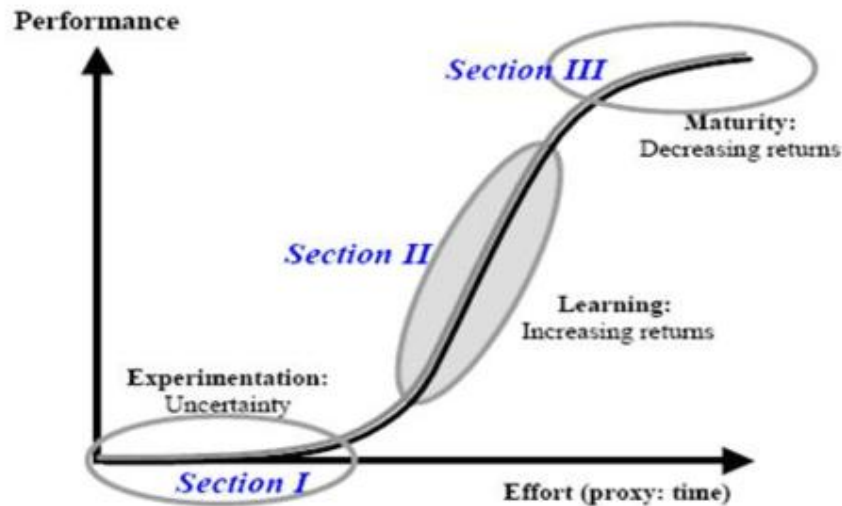


Figure 2.2 S-Curve of Technology

Source: Roger, 1962.

Figure 2 can be used to explain the emergence of innovation in society. The Y axis stands for performance or the number of users in society, while the X axis denotes time. Section I refers to a time from successful invention through market testing. Section II represents an interval, which innovation interacts with people so that it can be recognized and examined by society. Gaining popularity, the innovation then quickly turns into business. The number of users will grow in proportion to swift efficiency development. This is the ideal time for business operation and all people who want to join in. Unquestionably, innovators should enter the market at this time. Section III denotes a time of saturation where efficiency development has reached the peak point of production, which it can no longer be improved. The performance is unchanging until the efficiency has been replaced by another innovation, which also drives discontinuous innovation to its extinction. In S-Curve of Technology, Rogers (1962) clearly explains the time of birth, popularity, and maturity of the innovation efficiency in relation to the diffusion of innovation passing through classified social groups. Rogers's work has been further studied by Moore (1991) who proposed the famous *Crossing the Chasm: Marketing and Selling High-Tech Products to Mainstream Customers* or *The Chasm* (Moore, 1991: 19), as shown in the Figure 2.3.

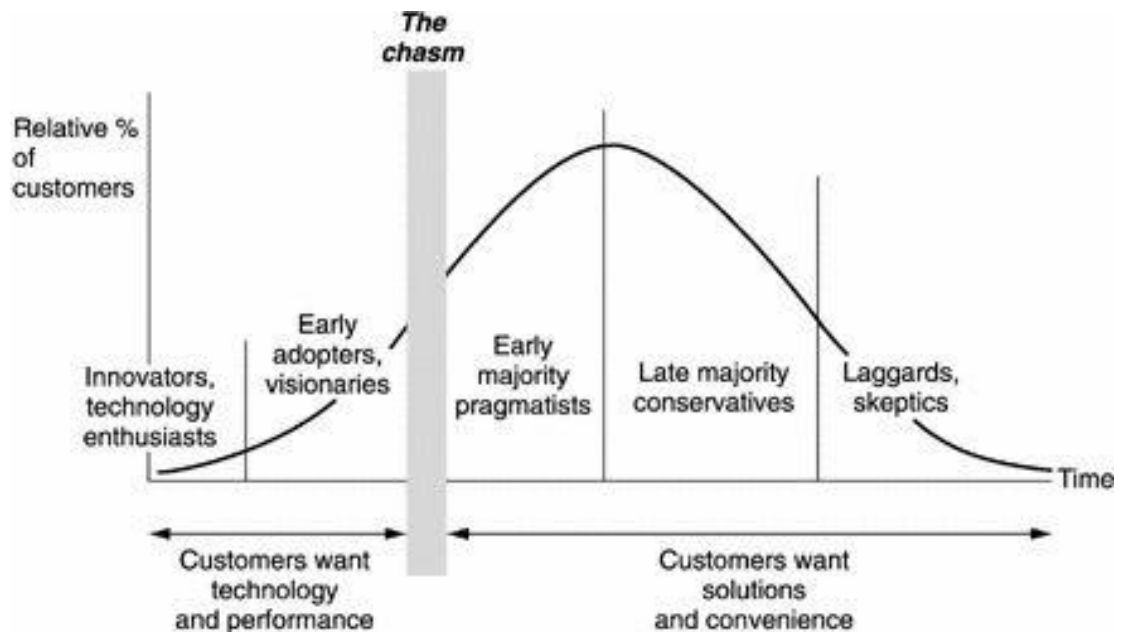


Figure 2.3 The Chasm Model

Rogers's (1962) Theory indicates that the adoption of innovation takes place after the first social group of innovators, inventors, and technology enthusiasts recognize the innovation. After that, adoptions from succeeding social groups, i.e. early adopters and the early majority will be easier. However, Moore (1991) for the most part emphasized on the adoption of early adopters as this group's acceptance is vital for the existence of an innovation in society. Moore gives an analogy on this group of holding "chasm" that catches, and then either sustains or disregards any innovations. Any surviving through "chasm" innovations or technologies will have interactions between early adopters and innovators until they meet social demand on adopting. Such adopted innovations or technologies will at that point have the maximum commercial profits for society. As a result, all organizational leaders seeking investment opportunities enter the market at this time. Because business investment during the adoption of innovators group, which is the time of business launch requires not only high financing on research and development, but also high unit price due to fewer buyers' issues. Therefore, organization leaders should invest after the adoption of the early adaptors since there are huge market demands.

The application of innovation prompting management's decision in keeping with the changing world brought by the leaders may involve information technology for internal database management, i.e. databases on customer, personnel, finance, accounting, inventory, and educational materials. This database system requires a fully secure data storage and retrieval system. Moreover, it also relates to external information technology such as regulations, laws or statutes on organization. This will require training, a storage system, and a standard retrieval design that management can use to search for information on demand. As we can see, the idea on innovation trend has influenced and played a key role in management. Innovation is clearly the new paradigm of management (Juito, 2003: 35). In developing an innovation in an organization, balance, consistency, and aim on human capital and organizational culture must be focused upon, i.e. staff must be encouraged for innovative thinking and behavior. An organization capable of systematic innovation promotion consists of five aspects: 1) staff must understand the organizational goals and strategies; 2) The management is committed to driving and deploying innovation; 3) Environmental factors contribute to the implementation, such as confidence in all levels of leadership, good communication, teamwork, and risk taking; 4) Organizational culture must facilitate the innovative organization concept. Organizational structure must not hinder creativity but rather encourage the utilization of knowledge and skill enhancement as well; and 5) Middle executives support and understand the innovation process management in creative staff. The management must cooperatively provide an opportunity for policy formation, as well as operational processes improvement, in order to support effective innovation building. Such aspects can create a sustainable innovative organization.

In studying innovative leadership, the influencing factors must be taken into account since one particular leadership cannot be universally applied to all types. Leaders, followers, and behaviors in each individual organization vary due to circumstances and environments. Therefore, the character of a leader is crucial to success or failure of the group (Hall, 1991). Vichai Thosuwonchinda (1993: 13-14) suggested two fundamental features of leaders: 1) job responsiveness, which means leaders must know and understand their area of responsibilities so they can command subordinates to work on assignments. They need to recognize their role as well as

understand the goals and policies of the unit in order to achieve the set targets and 2) Ability on management and authority, which help instigate subordinates' cooperation toward task achievement. This also includes the capabilities on defining proper workflow and process, problem-solving and decision-making, good task assignments for staff, and exercising authority so that people can work together in a good working environment. In addition, On-Anong Rochvatanaboon (2010) proposed that an innovative leadership model should comprise four key aspects, as follows. The first aspect, skills, includes being a visionary and leading change; alignment and execution; capability to learn, encouragement of innovation, and driving results and outcomes; creative thinking; trusted influence; as well as problem-solving. The second aspect, personality, consists of risk takers, opened mindedness, entrepreneurial instinct, challenge rule and past practices, intuition mindedness, integrity, and leading change. The third aspect, social characteristics, comprises motivating others, communication, emotional intelligence, corporate social responsibility, networking and connection. And the fourth aspect, roles, cover the idea of being a champion, positive role model, team leader, participating, creating a learning organization, facilitator, reward success, and inspiring.

To develop innovative leadership competency that encompasses such aspects, factors on an organization's internal context are major shapes of concept and experience for the leaders, which reflect organization internal context and leader development. For example, organizational culture encourages learning process, cross-functional team structure, business direction and strategy, and human resources management and development. Development approaches include being a self-learning leader, mentor, delegator, and coach. A combination of methods with organization external context illustrates a direct effect on the organization from such external context, as well as the creation of innovative leadership competency. Factors include global trends, social trends, technology, government policy, and economics. According to the innovative leadership model, an organization capable of improving four aspects of the leader will result in innovation, which is the groundwork leading the organization to be an innovative organization in the future. Based upon this research of concepts and theories on innovative leadership variables, it can be concluded that innovative leadership is a collection of leadership elements from

concepts and theories, along with innovations and related research taken from the literature review. As of today, no theory on the aspect of innovative leadership exists. The researcher, therefore, uses Bass's (1985) Transformational Leadership Theory along with Situational or Contingency Leadership Theories, i.e. House's (1971) Path-Goal Contingency Theory and the Diffusion of Innovation Theory developed by Rogers (1962) as a basis for this study. The researcher also applies findings developed by On-Anong Rochvatanaboon's (2010) Model of Factors Influencing Innovative Leader to explain the innovative leader model in Thailand's perspective since it is consistent with business operation. However, Thailand is still short in research on the relationship of innovative leadership and other variables that are good for analyzing variables influencing organizational performance. Thus, the researcher is interested in the study of causal relationships between innovative leadership variables and organizational performance in the small and medium enterprises by using organizational culture variable and strategic fit in describing the relationships among variables studied in Thailand's perspective.

2.2 Theory and Concept Related to Organizational Performance

Organizational Culture and Strategy

2.2.1 Concept Related to Organizational Performance

Organizational performance refers to the ability to manage four processes, i.e. inputs, outputs, transformation, and feedback effects in relation to an organization's goals (Evan, 1976). Most organizations focus only on the analysis of financial performance. In fact, for sustainable organizational performance, other dimensions must be taken into account in order to enhance the true ability of an organization. Performances in each part need not be the same. They can vary depending on the individual organization (Olve, Jan and Magnus, 2003: 16-17). A key factor in facilitating organizational performance is the relationship among departments in the organization, as an organization is formed by departments. Therefore, performance is derived from cooperation and coordination (Pennings and Goodman, 1994: 146-154; 160- 164) in all organizational activities toward the goals of better management of assets, ability enhancement on value adding of goods and services for the customers, organization reputation, and development of organizational knowledge (Robbins, 2003: 265).

Organizational performance only occurs when a fit exists between two or more factors in the organization. Such consistency represents organizational adaptation in accordance with the surrounding environment in order to survive or perform. An organization with a structure that can adapt to different situations will thrive with respect to organizational performance over those organizations that cannot adapt. The situational consistency idea should not be limited to organizational structure only. Other theories, such as organizational behavior and strategic policy management, for example should be analyzed as well. This is because these theories also aim at organizational performance under the same consistency (Van de Ven and Drazin, 1985: 333- 360). As we can see, consistency among factors is critical to organizational performance. Baker and Branch (2002: 2-14), for example, explained performance via concepts and theories developed in the past and present in which organizational performance differs according to individual organization's conditions and timing. Each organization has different factors in achieving its performance. However, the underlining factors for achieving organizational performance today are changes in management, knowledge management, internal and external relationships of an organization, as well as innovation and creativity. It can be said that organizational performance is the ability to achieve goals. Multi-dimensional indicators are the components of organizational performance, of which some are considered critical only to a certain organization and not to others (Singer and Edmondson, 2008: 33).

Proper assessment is needed in order to understand organizational performance. It is an indication of an organization's ability to compete. During the 1990s, large organizations employed Balanced Scorecard (BSC) as a framework for performance evaluation and as a tool for strategic management (Kaplan and Norton, 1992: 74-79; Simons, 2000: 89). Such a concept is used to evaluate organizational performance with a broader view about impacts of organization stakeholders, employees, customers, and owners answering the long-term survival (Dess, Lumpkin and Eisner, 2005: 102-104). The four dimensions of organizational performance are as follows: 1) Customer perspective denotes organizational performance evaluation from the customer's point of view relating to products and services satisfaction; 2) Internal business perspective refers primarily to resources utilization and organization ability

to stay successful; 3) Innovation and learning perspective represents an organization's ability to improve, initiate, and learn to make its products and services better, which is the intangible assets evaluation; and 4) financial perspective means an assessment of profits, growth, and value for the shareholders.

The research on organizational performance for public organizations in Finland through a balanced scorecard by Rantanen, Kulmala, Longvist and Kujansivu (2007: 415-417) indicates some evaluation dilemmas caused by a conflict of interest among state agencies stakeholders with close relationships, ambiguous services and targets, lack of ownership and a lack of management skills. The research proposes that the evaluation of organizational performance using the BSC seems more appropriate with large organizations with a clear cut management system and personnel skills in business administration. This is consistent with Chan's work, which maintained that outcomes are more difficult to measure than output. As a result, output measurement is more popular among local administrations in the United States and Canada. In other words, effectiveness is measured more than efficiency. In addition, a study from the Nomura Research Institute by Morisawa (2002: 1-2), presented the creation of an organizational performance measuring system using the BSC concept. For reforms on organizational performance measuring system via the BSC to succeed, problems must be classified in the course of overall management comprehension. Management must also be committed to performance measurement by means of cooperation from everyone in the organization. Often, only stable large organizations succeed in doing so. Therefore, an organizational performance measuring system using BSC from Kaplan and Norton (1992) fits for the organizations with modern finance data and management systems. It may not be consistent with the management perspective of small and medium enterprises which the researcher is currently studying. According to Tangen (2005: 34), the lack of clear understanding on specific system measurement or development is prevalent among organizations. This results in errors in the measurement of key factors, which could contribute to the organization's capability on competitiveness and achievement. Thus, good variable establishment on organizational performance measurement reflects how a business can achieve its set goals (Venkatraman and Ramanujam, 1986: 110). As Robbins and Coulter (2002 quoted in Ho, 2008: 1,238) suggested, organizational

performance can be measured through the effectiveness and efficiency of set goals achievement. Ho (2008: 1,244) studied 17 companies in the United States over the organizational performance measurement model. Three aspects of measurement can be summed up as financial performance, business performance like market growth, and organizational effectiveness. However, other literature contend that the measuring of organizational performance via financial performance alone may not be adequate. This is because financial performance of a company is unsteady during stages of growth and influenced by both external and internal factors. The ability and personality of management are key factors that both positively and negatively affect financial performance (Penrose, 1959). Moreover, in developing countries, small business owners often feel reluctant on disclosing of financial information such as profits or income from sales to outsiders, which may cause discrepancies when study this group of business (Wijewardena, Nanayakkara and Zoysa, 2008: 155).

In their study, Terziovski and Samson (1999: 233) attempted to connect quality management and organizational performance. They conducted a survey with 962 respondents from 3,000 companies in Australia and 379 respondents from 1,000 companies in New Zealand in 1994, which includes small, medium, and large companies. Research findings indicate that companies with quality management have better performance in various aspects, i.e. employee relationships, customer satisfaction, and operational performance. Quality of products and services improvement is thus the foundation of success. However, quality alone may not be able to adequately promote financial performance (Adam et al., 1997: 869), especially for the small firms as in the samples of this research. Compared to large corporations, small and medium companies face many challenges; for example, limited resources, lack of experience in market research and segmentation studies, owners' shortcoming in marketing skills and expertise, as well as restrictions on markets concerning products and services (Carson, 1990: 10). However, the most challenging issues for the organization are financial resources, obstacles in obtaining external funding, as well as government's stringent rules. Several SME studies in China (Tang, Wang and Zhang, 2007: 120) focused on marketing strategy influences and business environment affecting organizational performance, which are considered internal and external variables. However, recent research suggests that there are other factors affecting

dependent variables like organizational performance, i.e. firm characteristics. Control of these variables results in better testing of research hypothesis. It is obvious that organizational performance measurement is getting much attention and most researchers focus on the opinions of senior executives or owners. In measuring organizational performance against its own expectation or main competitors (Brooksbank, Kirby and Wright, 1992: 228; Pelham and Wilson, 1996: 28), some researchers may try to exploit objectivity data analysis, such as profits, export value, net sales, productivity, maintenance effectiveness, on time delivery, the ability to leverage resources and the quality of goods and services (Lind, Sepulveda and Nunez, 2000: 37-39). However, most researchers still like subjectivity data analysis. They claim that performance data from objectivity is very difficult to obtain. Raw data on performance is often transformed by industry-specific factors. As a result, it is unfit for comparison across industries. The use of objectivity data analysis is recommended when industrial effects are controllable (Fiorito and Laforge, 1986: 9). Research on small and medium enterprises with limited resources context must take full advantage of the most critical performance indicators. If possible, data analyses on both objectivity and subjectivity should be performed in order to cover all aspects of the measurement (Hvolby and Thorstenson, 2001: 1,144-1,145).

It is difficult to define a clear scope for organizational performance measurement due to different factors in each organization. No one size fits all for every organization (Scott, 1977: 63-95). Hannan and Freeman (1977: 110-128), meanwhile, suggested that the evaluation of organizational performance through goal achievement consideration is not precise nor fit since the definition is unclear. The evaluation of organizational performance generally consists of three models: 1) outcome refers to comparison of numbers resulting from a process; 2) Process represents product or service quality assessment, such as the ratio of students to teacher and the ratio of medical treatment, etc.; and 3) structure denotes the assessment of essential resources for an organization. Each of the three models possesses advantages and disadvantages, which must be taken into account when employing.

As we can see, an organization consists of multiple departments, responsibilities, and duties. Therefore, it is not easy to perform an evaluation on an

organization. Daft (2006: 170-179) presented an evaluation of organizational performance technique called the Contingency Effectiveness Approach. It comprises four approaches, which are consistent with Robbins' proposal (1990), as follows: 1) Goal approach considers over the set goal achievement or expectation; 2) Resource-based approach focuses on good resource acquisition and expects efficient and effective organization in return; 3) Internal process approach emphasizes determining the satisfaction of organizational functions, which aims at efficient and effective organization. This approach does not pay attention to the external environment. These three approaches are aligned with the techniques offered by Bedeian and Zammuto (1991: 59-79); and 4) Integrated effectiveness model is a combination of the three approaches mentioned above, which divides the issue into four major parts, namely internal process, external process, control, and flexibility. Moreover, Kaplan and Norton (1992) suggested an organizational performance assessment beyond the financial perspective. The complete cycle of work process must be realized. In addition, the evaluation of all perspectives must be focused, i.e. customer perspective, innovation and learning perspective, internal business perspective, and financial perspective. However, financial perspective remains crucial. Meanwhile, Olve et al. (2003) deemed that an organization's success indicator according to Kaplan and Norton's concept is suitable for large complex organizations. In fact, financial return measurement, especially the Return on Investment (ROI), is right for small businesses as they do not have to unnecessarily spend too much on their limited resources for other indicators.

A financial perspective is not the only dimension of organizational performance assessment. Many organizations pay attention to a financial perspective when assessing organizational performance. It is a short-term measurement and a lagging indicator. Therefore, organizations should focus on an assessment of indicators for future sustainable organization effectiveness simply beyond the financial perspective. For instance, indicators may include product and service quality, customer satisfaction, ethical and code of conduct, as well as employee commitment under the issues related to customers, technology, quality, and employees, etc. (Parrett, 2006: 1-5). This corresponds to Swanson and Holton's (1999: 69-75) thoughts, which described organizational operation as that other than

the short-term organizational performance study, lagging indicators outcomes like earnings or profits and ratios, organizations should pay attention to the long-term performance drivers. These leading indicators steer organizations to sustainable success. Also, scholars later consider adaptability and flexibility factors (Moseng and Bredrup: 1993; Slack, Chambers and Johnston (2001) Tangen (2005: 43). Similarly, Anderson, Fornell and Rust (1997: 129-145) studied the relationships between productivity, performance, effectiveness, and efficiency. They found that even with some association, all factors actually differ somewhat, which is important for assessing a variety of issues. As all the factors are interrelated, it may be summarized into a framework called Triple P Model. Namely, productivity is the focal point of the framework. It emphasizes the operational management that scrutinizes the relationship between inputs and outputs. Profitability focuses on monetary inputs and outputs. And performance outlines a comprehensive assessment of profitability and productivity using non-cost factors for analysis; for example, quality, speed, delivery, and flexibility (Slack, Chambers and Johnstone, 2001). While examinations of effectiveness and efficiency are performed in proportion to the best utilization of resources and goal achievement.

In conclusion, the assessment of organizational performance differs depending on the factors used for measurement, i.e. inputs, outputs, emphasizes on the period of assessment such as outcome taken from either during or after operation, or on internal or external of the organization. These differences are dependent on the fitness of factors; for example, adequate resources, data collection opportunity, and coherent timing. To be more specific, financial perspective assessment is an outcome evaluation that is handily performed after an effective operation. However, some constraints, such as delay and unreliability of data, can be found. Scholars, therefore, introduce other evaluation methods or factors in the analysis (Tangen, 2003: 353). This research employs a concept of multi-dimensional assessment of organizational performance in order to eliminate disadvantages from each method, which comprises: 1) financial performance approach and 2) non-financial approach, namely 2.1) economic performance, i.e. growth in sales and ROE; 2.2) Process performance involves the relationship between management and employees; and 2.3) product performance relates to products, as well as quality and development of services. Such

an approach of organizational performance assessment employs Delaney and Huselid's (1996 quoted in Carmeli et al, 2010) criteria by the researcher because of the similarity in a series of variables being studied, i.e. innovative leadership, strategic fit, and organizational performance. Such a questionnaire has been tested via reliability and construct validity.

2.2.2 Concept Related to Organizational Culture

Organizational culture is essential to the operations of each organization, given that it is a core value embraced by the members of an organization. As such, it is a key aspect affecting the success of an organization. In addition, organizational culture influences attitudes, values, job satisfaction, and work cooperation of the members of organization. It also enhances organizational productivity, which results in strong and sustainable organization capability. Organizational culture is a model of assumption that employees are learning collectively to resolve problems about external environment adaptation and cooperation within the organization. It is also passed on to new members of an organization to build sentiment and inspiration on the right problem-solving methods practiced by past employees (Schein, 1992: 12). This constitutes a common guideline in the organization for the employees to adhere through exchange of stories, ceremonies, symbols, and language, for example. It creates an organization's common values for the employees making way for organization's goal achievement (Robbins, and DeCenzo, 2004: 159) and sharing among members of the organization. Beliefs, assumptions, and expectations perceived from organization's physical appearance and environment as well as norms, roles, and values demonstrated by each employee's organizational culture reflect organization's personality, which makes it possible to understand the attitudes and behaviors of that organization (Bowditch and Buono, 2005: 304).

Seemingly, organizational culture is regarded as a pattern of beliefs, values, attitudes, and norms that members of an organization set up and practice together. The expressed behavior is in response to the environment of the organization. This behavior can either be conceptual or substantial, which is transmittable to the new members of the organization. Long established organizational culture can be changed. It is classified into three interrelated levels (Schein, 1999: 15-20). For instance, 1)

artifacts are identifiable from visual, sound, and feeling of the people in an organization such as language, technology, and visible rituals. This cultural expression can be done easily but may be difficult to understand. Employees seem ambiguous with no clear definition of this culture. 2) Espoused values are established and communicated by the organization for people to follow. It believes that it is what people should do and know how to carry out activities. This organizational culture leads to behaviors and work processes such as strategy, goals, and philosophy, for example. And 3) basic assumption is reflected by the observation of behaviors and actions that people unconsciously respond to situations and problems in an organization. This reflects beliefs, thoughts, and feelings about things.

Factors influencing organizational culture structure can be divided into two core types. 1) External organization environment such as customers, competitors, suppliers, government, technology, social and cultural status, and economic conditions. 2) Internal organization environment like leaders and employees, etc. It is evident that in an ever-changing economic climate, organizations face fiercer competition and need to create a sustainable competitive advantage. Surviving organizations must have speed to market capability, initiative on new products, cost effectiveness, as well as ability to adapt quickly. They need organizational culture that goes along with such changes. That is to say, organizations must define proper culture in accordance with the factors influencing organizational culture from outside, i.e. customers, competitors, concerned parties as well as from inside like management and employees (Buytendijk, 2009: 24).

Academics attempt to study style and character of organizational culture in order to explain the form and relationship among different variables as well as to develop the organization in accordance with set goal. Harrison (1982) identified key characteristics of the organizational culture into four patterns, i.e. power, role, task, and person. Handy (1985) later reviewed Harrison's theory (1982) and revises organizational culture into four types, as follows: 1) Power orientation is organizational culture based on trust and good personal communication. To some extent, work process is bureaucratic since only a few people have authority. Each has a different level of mandate. Power orientation culture puts pressure on employees due to an emphasis on organization success. This results in a high turn-over rate. 2)

Role orientation tends to be bureaucratic organizational culture. Therefore, it must be rational. The process and internal coordination focus on rules and regulations, which are controlled by a number of authorized employees. It is likely a stable organization, which rarely changes. It operates under a predictable environment. Goods and services have a long lifespan and the organization is steadily adapted without any innovation.

3) Task orientation is an organizational culture attentive to experienced employees. It utilizes a matrix structure and emphasizes teamwork. Employees have freedom and flexibility on working. The organization changes rapidly following the external environment and designs its work accordingly. And lastly, 4) Person orientation is an organizational culture focusing on joint decisions, as well as mutual aid among members of the organization. Compromise is crucial.

Deal and Kennedy (1982) later developed an organizational culture theory affecting management's decision-making and strategy formation. It consists of four types:

- 1) Macho is a risk taking type of organizational culture, whereby decision-making is quick and attitude between employees and management is positive. The organization is highly competitive and collaboration barely exists within the organization. This type of organizational culture often defines short-term strategies. It does not specify long-term planning. If the culture is weak, it will result in a high turn-over rate.
- 2) Work hard and play hard focuses on quick working results. This culture pays attention to sales orientation. It encourages employees to work on low risk situations. It also stimulates team building and social activities for employees. Organizations motivate competition and reward based on success. However, quantity is more important than quality.
- 3) Company type of culture spends a long time deciding key issues. Employees take time to learn about the impact of the decision. Work conditions are high risk but yield a late outcome because decisions must come from senior executives. Ideas are old-fashioned. They deem that innovation and modern technology are the obstacle to business.
- 4) process type of culture or bureaucratic system wants the employees to operate on a defined low risk procedure. Feedback is slow. Clear structure of chain of command results in slow action. Operation outcomes under culture like this are less acknowledged or not known at all. Employees have difficulty assessing their performance. Therefore, they pay attention to work process rather than goals or desired outcomes. In addition, Cameron and Quinn (1999: 30-40)

created the competing values framework, which is developed from the research on key performance indicator for organization efficiency. It is used for studying the four dimensions of organizational culture, i.e. 1) flexibility and discretion, 2) stability and control, 3) internal focus and integration, and 4) external focus and differentiation. Framework and organizational culture can be defined into four patterns, as shown in Figure 2.4.

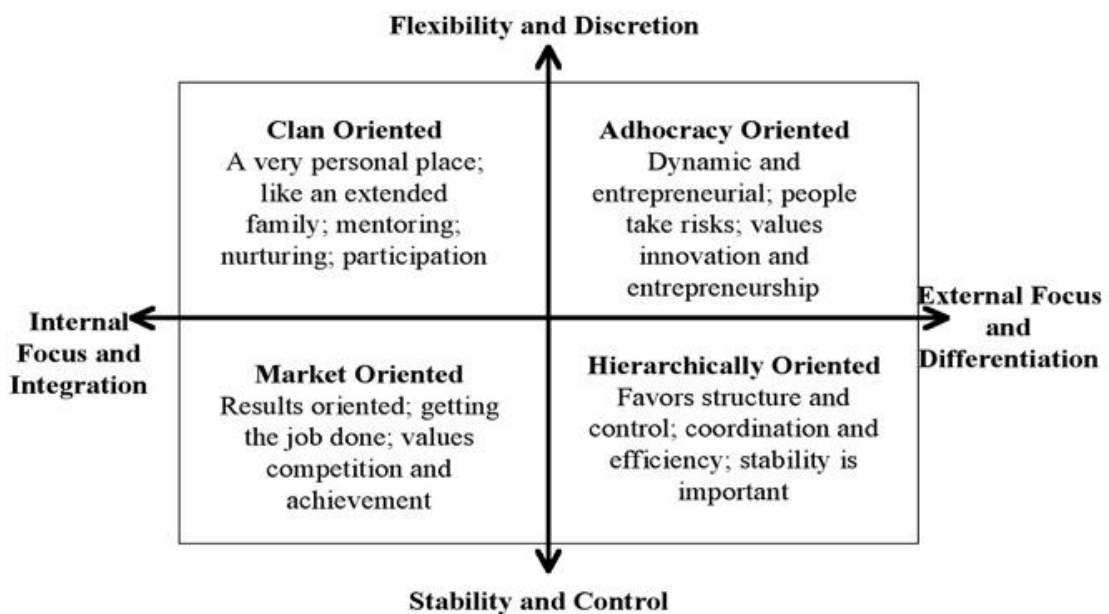


Figure 2.4 Competing Values Framework

Source: Cameron and Quinn, 1999: 32.

Figure 2.4 divides organizational culture into four types: 1) Clan culture focuses on working relationships. Organization is like a big family. Leaders assume the role of parents who render subordinates advice, aid, and support. Subordinates loyally work by concentrating on teamwork, participation, and consensus. The organization gives priority to profitability in the long run utilizing human resources development, unity, and morality. The success of the organization is considered via the attention toward customers and related parties. 2) Adhocracy culture always changes. It involves an entrepreneurial notion and creativity in work. Leaders are risk takers who pay attention to innovation and modernization. Employees bind together through experiments and innovation building. Long-term organizational performance

emphasizes growth and searching for new resources. The success of the organization is up to its uniqueness, as well as development of new products and services. The organization encourages each employee on initiative and freedom. 3) Hierarchy culture is highly formal structured. It involves operation control process. Leaders effectively assume the roles of coordinators and organizers who try to run the organization effortlessly under any circumstances. Official rules and policies are specified. Long-term performance focuses on stability and efficient performance on smooth operations. Success is measured by compliance and lower cost of operations. Employment security and behavior prediction ability are emphasized. And 4) market culture is an organizational culture attentive on the work outcome. Employees strive for goal achievement or success. Leaders assume the roles of drivers, producers, and competitors who are compelled and determined to win. Employee engagement includes victory, reputation, and success. Long-term performance focuses on the competition and measurable goal achievement in terms of market share, new markets searching, as well as price and marketing leader, for example.

An organization may include all four culture types to a certain degree, which are changeable through the organizational life cycle. In its initial stage, a small newly founded organization cherishes adhocracy culture. It later transforms to clan culture. Hierarchy culture is exceptionally attainable when the organization grows larger. In order for an organization to survive amid fierce competition, market culture gets more attention than other three culture types (Cameron and Quinn, 1999). In addition, Hofstede (2001: 397) classified organizational culture into six dimensions. The first dimension involves process orientation versus result orientation. To achieve its goal, employees in an organization with process orientation often avoid risks and put minimum effort in working, while employees in an organization with result orientation do not worry about unusual or unfamiliar situations. They put maximum effort in working and deem that their everyday work brings new challenges. The second dimension focuses on employee-oriented culture versus job-oriented culture. Employees in an organization with employee-oriented culture feel that their personal problems will be answered via welfare, whereas employees in an organization with job-oriented culture receive tremendous pressure in achieving work. They perceive that organization only pays attention to work and not employees' personal problems

nor welfare. The third dimension concerns parochial culture versus professional culture. A parochial organization recruits people from their family or social background rather than performance or future outcome. The professional culture on the other hand, recruits people based on their performance as well as future vision. The fourth dimension is open versus closed culture. In an open culture, organization and members are open for new ideas and interacting with external environment. It believes that all employees are fit with the organization. Novelty needs short time to adjust into the organization. In contrast, in a closed culture, organization and members alienate themselves from the external environment. It believes that only individuals with special characteristics or unique are right for the organization. New employees need more time to adapt to the organization. The fifth dimension comprises a loose versus tight culture. Loose organization has less control, disregards costs or expenses, only attends meeting when needed, and enjoys working unlike a tight organization, which has more close control. Costs or expenses are monitored and meetings are scheduled. Employees work under pressure. Lastly, the sixth dimension concerns a normative versus pragmatic culture. Normative organization focuses on regulation. It prioritizes the right work process rather than outcomes. Moreover, it also pays attention to establishment of business ethics and integrity. Pragmatic organizational culture, on the other hand, focuses on performance. It concentrates on customer's needs, performance or result rather than process. At the same time, it also recognizes practical over ideological business ethics. These six organizational culture dimensions can work in the same way depending upon the chosen strategy. For example, a pragmatic culture works well for a customer-oriented organization, i.e. service commitment and product quality, etc. Thus, organizational culture must connect to organizational strategies. Without consistency, an organization needs to adapt. A change in strategy is easier and costs less than organizational culture transformation (Hofstede (2001: 403)).

As previously mentioned, organizational culture varies. Each organization needs culture for employees to have beliefs, values, attitudes, thoughts, feelings, as well as behaviors in line with an organization's direction for achieving its goals. To have a match between culture and organization, management must cultivate the preferred culture so that the organization can sustainably grow. It is essential to

consistently define the relationships among organizational culture, organizational strategy, and external environment. It will result in better organizational performance. Organizational culture is not something spontaneous. It is a disciplined implementation based on the values and philosophy of the organization's members. Organizational culture, therefore, is derived from various components, as Peter and Waterman (1982) noted about 62 successful organizations. For example, they concluded that Hewlett-Packard, McDonald's, Disney Productions, Levi Strauss, as well as Johnson and Johnson, have 8 essential cultural components influencing the success of these organizations. These components include: 1) a bias for action, which refers to quick decision-making. When an organization faces problems or obstacles, management reaches out to employees by walking around and having an open door policy with the unofficial multi-channel communications. Small groups of units are set up in order to provide management flexibility and versatility; 2) Closeness to the customer, which means learning from customers, a is key to success of the organization. Customer satisfaction is a core value for the organization leading to customer service excellence, product and service quality, as well as high confidence on the external environment care. Customer loyalty is a fundamental strategy for long-term profits achieved with quality service and customer trust. Marketing channels for products and services must meet customer needs. Priority is given to customers rather than costs or technology, as well as customer feedback; 3) Autonomy and entrepreneurship, which is organizational excellence that encourages employee innovativeness by developing a framework that supports creativity, change, and innovation. Units get smaller so employees feel a sense of belonging and are comfortable expressing new proposals. Senior management renders full support to staff on innovation and competition encouragement via an informal communication. However, employees must accept failure in cases where their innovation is unsuccessful or misses the set goal; 4) Productivity through people, which indicates an organization's view on employees as valuable resources. This is because employees are the source of quality and able to increase productivity for the organization. Organization's need to hold a common philosophy, i.e. respect for individuals, opportunity for staff to demonstrate their ability, prudent treatment of employees, management flexibility, same language on work, encouragement or motivation through festivals or celebrations, etc.; 5) Hands-on and value-driven,

which refers to management of organizational excellence that clearly defines and communicates its values and practices to all employees; 6) Operation only on knowledgeable or experienced business, which is an effective approach that thriving organizations stick to; 7) Simple form and lean staff, which means a less complicated structure with a small number of job titles, which is vital to a successful organization. Hierarchy should be less than five layers. Even with organization expansion, the chain of command should remain the same. Job shuffling across departments should always be performed; and 8) simultaneous loose-tight properties must be emphasized for organizational excellence, which requires both loose and strict power control to be executed concurrently.

Scholars in Thailand who study the components of organizational culture have identified that the existence of organizational culture comprises three aspects: 1) Commitment includes not only the management but also all levels within the organization; 2) Communication carries on the philosophy and objectives of the organization. It is an important part in the formation of organizational culture towards the preferred direction; and 3) Consistency helps emphasize the learning process and behavior in line with attitude, which has led to cultural change (Smith Sutchukorn, 2001). Meanwhile, Yosapon Leungsomnapa and Sakorn Prompror (2008) proposed six components of organizational culture in educational institutions under the Praboromarajchanok Institute, Ministry of Public Health, as follows:

- 1) Adaptation involves changes in an organization, i.e. goals, work process, and people to answer the current situation. In addition, organizational changes according to the external environment will help make the organization stronger and more advantageous than other organizations. An enterprise wishing to grow and be profitable must have a culture that encourages its people to adapt to the environment. On the contrary, if an organization has a culture that resists change and is unable to adapt to change, its performance will steadily decline.

- 2) Teamwork is expressed through the sharing or exchanging of knowledge and ideas among group members to improve organizational knowhow and proficiency. Teamwork only occurs when members of an organization regularly join together for the opportunity to learn or share information, opinions, and experiences among them until they develop group thinking.

3) Learning exchange is the responsibility of all members in an organization. The exchanging of knowledge takes place when every member acts as a learner and instructor, accepts each individual's knowledge, and understands the relationship between the duties and responsibilities with the overall target of the organization. An organization with a knowledge exchange culture will have a body of knowledge flowing throughout. The learning team will then be formed, which is one of the keys eventually leading to a learning organization.

4) Shared vision originates from systematic thinking, forward looking, and view of functions as a whole. This forms members' submission of a collaborative attitude for future development and desire to move toward a common wish among members across the organization. A good organization must engage members' development of a vision that can be aligned with its overall vision. This will help create members' power to anticipate changes and advancements for the common goal of the organization.

5) Respect for others through the exhibition of decent behaviors; for example, listening to what others are saying, accepting the majority ideas, refraining from talking behind people's back, trying to learn from others, avoiding pressuring people to act against their wishes, and treating everyone equally. Respect for others is an important manner for an organization's members working together under different beliefs.

6) Cooperative management encourages members of an organization to willfully be involved in the decision-making, taking responsibility, and cooperating on the organization's development. Cooperative management will result in a successful organization through techniques such as management consulting, brainstorming, training, and management by objectives.

In summary, the components of organizational culture are important factors that help organizational culture survive. The components of organizational culture may vary for each individual organization depending on its conditions and environment. In this study, the researcher applies the Organizational Culture Assessment Instrument (OCAI) developed by Cameron and Quinn (2000) as a guideline for the survey. It measures four dimensions of the culture: 1) adhocracy culture, 2) clan culture, 3) hierarchy culture, and 4) market culture. Since each

organization has different cultural dimensions, which vary according to the organizational life cycle and suitability of organizational perspectives at that time, measurement of organizational culture in such a manner renders the researcher to understand the organizational culture of Thailand medium-sized industry groups of business and that both internal and external organization must be taken into account.

2.2.3 Concept Related to Strategy

In order for an organization to succeed in the long run, it is crucial that an organization create and maintain a sustainable competitive advantage. Management of the organization must be leaders who have knowledge and understanding in choosing strategic management for decision-making and implementation analyses for the best organizational performance and sustainable competency strength. Organization strategy is considered an action plan for mission accomplishment regarding goals and objectives (Lussier, 2003: 547). It is the direction and scope for an organization for the point in time that succeeds or benefits scope of organization's resources transformation and environments that meet the needs of the market, as well as the expectations of stakeholders (Fidler, Fred and Chemers, 1984: 9). It also guides the organization's aims and means of achieving them. Strategy is a long-term plan designed to accomplish the organization's mission and goals. It uses competitive advantage to lessen its disadvantages. An organization must clearly define the goals in response to changes, significant improvements, or competition (Wattana Wongkiatirat, 2003: 16). In general, strategic objective focuses on factors outside an organization, stakeholders, market, services, opportunities, and challenges on technology. Organizations wants to achieve strategic objectives in order to maintain its competitive advantage with other units, which must set the long-term direction as a guideline on the allocation and distribution of resources.

In conclusion, strategy is a scope or conceptual framework for organizational operation. It acts as a guidance for operations, which can be observed from an organization's goal and resources allocation according to the defined goal. Organizational strategy is created from the thorough analysis of strengths, weaknesses, opportunities, and threats of the components within an organization. A reasonable alternative is then chosen. For a thriving business, operation answers to

goal achievement and best performance will be followed. Foreseeable obstacles will be minimized so the organization can succeed and create a sustainable competitive advantage.

For an organization to succeed in the long run, it must be able to create and maintain a sustainable competitive advantage. Management must be knowledgeable leaders who realize the need to apply strategic management for analysis of decision-making and implementation in order to have the best organizational performance. The key question of strategic management is “how and why some companies have better performance than others?” This is then a challenge for management to decide on strategic management that is good for creating a long-term competitive advantage. Dess, Lumpkin, and Eisner (2007: 5) mentioned that the notion of strategic management consists of four aspects: 1) strategic management must follow means that produce the best outcomes consistent with the organization's overall goals and objectives; 2) Strategic management includes participation in the decision-making of stakeholders; 3) Strategic management must be carried out in both a short-term and long-term perspective; and 4) Strategic management involves recognition and comprehension of choices between effectiveness and efficiency.

Thus, management must be able to choose both best short-term and long-term strategies for the organization with stakeholders' involvement on planning and precise evaluation for an increase of efficiency and effectiveness of implementation. This is to facilitate the finding of business opportunities in a highly competitive environment, as in the present time. Therefore, research on strategy is the development of theories useful for management on choosing a strategic fit and increasing Return on Investment (Henderson, 1979: 79; Porter, 1980: 32). The study focuses on the observation of nature and characteristics of the competition that organizations are facing, as to enhance the possibility of business opportunities. This reinforces the notion that building a competitive strategy requires connection between Normative Theories of Strategy and Organizational Economics (Barney and Ouchi, 1988: 372). The Industrial Organization Economics or IO Economics by Mason (1939: 68) and Bain (1956, 1968) in particular, is the most used theory for strategy formation. Recent scholars like Spence (1979), Porter (1980), and Caves (1980) have integrated it into a more perfect work.

Meanwhile, Porter (1980: 23) noted that returns received by business are determined by the industrial structure under which the business is operating. The impacts on the returns include existing business competitors and newcomers, the number and size of businesses, product differentiation in the industry, as well as the elasticity of demand within the industry. In sum, it is more profitable for the industry if newcomers have difficulty to enter the market, if there are fewer number of businesses, and if there is high product differentiation and elasticity of demand, compared to industries without such characteristics. Porter later developed one of the most well-known and utilized models, the Five Forces Model, in the analysis of competitiveness. Porter deemed that businesses wanting a better return on investment should pay attention to creativity and modification of industrial structure in order to attain the competitive advantage. Performance also depends on the quality of the company environment, such as local factors, conditions on domestic barriers, structure of strategy, competition in the industry, as well as associated and support industries (Porter, 1998: 45).

Another theory on the business competition is Chamberlinian Economics by Chamberlin (1933: 72). It views that business environment is not comparable to IO Economics assumption of homogeneous firms within the same industry. Chamberlinian Economics, however, regards heterogeneous firms within the same industry. That is to say, competition in the industry is a forward looking among businesses with diverse resources and aspects on the organization capabilities. Various resources and capabilities of an organization may result in more or less profits from business competition. A business with diversity has better ability to compete (Demsetz, 1973: 4). In addition, the organizational performance depends on know-how, reputation of the organization, brand awareness, the ability of managers to work together, as well as patents and trademarks, which directly affect the ability to bar competitors.

Both the IO Economics and Chamberlinian Economics theories explain the strategic theory on the assumption of dynamic competition at a stable level. On the contrary, Schumpeterian Economics views that dynamic competition is not stable, nor certain (Schumpeter, 1934: 101). It describes the economic development process of the West, which focuses on revolutionary technology and changes to market products.

Schumpeter states that in the long run, price and competitive strategy are often found in a stable industry. This method does not create sustainable competition. The revolution of product innovation, market, and technology can build business opportunities in cases of imperfect competition.

The three strategic management theories mentioned above affirm that the formation of organizational strategy should integrate all aspects of the theories to create management's strategic fit. Any business that is able to unleash its notable and valuable internal resources, coupled with skills, stands a competitive edge. This is because a business implements its strategies in order to always attain superior financial performance and competitive advantage. Having a sustainable competitive advantage is the core of strategic management and marketing management (Porter, 1985: 96). The creation of a competitive advantage by delivering the customer the best values for products and services results in a measurable organizational performance via market-based performance, i.e. increased market share and customer satisfaction, as well as via financial-based performance, i.e. profit, return on investment, and shareholder wealth creation (Bharadwaj, Varadarajan and Fahy, 1993: 87). In other words, an organization that is able to hold a sustainable competitive advantage is likely to make more profits and grow more market shares compared to its competitors (Fahy and Smithee, 1999: 4-5).

Organizations within the same industry face the same external environment and may have similar strengths on functional areas. However, some may have better performance than others on higher returns over a long period of time. Dess et al. (2007: 77) pointed out that competitive advantage is created when management capable of assessing internal environment realizes its organization strengths and weaknesses and determines the exact strategic fit in order to compete. Well-known fundamental conceptual frameworks among scholars on strategic management employed for internal environment analysis are Value-Chain Analysis by Porter (1985: 69) and Resource-Based View, which have been proposed by many scholars (Wernerfelt, 1984; Rumelt, 1984; Barney and Hesterly, 2006; Grant, 1991; Oliver, 1997) through value chain analysis of the internal organization as a process of value-creating activities. Value refers to the price that customers are willing to pay for goods or services that an organization offers. Higher value created for customers over

costs of production is the return or profit for the organization. This has been a fundamental concept on business competition position analysis (Porter, 1985: 69; Dess et al., 2007: 78). Porter described two different types of activities, consisting of five primary activities as the first type and three support activities as the second type, which are shown in Figure 2.5.

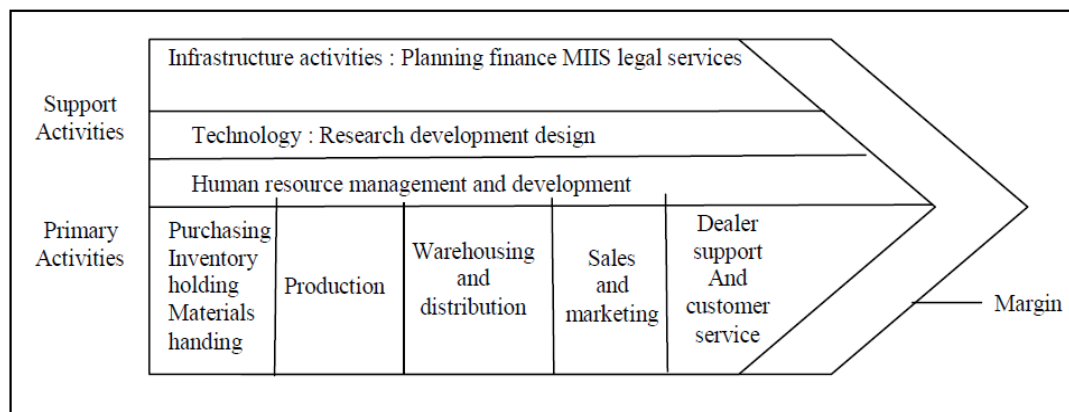


Figure 2.5 The Generic Value Chain Developed by Porter

Source: Porter, 1985: 69.

First, the five primary activities are: 1) purchasing, inventory holding, and materials handling; 2) production; 3) warehousing and distribution; 4) sales and marketing; and 5) dealer support and customer service. These are five major activities, which all organizations should address.

Second, the three support activities are: 1) human resource management and development; 2) technology, research, development, and design; 3) infrastructure activities, i.e. planning, finance, MIS, and legal services. These three activities support the five primary activities, making them run efficiently and helping to achieve the goals. In order to fully understand how value is created in an organization, management must first realize how to create value in the organization in relation to suppliers, customers, and alliance partners. Associated supply chains and distribution channels must be taken into account (Dyer, 1996: 282). The value chain of an organization, therefore, is a set of business activities related to manufacturing, product development, as well as marketing of products and services, in which each step of the

value chain activities requires the use of the organization's various resources and capabilities. This is because each organization has its own choice on creation of the value chain that results in exceptional internal resources and capabilities (Barney and Hesterly, 2006: 83). This connects value chain analysis to the exploring valuable resources and capabilities of the organization, thereby leading to its sustainable competitive advantage.

Thus, the strategic management theory developed by Porter (1980: 76) is so far the most popular theory used in consideration of the source of a business's sustainable competitive advantage through Porter's famous quote "How will a firm be able to get a competitive advantage over its competitors?" In the 1980s, the ground on strategy formation was to look at the external factors; for example opportunities and threats. However, in new economics, a strategy should be formulated from the internal factors before considering the external factors. That is, strategy formation by management must analyze the resources and potential of the organization prior to making decisions about customer needs and must strive for customer satisfaction by fully utilizing available resources and capabilities. As a result, an organization's resources and capabilities are at the focal point of strategy formation consideration (Pestic, 2007: 200). Resources and products are two sides of the same coin. Most products require a variety of resources, whilst most resources can be used in making a range of products as well. Organization strategy that is created, therefore, depends on the resource positions, which denotes strengths and weaknesses in the organization. This is the same as RBV, which depends on product-market positions, and represents the opportunities and threats in the market. Along with the Industrial Organization (IO) or both SWOT Analysis, the RBV principles favor available organizational resources and capabilities, whereas IO favors industrial structure. Moreover, RBV proposes that an organization's capabilities are the key for success, where IO focuses on competition as the main factor for success (Wernerfelt, 1984: 171).

In formulating strategic fit for an organization, management must fulfill better organizational performance amidst challenges from business competition. This includes analysis, decision-making, and operating processes. Target analysis comprises the determining of vision, mission, and strategic objectives. This also involves the establishment of industry, in which the organization wants to compete

and needs to compete in order to build and maintain its competitive advantage (Dess, Lumpkin and Eisner, 2005). The formulated strategy should not be developed under a vacuum condition or entirely without considering impacts from the external environment (Dess et al., 2005: 41). A good strategy must be able to respond to the business environment, as evidenced by research on the strategic management for organizations to use as a direction, guideline, and conceptual framework on business operation in forms of strategy, tactic, and operating plan. Three levels of strategy consist of corporate strategy, business strategy, and functional strategy. Strategy implementation, or compliance on strategy, is management's decision on systematic operation for efficient goal achievement. Different management roles and responsibilities are allocated in the organization to afford successful strategy implementation. The organizational structure will define roles and responsibilities, along with reporting rapport. Therefore, a strategy must be consistent with the structure and organizational culture as well (Somyod Navikarn, 2001: 10). Subsequently, an organization must have strategy control and evaluation in order to establish rules and standards of actual or anticipated performance by management. This is accomplished through following up, monitoring, evaluating, and developing a strategy that fits the circumstances. It effectively creates a competitive advantage using a consistency check on strategy to see if the organizational strategy is right for building a competitive advantage and synergy, which in turn yields satisfactory results and can be executable (Thompson, 2010). Three components need to be considered: 1) Appropriateness, this must be consistent with the mission and objectives in building competency on competitiveness suiting the economic situation. Competition needs to go along with skills and resources, organizational culture and values, as well as the environment. This includes simple communication and building of enthusiasm on goal; 2) Business possibility, this refers to possibility from resources and funding, chance for success, competitiveness creation, and right moment; and 3) Goal fulfillment, this represents goal achievement, good return, risk mitigation, and a response to the stakeholders.

To sum up, strategy formation for organizational operations must involve the right process. Factors both inside and outside an organization must also be taken into account. In determining strategic fit for an organization so that business can run

efficiently, the researcher employs the concept of strategic management in this study. It includes strategic analysis, strategic formulation, strategic implementation, as well as strategy control and evaluation since these components cover the organization management process. It focuses on the evaluation of both internal and external environments. It is also consistent with the samples of this research, the medium enterprises.

2.3 Relationship among Variables Studied

2.3.1 Relationship between Organizational Culture and Organizational Performance

Studies on organizational culture affecting organizational performance have been taken place since the 1980's, as we can see from the success of Japanese companies compared with their American counterparts during that period or the research from Fortune magazine's ranking of successful companies. These companies share the same aspect, common values and norms of employees, which contribute to business operations. Deal and Kennedy (1982) regarded employees' values and an organization's norms as a core of culture in the company. They can make the business thrive or deteriorate (Sittichok Waranusantikul, 1997: 175-176). Denison's (1990: 2) research work of the 1990's states that organizational culture is associated with organizational effectiveness, especially employees' firm and constantly strong trust about the mission or values and beliefs. These are fundamental for the operation in an organization. Beliefs and core values consistent with policies and operations particularly affect organizational performance. A leader's vision can be developed and put into real practice along with strong culture. This renders values and behaviors that are highly consistent, which leads to operational development and organizational effectiveness (Denison 1990; Rousseau, 1990: 448-460; Marcoulides and Heck, 1993: 209-225; Sawner, 2000; Canessa and Riolo, 2003; Sangduan Siammai et al., 1997; Vongdoen Chansibsee, 2005).

The Theory of Organizational Culture and Effectiveness by Denison and Mishra (1995: 204-233) intended to develop a model of organizational culture and effectiveness from four aspects of culture, namely: 1) involvement, 2) consistency, 3)

adaptability, and 4) mission. These four aspects of organizational culture have been reviewed and examined through qualitative case studies in five companies. The purpose was to identify organizational culture linking to effectiveness. Quantitative study has also been employed for data analysis on the perception of the Chief Executive Officer (CEO) over four aspects of organizational culture. Both objective and subjective effectiveness were measured in 764 samples of organizations. The findings suggest that two aspects of organizational culture, involvement and adaptability, are indicators of flexibility, openness, and responsiveness. They also predict growth. The other two aspects of organizational culture, consistency and mission, are indicators of integration, direction, and vision. They also predict profitability. Furthermore, each aspect of organizational culture can also predict significant effectiveness such as quality, employee satisfaction, and performance. The results also show that four aspects of organizational culture are strong indicators of subjective effectiveness for all sample organizations. They are, however, strong indicators of objective effectiveness for large organizations, such as return of assets and sales growth.

Petty et al. (1995: 483-492) in *Relationships between Organizational Culture and Organizational Performance* identified organizational culture into four dimensions, i.e. 1) teamwork, 2) trust and credibility, 3) performance improvement and common goals, and 4) organizational functioning. Performances used in this study include: 1) operation, 2) customer responsibility, 3) support services, 4) employee safety and health, and 5) marketing. Samples consisted of 12 U.S. power companies. The research findings indicate that teamwork is correlated with performance.

Sorod (1991) studied the influence of national culture and organizational culture over values, management attitude, and performance. The results show that Thai and American business owners have different levels of organizational socialization and work values. However, they have similar levels of situation control in the workplace, job satisfaction, and performance. Organizational socialization plays a vital role in building a leader model that employees desire and motivates employee self-confident on work situation control. This results in a positive attitude about their job and a better performance by employees. Thai employees have put their values on large power distance, moderate-high uncertainty avoidance, low individualism, and

low masculinity. However, their values are similar no matter where they work. Therefore, national culture affects the values of management, whereas organizational culture has less influence on the values of management compared to organizational socialization; for example, recruitment, training, guiding, and motivation on changes in management, attitude, and operation. Employee satisfaction and productivity will be inspired if the right organizational socialization is utilized.

The Predict Corporate Performance from Organizational Culture by Gordon and DiTomaso (1992: 783-798) explored the relationship between strong corporate culture and the level of performance from 11 U.S. insurance companies. Data was collected in 1981 and years 1982-1987 performances were compiled. Findings show that an organization with a strong corporate culture will be better off in financial performance in the subsequent years. Organizational culture focusing on adaptability will result in higher financial performance in the following years. Organizational culture emphasizing stability, on the other hand, will have lower financial performance in the coming years. This is consistent with the research, Corporate Culture and Economic Performance: a French Study by Calori and Sanin (1991: 49-74). They studied organizational culture of five French companies with different strategies. The research classified work-related values into 12 dimensions and management practice into 17 dimensions. Performances employed for this study included: 1) return on investment, 2) return on sales, and 3) growth. Findings reveal that: 1) many values and management dimensions relate to growth of an organization, 2) strong culture positively correlates with high growth, and 3) few values and management dimensions relate to profitability.

Other research support that organizational culture affects performance, i.e. the work of Kotter and Heskett (1992), which studied corporate culture and performance for large organizations in the U.S.; for example, ICI Nissan. Findings indicate that organizational culture significantly affects economic performance in the long run, especially organizations with a culture that places a value on the external environment conditions like customers, shareholders, and competitors, etc., as well as for leadership management. Within 11 years, ICI Nissan's revenues increased from 166 to 682 percent. Stock prices increased from 74 to 901 percent and net incomes jumped 756 percent. The work of Kotter and Heskett suggests that organizational culture is a

key factor for the success and failure of an organization. Culture on adaptability positively affects financial performance of an organization, while opposing organizational culture negatively affects financial performance. However, organizational culture hampering long-term financial performance occurs easily, even in organizations with qualified employees. Such organizational culture inspires unfitting behavior and impedes strategic fit transformation rendering the organization more difficulties for a change due to the lack of staff's involvement. Authority is at the focal point following organizational structure. Change on organizational culture must get support from the leaders. Vision must be practical; it is used as a guideline for changes. Means help organizational culture to strongly associate with performance are: 1) goals of an organization and of employees must be aligned; 2) Organizational culture must inspire employees' common behaviors and values by making them feel satisfied about their job performed for the organization; and 3) organizations without a bureaucratic structure and control can encourage employees and foster innovation.

2.3.2 Relationship among Organizational Performance, Organizational Culture and Strategy

Strategic fit can be achieved when an organization approaches the efficiency enhancement process for competition with others consistent with both internal and external organization perspectives (Ghemawat and Pisano, 2001). The organization must be able to adapt its structures, policies, resources, and activities adhering to organization conditions, as proposed by Weick (1976). In the publication entitled "Educational Organizations as Loosely Coupled Systems", Weick discussed the necessity of loose relationship between actuality inside and context outside an organization. It is consistent with the works of Sigglekow, 2001; Zajac, Kraatz and Bresser, 2000; Carmeli et al., 2010, and Pasu Decharin, 2005, which indicated that strategic fit affects organizational performance measurement. A change in strategic fit can have an impact on organizational performance in terms of profit or failure. Sharma's (2004) work explored marketing strategy, environmental factors, and organizational performance. It reveals the relationship between marketing strategy and organizational potential on an attempt of boosting consumer groups relates to an increase in domestic and overseas sales. Marketing planning positively affects the

return of assets. Moreover, it examined different levels of importance on the company's marketing strategy. Large companies pay more attention to marketing strategy than smaller ones. Companies with diversified consumer goods and industrial products give priority to marketing strategy more than companies with one industrial product. Exporters focus on marketing strategy more than non-exporters. Lastly, companies with higher domestic sales growth emphasize marketing strategy more than companies with lower domestic sales growth.

As a result, no matter what type of strategy an organization opts for, it must connect with organizational culture. If organizational culture fits corporate strategy, it will strengthen the organization because organizational culture has a tremendous impact on the success or failure of organizational strategy. It can influence management's decision-making and strategy formation. However, no organizational culture can be applied to all situations. Good organizational culture must be adaptable to fit the organizational environment and an organization's strategic fit must connect with the cultural values, technology, and working environment so that organizational performance can be well attained. Strategic fit needs to be consistent with organizational strategy to ensure the maximum effectiveness and efficiency of organizational operation (Miles and Snow, 1978; Deal and Kennedy, 1982; Leisen, Lilly and Winsor, 2002; Ketokivi and Schroeder, 2004; Zhang, Zhang and Yang, 2003; Chow and Liu, 2009; Pasu Decharin, 2005).

2.3.3 Relationship among Innovative Leadership, Organizational Culture, Strategy, and Organizational Performance

The most crucial element in driving and moving an organization to goal achievement is people. For leadership to be a key mechanism to drive and move the organization in the right direction, competencies tied with corporate direction and goals are required in order to reach the team's goal. The innovative leadership will enhance the ability to learn and to adapt according to a rapidly changing environment (Beer, Voelpel, Leibold and Tekie, 2005). Organizations that restructure and adapt their policies, resources, and activities to comply with the environment, or form strategic fit, aim to boost their competitiveness (Weick, 1976; Burton, Lauridsen and Obel, 2004).

Research conducted by Sen and Erena in 2012 on Innovative Leadership for the Twenty-First Century employed a qualitative study on successful leaders, as well as people with high leadership. It uncovered global problems like hunger, health, poverty, unemployment, lack of independence and freedom, inequality, terrorism and wars, as well as population growth and environmental destruction. Such predicaments cannot be resolved within a short period of time. They require more time and the right approaches. Innovative leaders with multi-disciplined knowledge, as well as problem solving and long-term planning skills, can adopt sustainable organization or society.

An Innovative Leadership Effectiveness Measure: Applied Analytic Indicators of High-Consequence Industry Performance by Bowen, Bowena, Headleyb, Kucukonalc and Clay, 2013 studied a group of aviation businesses in the United States using the Airline Quality Rating (AQR). It revealed that effective leaders greatly affect the profitability for aviation businesses. Productivity and quality of services are crucially managed with a focus on security system development, as well as profitability and sustainability of the organization. The criteria for the AQR employed in this research has been widely accepted as an indicator of operating performance for the airline industry in the United States.

The Importance of Innovation Leadership in Cultivating Strategic Fit and Enhancing Firm Performance by Carmeli et al., 2010 examined 117 companies for the innovation leadership model as it related to strategic fit and organizational performance. Research findings indicated that innovation leadership can influence organizational performance both directly and indirectly (through variables of strategic fit). Innovation leadership is considered a key mechanism to building an organization's strategic fit (Schneider, 2005, Cameli and Tishler, 2004, Leavy, 2005; 2006, Bowen et al., 2013) with a realization of internal and external organization factors. An organization with strategic fit will develop successful organizational performance for finance, production, and management as well.

This is in line with research by . Raja and Palanichamy (2011) and Brown, Bryant and Reilly (2006), which indicated a positive relationship between transformational leadership and successful organizational performance. However, Gutierrez, Garcia-Morales and Jimenez-Barrionuevo (2012) and Sabine (2007) argued that no relationship exists between transformational leadership and successful organizational performance. The empirical evidences reinforce that various types of

leadership contribute to a successful organizational performance; for example, job satisfaction, commitment, or organizational culture. Results from leadership vary from country to country due to individual national culture and group reaction (Hartog; et al. 1999, Kirkman and Shapiro, 2001, Lok and Crawford, 2004). Moreover, Truckenbrodt (2000), Asgari et al. (2009), Jamilah, Jeffery and Kabeer (2012) and D'Silva, Samah, Ulu and Shaffril (2011) noted that leadership efficiency depends on leaders' ability to convey goals and inspiration on achievement to their subordinates.

2.4 Conceptual Framework in the Research and Hypotheses

2.4.1 Conceptual Framework

Conceptual framework for the research can be developed through the analysis of parameters in the related research on innovative leadership, organizational culture, organizational strategy, and organizational performance. The author terms this research conceptual framework as a causal model of the "Innovative Leadership Affecting Organizational Performance through Organizational Culture, Strategy of the Medium Enterprises". Details of the variables are as follows:

2.4.2 One Endogenous Latent Variable

Organizational performance comprises three observable variables, i.e. 1) economic performance, 2) process performance, and 3) product performance.

2.4.3 Three Exogenous Latent Variables

1) Innovative leadership consists of four observable variables, i.e. 1) skills, 2) personality, 3) social characteristics, and 4) roles.

2) Organizational culture includes four observable variables, i.e. 1) adhocracy culture, 2) clan culture, 3) hierarchy culture, and 4) market culture.

3) Organizational strategy comprises four observable variables, i.e. 1) strategic analysis, 2) strategic formulation, 3) strategic implementation, and 4) strategic control and evaluation.

Figure 2.6 displays the composition of all variables in a conceptual framework model

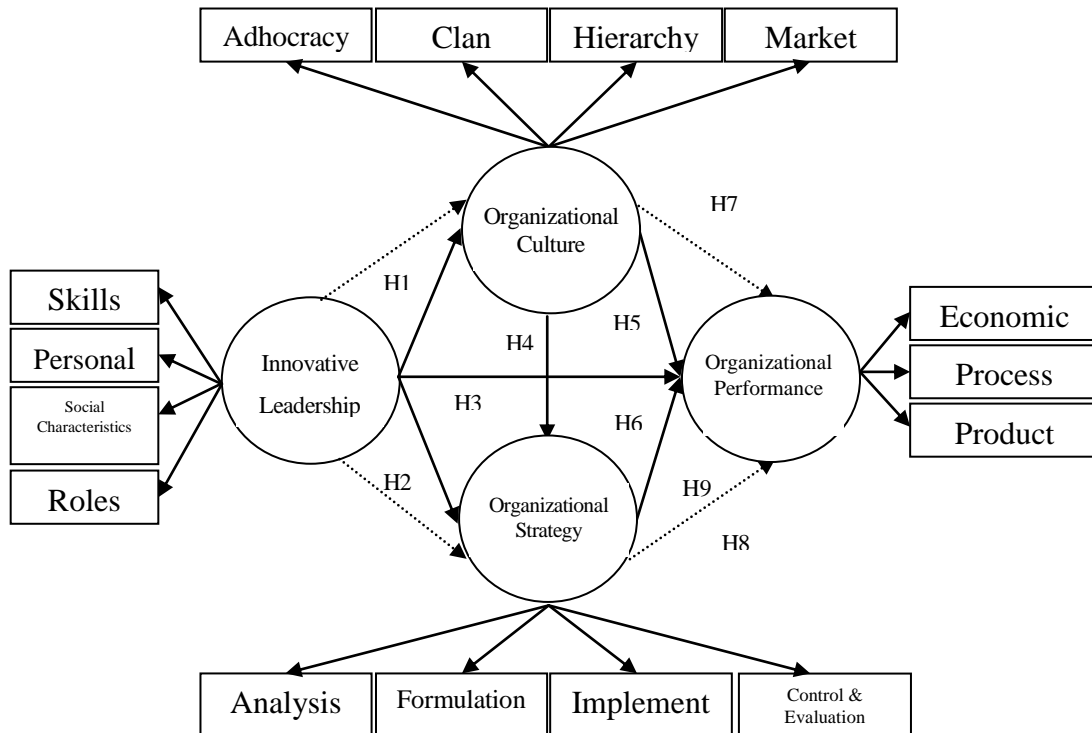


Figure 2.6 Research Conceptual Framework

2.4.4 Research Hypotheses

1) Variables with Direct Effect

H1 : Innovative leadership has a direct effect on organizational culture

H2 : Innovative leadership has a direct effect on organizational strategy

H3 : Innovative leadership has a direct effect on organizational performance

H4 : Organizational culture has a direct effect on organizational strategy

H5 : Organizational culture has a direct effect on organizational performance

H6 : Strategic fit has a direct effect on organizational performance

2) Variables with Indirect Effect

H7 : Innovative leadership has an indirect effect on organizational performance through organizational culture

H8 : Innovative leadership has an indirect effect on organizational performance through organizational strategy

H9 : Organizational culture has an indirect effect on organizational performance through organizational strategy

CHAPTER 3

RESEARCH METHODOLOGY

A mix of methods has been employed by the researcher in this chapter. Two methodologies: are 1) quantitative method, in which empirical data is collected by questionnaires for causal relationship study on innovative leadership, organizational culture, organizational strategy that affect the performance of medium enterprises, and 2) qualitative method, in which data collected by in-depth interviews for phenomenon study and the outcomes are used to better describe the quantitative findings. Details are as follows:

Part 3.1 Quantitative Research Methodology

3.1.1 Population and Sample

3.1.2 Tools Used in Quantitative Research

3.1.3 Quantitative Data Collection

3.1.4 Quantitative Data Analysis

Part 3.2 Qualitative Research Methodology

3.2.1 Key Informant Questionnaire for Qualitative Research

3.2.2 Tools Used in Qualitative Research

3.2.3 Qualitative Data Collection

3.2.4 Qualitative Data Analysis

3.1 Quantitative Research Methodology

Most studies on the performance of medium enterprises employ quantitative research using massive samples of organizations. They do not focus on one particular organization because of the less complex nature of the organizational structure of the medium enterprises. Studies on large organizations on the other hand, need to focus on particular cases (Niti Ratanaprichavej, 2010). As in this study, the researcher

primarily employs quantitative research by using a questionnaire developed from tested conceptual framework as the tool for research. It is applied for the defined organization level population test. The quantitative method is appropriate for this research because it fits the overall medium enterprises study. To reinforce the concept of generalization on enterprises application, data obtained from the analysis of causal relationship model consistency will be examined in order to realize both direct and indirect effects of independent variables on dependent variables.

3.1.1 Population and Sample

Following topics provide the details of the population and the selection of sample group.

1) Population

The population in this study comprises 13,924 companies from three business segments of medium sized enterprises; for instance, (1) retail and wholesale, (2) service, and (3) manufacturing, as listed in the Office of Small and Medium Enterprises Promotion database (Office of Small and Medium Enterprises Promotion, 2012).

2) Sample

Multi-stage sampling is employed in this study. The unit of analysis is organizational level for a total number of 545 organizations. The selection process consisted of the following:

(1) Step 1 Criteria Check The sample size for the Structural Equation Modeling (SEM) is determined by means of a linear structural relationship analysis. Bollen (1989, quoted in Nonglak Wiratchai, 1999) suggested that in consideration of sample size, the number of free parameter estimation must be also taken into account. More free parameters require more sample sizes. Thus, the researcher employs the simple rule of a 20 to 1 ratio on the sample unit to the number of parameters or measurable variables (Lindeman, Merenda and Gold 1980; Weiss, 1972, quoted in Nonglak Wiratchai, 1999). The developed research model in this study requires a total of 15 measurable variables for parameter estimation, hence at least 300 organizations as samples for the research. This is considered adequate parameters estimation leading to the effective proving of hypotheses. The samples in this study involve senior management or their representatives as informants for the organization.

Sample size calculated from Yamane (1970, quoted in Tanin Silpjaru, 2005: 49) is as follows:

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

Whereas n = Size of company used as sample
 N = Size of company
 e = Size of acceptable deviation

Population in this study equals 13,924 medium enterprises. The acceptable deviation of five percent yields a sample size of at least 389 organizations, which is sufficient for data analysis. However, data collection via mailed questionnaires receives rather slight attention from the respondents, hence quite a low response rate. The researcher estimates response rate to be $389 + (389 \times 0.4) = 545$ organizations (Kalaya Wanitchbancha, 2008) to compensate the non-returned or incomplete questionnaires. Therefore, the 545 organizations as samples used in this study are considered adequate and more than the minimum sample size required for the Structural Equation Modeling (SEM) analysis.

(2) Step 2 Sample Selection The researcher uses the establishment classification criteria to select the small and medium enterprises listed in the Office of Small and Medium Enterprises Promotion database, as shown in Table 3.1.

Table 3.1 Classification Criteria for Small, Medium, and Large Enterprises

Size	Segment	Fixed Assets Value	Employment
Small	Manufacturing	Not exceeding 50 MB*	50 employees or less
Medium	Manufacturing	50-200 MB*	51-200 employees
Large	Manufacturing	Exceeding 200 MB*	Over 200 employees

Source: The Office of Small and Medium Enterprises Promotion, 2011.

Note: *MB = million baht

Two conditions, fixed assets value and employment are used as the classification criteria for small, medium, and large enterprises in Thailand.

The researcher chose medium enterprises with 51-200 full-time employees with 50-200 million baht of fixed assets value to study. Because many academics have explored the management tool along with knowledge on the context of large enterprises environment. The overview of the research on small and medium enterprises also cannot clearly explain the relationship of variables for medium enterprises. Furthermore, small enterprises often face business obstacles like the lack of technology, shortage of human capital, inaccessibility to capital resources for research and development, limit on competency upgrade, as well as family-owned operation type for most small enterprises. However, the advantages of medium enterprises over large enterprises are their ability to effectively respond to the needs of niche market and the business startup by entrepreneurs is fast. Thus, the researcher is interested in exploring medium enterprises. This also controls the differences in perspectives of organizational culture among large, medium, and small enterprises .

(3) Step 3 Stratified Random Sampling Through simple random sampling, the researcher divides the list of medium enterprises according to their business segment. Drawing on the list of business segments is used in order to get the sample proportion to the number of organizations in each defined segment of 545 organizations, as shown in Table 3.2.

Table 3.2 Population and Sample by Business Segment

Segment	Population (Amount)	Sample (Amount)
Retail and Wholesale	2,825	111
Service	5,205	204
Manufacturing	5,894	231
Total	13,924	545

Source: The Office of Small and Medium Enterprises Promotion, 2011.

(4) Step 4 Organization Informant Selection Although the unit of analysis in this research is the organizational level, the researcher gathers information from one good representative from each organization who holds a senior management position. Such ranking determines policy, allocates resources, controls and makes decisions, (Attapon Chummee, 2007), runs the operation, and plays an important part in staff support for the organization's goal achievement. This is in line with a study by Maria, Jose and Enrique (2009), which indicated that senior executives play key roles in the organization. Research on the operational competitiveness by most scholars often define senior executives as key informants for each organization.

Part 3.1 can be encapsulated as medium enterprises who are used as samples in the study. They comprise three business segments: (1) 111 retail and wholesale businesses, (2) 204 service businesses, and (3) 231 manufacturing businesses. Total samples consists of 545 organizations.

3.1.2 Tools Used in Quantitative Research

Questionnaires are used as data the collection tool by the researcher. This subject is divided into 2 parts: 1) description of the tools used in research, and 2) steps on establishing and developing of the tools used in the research. Details are as follows:

1) Description of the Tools Used in Research

Tool used in research is questionnaire, which has been tested and tried. Questionnaire is composed of three parts.

Part 1 Respondent's basic information by checklist provides fundamental data about management of the establishment. This includes (1) gender, (2) age, (3) education, (4) work tenure, (5) current title, (6) business segment, (7) fixed assets value, (8) employee number and (9) years worked for the company . The questionnaire uses close-ended response questions with only one answer to be selected.

Part 2 Questions on factors related to organizational performance included questions related to three variables: 1) innovative leadership, 2) organizational culture, and 3) strategic fit. Details are as follows:

(1) Questions on innovative leadership of the organization aim to measure four observable variables: (1) skills, (2) personality, (3) social characteristics,

and (4) roles. The questionnaire employs the Likert Scale on questions that measure data in six interval scales.

(2) Questions on organizational culture aim to measure four observable variables: (1) adhocracy culture, (2) clan culture, (3) hierarchy culture, and (4) market culture. The questionnaire employs the Likert Scale on questions that measure data in six interval scales.

(3) Questions on strategic fit of the organization aim to measure three observable variables: (1) strategic analysis, (2) strategic formulation, (3) strategic implementation, and (4) strategic control and evaluation. The questionnaire employs the Likert Scale on questions that measure data in six interval scales.

Part 3 Questions on organizational performance aim to measure three observable variables: (1) economic performance, (2) process performance, and (3) product performance. The questionnaire employs the Likert Scale on questions that measure data in six interval scales.

Part 2 and Part 3 questions on the Likert Scale measure data in six interval scales. The six scales representing respondent's opinion are as follows:

6	means	Strongly agree with the statement
5	means	Agree with the statement
4	means	Relatively agree with the statement
3	means	Relatively disagree with the statement
2	means	Disagree with the statement
1	means	Strongly disagree with the statement

2) Steps on establishing and developing the tools used in the research

The steps taken to develop the questionnaire by the researcher are as follows:

Step 1 Examine related theories, documents, and research to set operational definitions and structure of the researched variables in order to understand contents applicable to this study and establish the questionnaire guidelines.

Step 2 Clearly define each variable according to theoretical and operational definitions to cover the measured factors and ease question making. Table 3.3 shows the details of the operational definitions for the researched variables.

Table 3.3 Operational Definition for Researched Variables

Variable	Observable Variable (Component)	Operational Definition	Measurement Level
Endogenous Variable			
1) Organizational Performance		The overall organizational performance is assessed from financial performance and non-financial performance	-
	(1) Economic Performance	Better organizational performance, including sustainably healthy return on investment, rate of growth in sales or service, and profitability	-Interval Scale -Subjectivity
	(2) Process Performance	Organizational performance on process management, suitable workflow, and good employee relationship, including organizational performance evaluation	-Interval Scale -Subjectivity
	(3) Product Performance	Organizational performance on product and service quality, including products development and innovative services effectively satisfying customer demand	-Interval Scale -Subjectivity
2) Organizational Culture		Common practice of beliefs, values, attitudes, and norms established and followed by organization members	

Table 3.3 (Continued)

Variable	Observable Variable (Component)	Operational Definition	Measurement Level
		expressed as organizational behavior responding to organization environment and conveyed to new members for better organizational performance	
	(1) Adhocracy	Organization's values on adaptation, change readiness, growth orientation, risk taking, creativity, innovation and modernization focus, along with production of goods and services offering leader	-Interval Scale -Subjectivity
	(2) Clan	Organization's values on working relationships, follower's counseling and support from leader, teamwork, participation, development on human resource and unity	-Interval Scale -Subjectivity
	(3) Hierarchy	Organization's values on structure and formality, operational process control, regulations and policies center, employment stability and behavior prediction ability focus	-Interval Scale -Subjectivity
	(4) Market	Organization's values on work outcomes, competition for goal among employees, commitment	-Interval Scale -Subjectivity

Table 3.3 (Continued)

Variable	Observable Variable (Component)	Operational Definition	Measurement Level
		on success and reputation, including long-term competition and goal achievement for market share	
3) Strategic Fit		Conceptual framework on organization operation realizing the internal and external factors, implementation for goal achieving, reduction of obstacles for success and creation of sustainable competitive advantage	
	(1) Strategic Analysis	Organization's strategic analysis on environment covering strengths, weaknesses, opportunities, and threats for strategy formation, consistency of organization's direction and goal with organization status	-Interval Scale -Subjectivity
	(2) Strategic Formulation	Organization's strategic formulation via analysis of organization status, definition on specific objective and key performance indicator, feasibility analysis on defined strategy	-Interval Scale -Subjectivity
	(3) Strategic Implementation	Organization's strategic implementation via action plan and timeline, training or tool support for operation properly serving implementing plan	-Interval Scale -Subjectivity

Table 3.3 (Continued)

Variable	Observable Variable (Component)	Operational Definition	Measurement Level
	(4) Strategic Control and Evaluation	Organization's strategic control and evaluation via committee and tools for strategic fit analysis, assessment report and strategy revision for an ongoing strategy development evaluation	-Interval Scale -Subjectivity
4) Innovative Leadership		Leader's or management ability on driving people for new ideas or means of working better responding to problems in real situations and generating more innovations adding more values to the organization	
	(1) Skills	Management with vision for change, ideas for practice, learning capability, skill for innovation motivation, creativity, trustworthiness, and problem solving ability	-Interval Scale -Subjectivity
	(2) Personality	Open minded management willing to listen, with entrepreneurship, morality, risk taking, challenging and change orientation	-Interval Scale -Subjectivity
	(3) Social Characteristics	Management with motivation, effective communication skills, emotional maturity, social responsibility, networks and relationships both inside and outside organization	-Interval Scale -Subjectivity

Table 3.3 (Continued)

Variable	Observable Variable (Component)	Operational Definition	Measurement Level
	(4) Roles	Management as the thought leader and role model, participatory working type, learning organization atmosphere supporter and employee inspirer	-Interval Scale -Subjectivity

Step 3 Formulate questions as per operational definitions covering the conceptual framework of the research. For variable tools that have been developed and tested, the researcher revises the statements to fit the contexts and the number of samples used in the study by reviewing the original contents of the questionnaire in English and translating them into Thai. After amending the contents to suit the analysis and proposing the revised questions to the advisor for recommendation and content validity, the researcher prepares the draft questionnaire.

3.1.3 Tool Quality Compliance

Step 4 Content Validity The draft questionnaire is approved by the advisor, along with details on outline of the dissertation are assessed by five experts for content validity over the index of congruence (IOC) with operational definition (Sirichai Kanchanawasi, 2001), questionnaire completeness, clarity, accuracy, and correctness of language, as well as other suggestions. Scores by the IOC are as follows:

- 1 means the question is consistent with measured operational definition
- 0 means unsure about consistency of question with measured operational definition
- 1 means the question is not consistent with measured operational definition

Following are expert selection for tool quality compliance criteria.

1) Two lecturers or academics on measurement and evaluation who have teaching and researching experience with the LISREL model for over three years.

2) Two lecturers or academics on management and organizational performance who have teaching and researching experience for over three years.

3) One lecturer or academic on leadership who has teaching and researching experience for over three years.

After questionnaire validation by the experts, the researcher selects questions according to Sirichai Kanchanawasi's (2002) IOC criteria. The calculated IOC value of content validity must be greater than 0.50 (IOC.>.50) to be considered consistent with measured object. The researcher has also corrected unfitting questions as per experts' advice.

The result of IOC analysis indicates that all questions have value between 0.60 and 1.00. The researcher has made the language of questions concise and measurable to operational definitions according to experts' recommendations as shown in Table 3.4.

Table 3.4 Revised Question Experts' Advice

Variable	Item	Original Question	Revised Question
Organizational Culture	21	Organization gives priority to environment changes and employees are challenging and risk taking	Your organization gives priority to external environment changes and employees are challenging and risk taking for new ideas
	24	Organization supports the development of new ways of working and assigns challenging work to employees	Your organization supports the development of new ways of working or working innovation and assigns challenging work to employees

The results of the experts' content validity bring about questionnaire consisting of 1) 9 questions on respondent's basic information, 2) 20 questions on innovative leadership, 3) 24 questions on organizational culture, 3) 16 questions on strategic fit, and 4) 15 questions on organizational performance. Details are provided in Table 3.5.

Table 3.5 Summary on the Number of Questions

Variable	Part	Item	Number of Questions
Respondent's Basic Information	1	1-5	5
1. Gender		1	1
2. Age		2	1
3. Education		3	1
4. Work Tenure		4	1
5. Current Title		5	1
Organization General Information	1	6-9	4
1. Business Segment		6	1
2. Fixed Assets Value		7	1
3. Number of Employees		8	1
4. Years in Operation		9	1
Innovative Leadership	2	1-20	20
1. Skills		1-5	5
2. Personality		6-10	5
3. Social Characteristics		11-15	5
4. Roles		16-20	5
Organizational Culture	2	21-44	24
1. Adhocracy		21-26	6
2. Clan		27-32	6
3. Hierarchy		33-38	6
4. Market		39-44	6
Strategic Fit	2	45-60	16
1. Strategic Analysis		45-48	4
2. Strategic Formulation		49-52	4

Table 3.5 (Continued)

Variable	Part	Item	Number of Questions
3. Strategic Implementation		53-56	4
4. Strategic Control and Evaluation		57-60	4
Organizational Performance	3	1-15	15
1. Economic		1-5	5
2. Process		6-10	5
3. Product		11-15	5

1) Reliability

Step 5 After revising the questions as recommended by the experts, the researcher tries out the questionnaire on 30 medium enterprises listed in the database of the Office of Small and Medium Enterprises Promotion, which are not the samples of data collection in this study. This aims at reliability testing of the questionnaire tool using Cronbach's Alpha Coefficient technique (Cronbach, 1990: 204, quoted in Nonglak Wiratchai, 1999). Each questionnaire has a Cronbach's Alpha Coefficient higher than 0.70, which indicates its reliability according to the Cronbach's Alpha Coefficient technique.

Reliability coefficient analysis from the tryout shows the questionnaire reliability falls between 0.827 and 0.909, with the overall reliability of 0.914. This confirms the quality and suitability of the questionnaire for data collection. Details of questionnaire reliability analysis are shown in Table 3.6.

Table 3.6 Research Questionnaire Reliability

Variable	Reliability
Innovative Leadership	
1. Skills	.901
2. Personality	.875
3. Social Characteristics	.891
4. Roles	.896

Table 3.6 (Continued)

Variable	Reliability
Organizational Culture	
1. Adhocracy	.898
2. Clan	.850
3. Hierarchy	.864
4. Market	.846
Strategic Fit	
1. Strategic Analysis	.881
2. Strategic Formulation	.827
3. Strategic Implementation	.909
4. Strategic Control and Evaluation	.845
Organizational Performance	
1. Economic	.877
2. Process	.900
3. Product	.859
Overall Reliability	.914

Step 6 Distribute revised questionnaires that pass the reliability test for data collected on the samples.

2) Construct Validity

Step 7 Data collected from 303 samples of medium enterprises has been performed for questionnaire construct validity analysis by the researcher. Variables, i.e. organizational performance, organizational culture, strategic fit, and innovative leadership, are used for confirmatory factor analysis by the LISREL program.

Detailed analysis of the construct validity for each variable is as follows:

(1) Construct Validity of Organizational Performance

Three components of the organizational performance measurement model consist of: 1) economic performance, 2) process performance, and 3) product performance.

The confirmatory factor analysis of organizational performance reveals that the organizational performance measurement model is in line with empirical data at a 0.01 statistically significant level, which is determined by a chi-square value of 1.490, probability (p) value of 0.222, and degree of freedom value of 1. In other words, the chi-square insignificantly differs from zero. Thus, the assumption of the organizational performance measurement model is in line with empirical data as the Goodness of Fit Index (GFI) is equal to 1.000, the Adjusted Goodness of Fit Index (AGFI) is equal to 0.980, and the Root of Mean Square Residuals (RMR) is equal to 0.007.

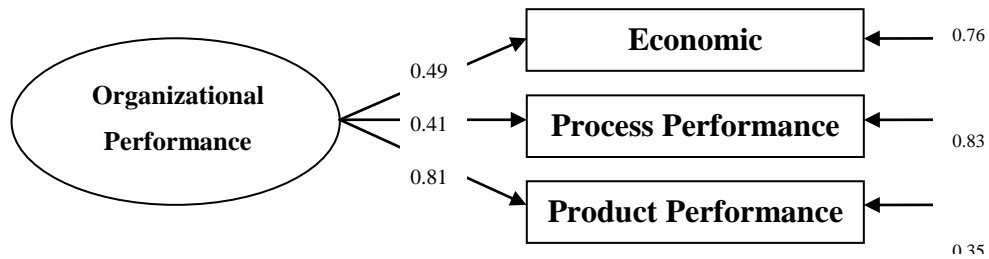
In consideration of standard components significance for each observable variable in the organizational performance measurement model, all factor loadings present positive values of 0.41, 0.49 and 0.81, with a 0.01 statistically significant level for all. Components, i.e. product performance, economic performance, and process performance ranked from the most significant to the least significant, give factor loadings of 0.81, 0.49, and 0.41, respectively. The joint variations of organizational performance components are 65 percent, 24 percent, and 17 percent respectively. Table 3.7 and Figure 3.1 show the results.

Table 3.7 Results from Confirmatory Factor Analysis of Organizational Performance Measurement Model

Variable	Factor Loadings				Reliability (R ²)
	b	SE	B	t	
Economic Performance	0.17	0.02	0.49	10.30**	0.24
Process Performance	0.15	0.01	0.41	10.62**	0.17
Product Performance	0.06	0.02	0.81	2.66**	0.65
$\chi^2 = 1.490$, $df = 1$, $p = 0.222$, $GFI = 1.000$, $AGFI = 0.980$, $RMR = 0.007$					

Note: * Correlation is significant at the .05 level (2-tailed) $t > 1.96$

** Correlation is significant at the .01 level (2-tailed) $t > 2.58$



Chi-Square = 1.490, df = 1, p-value = 0.222, RMSEA = 0.040

Figure 3.1 Results from Confirmatory Factor Analysis of Organizational Performance Measurement Model

(2) Construct Validity of Organizational Culture

Four components of the organizational culture measurement model consist of 1) adhocracy, 2) clan, 3) hierarchy, and 4) market.

The confirmatory factor analysis of organizational culture reveals that organizational culture measurement model is in line with empirical data of 0.01 statistically significant level, which is determined by a chi-square value of 0.370, probability (p) value of 0.830, and degree of freedom value of 2. In other words, the chi-square insignificantly differs from zero. Thus, the assumption of organizational culture measurement model is in line with empirical data as the Goodness of Fit Index (GFI) is equal to 1.000, the Adjusted Goodness of Fit Index (AGFI) is equal to 1.000, and the Root of Mean Square Residuals (RMR) is equal to 0.001.

In consideration of standard components significance for each observable variable in the organizational culture measurement model, all factor loadings present positive values of 0.34, 0.36, 0.44 and 0.61, with a 0.01 statistically significant level for all. Components, i.e. market, adhocracy, clan, and hierarchy ranked from the most significant to the least significant, give factor loadings of 0.61, 0.44, 0.36 and 0.34 respectively. The joint variations of organizational culture components are 37 percent, 20 percent, 13 percent and 12 percent, respectively. Table 3.8 and Figure 3.2 show the results.

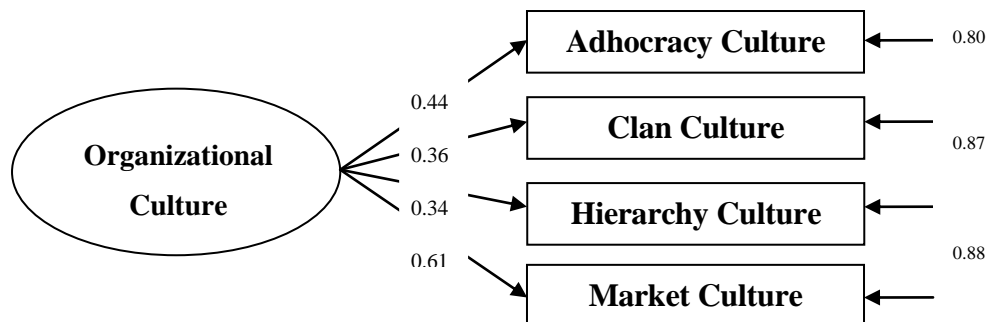
Table 3.8 Results from Confirmatory Factor Analysis of Organizational Culture Measurement Model

Variable	Factor Loadings				Reliability (R ²)
	b	SE	B	t	
Adhocracy	0.11	0.01	0.44	9.10**	0.20
Clan	0.10	0.01	0.36	10.53**	0.13
Hierarchy	0.09	0.01	0.34	10.67**	0.12
Market	0.09	0.02	0.61	5.37**	0.37

$\chi^2 = 0.370$, $df = 2$, $p = 0.830$, $GFI = 1.000$, $AGFI = 1.000$, $RMR = 0.001$

Note: * Correlation is significant at the .05 level (2-tailed) $t > 1.96$

** Correlation is significant at the 0.01 level (2-tailed) $t > 2.58$



Chi-Square = 0.370, $df = 2$, p -value = 0.830, RMSEA = 0.000

Figure 3.2 Results from Confirmatory Factor Analysis of Organizational Performance Measurement Model

(3) Construct Validity of Strategic Fit

Four components of the strategic fit measurement model consist of 1) strategic analysis, 2) strategic formulation, 3) strategic implementation, and 4) strategic control and evaluation.

The confirmatory factor analysis of strategic fit reveals that the strategic fit measurement model is in line with empirical data of 0.01 at a statistically

significant level, which is determined by a chi-square value of 0.870, probability (p) value of 0.647, and degree of freedom value of 2. In other words, the chi-square insignificantly differs from zero. Thus, the assumption of the strategic fit measurement model is in line with empirical data, as the Goodness of Fit Index (GFI) is equal to 1.000, the Adjusted Goodness of Fit Index (AGFI) is equal to 0.990, and the Root of Mean Square Residuals (RMR) is equal to 0.003.

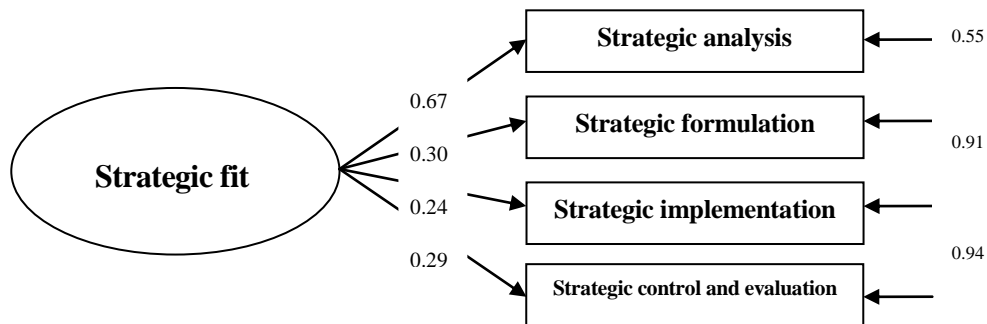
In consideration of standard components significance for each observable variable in the strategic fit measurement model, all factor loadings present positive values of 0.24, 0.29, 0.30 and 0.67, with a 0.01 statistically significant level for all. Components, i.e. strategic analysis, strategic formulation, strategic control and evaluation, and strategic implementation ranked from the most significant to the least significant, result in factor loadings of 0.67, 0.30, 0.29 and 0.24, respectively. The joint variations of strategic fit components are 45 percent, 9 percent, 8 percent and 6 percent, respectively. Table 3.9 and Figure 3.3 present the results.

Table 3.9 Results from Confirmatory Factor Analysis of the Strategic Fit Measurement Model

Variable	Factor Loadings				Reliability (R ²)
	b	SE	B	t	
Strategic Analysis	0.12	0.05	0.67	2.48*	0.45
Strategic Formulation	0.14	0.01	0.30	10.49**	0.09
Strategic Implementation	0.21	0.02	0.24	11.29**	0.06
Strategic Control and Evaluation	0.23	0.02	0.29	10.65**	0.08
$\chi^2 = 0.870$, $df = 2$, $p = 0.647$, $GFI = 1.000$, $AGFI = 0.990$, $RMR = 0.003$					

Note: * Correlation is significant at the 0.05 level (2-tailed) $t > 1.96$

** Correlation is significant at the 0.01 level (2-tailed) $t > 2.58$



Chi-Square = 0.870, df = 2, p-value = 0.647, RMSEA = 0.000

Figure 3.3 Results from Confirmatory Factor Analysis of the Strategic Fit Measurement Model

(4) Construct Validity of Innovative Leadership

Four components of the innovative leadership measurement model consist of 1) skills, 2) personality, 3) social characteristics, and 4) roles.

The confirmatory factor analysis of innovative leadership reveals that the innovative leadership measurement model is in line with empirical data of 0.01 at a statistically significant level, which is determined by a chi-square value of 7.500, probability (p) value of 0.057, and degree of freedom value of 3. In other words, the chi-square insignificantly differs from zero. Thus, the assumption of the innovative leadership measurement model is in line with empirical data, as the Goodness of Fit Index (GFI) is equal to 0.990, the Adjusted Goodness of Fit Index (AGFI) is equal to 0.960, and the Root of Mean Square Residuals (RMR) is equal to 0.006.

In consideration of standard components significance for each observable variable in the innovative leadership measurement model, all factor loadings present positive values of 0.15, 0.26, 0.37 and 0.43, with a 0.01 statistically significant level for all. Components, i.e. skills, personality, social characteristics, and roles ranked from the most significant to the least significant, give factor loadings of 0.43, 0.37, 0.26 and 0.15, respectively. The joint variations of innovative leadership components are 72 percent, 74 percent, 48 percent and 20 percent, respectively. Table 3.10 and Figure 3.4 present the results.

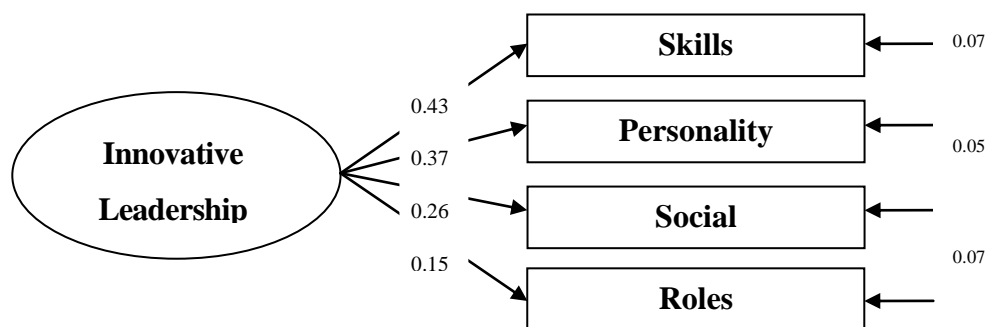
Table 3.10 Results from Confirmatory Factor Analysis of the Innovative Leadership Measurement Model

Variable	Factor Loadings				Reliability (R ²)
	b	SE	B	t	
Skills	0.07	0.01	0.43	7.05**	0.72
Personality	0.05	0.01	0.37	6.21**	0.74
Social Characteristics	0.07	0.01	0.26	10.47**	0.48
Roles	0.09	0.01	0.15	11.81**	0.20

$\chi^2 = 7.500$, $df = 3$, $p = 0.057$, $GFI = 0.990$, $AGFI = 0.960$, $RMR = 0.006$

Note: * Correlation is significant at the .05 level (2-tailed) $t > 1.96$

** Correlation is significant at the .01 level (2-tailed) $t > 2.58$



Chi-Square = 7.500, $df = 3$, p -value = 0.575, RMSEA = 0.070

Figure 3.4 Results from Confirmatory Factor Analysis of the Innovative Leadership Measurement Model

3.4 Data Collection

Data is collected from the questionnaires received via the postal service between July 1, 2014 and October 30, 2014 by following steps:

The researcher employs data collection designed by Dillman (2000), which follows the Social Change Theory by using data collected via mail in three steps, as follows:

Step 1 Questionnaire Delivery

1) The researcher calls the Office of Small and Medium Enterprises Promotion to verify addresses of the medium enterprises listed in the database. And as a pre-notification, the researcher calls and makes an inquiry of the medium enterprises about their policy on the questionnaire participation and informs them about the value and importance of this research. Confidentiality and the academic analysis purpose of the information provided are affirmed as well.

2) Upon receiving the list, the researcher sends out the reference letter from the Public Administration Faculty, National Institute of Development Administration to the addresses on the list. The letter reminds them of the importance and value of the research and ensures the confidentiality of information they furnish, which does not have an impact on employee performance evaluations. The findings will be presented as an overview of the industrial segment only. A questionnaire for the organizational level is attached for the senior management or a representative to answer. The keying of the questionnaires with a code in sequential numbers is created for verifying and following up on the questionnaires. A notice of intent form is enclosed which specifies the information to be provided, as well a cover letter, a questionnaire both in Thai and English, instructions for answering, and as details about the organization's coordinator such as names, phone number, address, and email, etc. . A self-addressed stamped envelope is enclosed for respondents' convenience on returning of the notice of intent form of information providing by time specified by the researcher.

3) The researcher specifies a timeframe for returning the questionnaire and encloses a large self-addressed stamped envelope for respondents' convenience.

Step 2 First Follow-up on the Questionnaire

The researcher calls the respondents who do not return the questionnaire within three weeks to remind them, with appreciation, and asks to pick up the complete questionnaire by the researcher.

Step 3 Second Follow-up on the Questionnaire

Three weeks after the first follow-up, the researcher attempts on another call to the respondents who have not returned the questionnaire. A grateful request for answer and picking up of the complete questionnaire by the researcher, along with an incentive, such as an offer for specific analysis for their organization compared to the overall industry. For any incomplete questionnaire, the researcher requests additional information over the phone for better response rate, which directly affects the quality of information.

Such data collection renders a low response rate that is insufficient for data analysis. The researcher, thus, sends additional questionnaires to more organizations for a total of 920 enterprises and collects the data by visiting the organizations in person. An online questionnaire is also developed. For companies that want to provide the information online, the URL is printed on the questionnaire sent to the companies..

In conclusion, 303 questionnaires (32.93 percent) of the samples of medium enterprises are returned. Table 3.11 shows the business segment classification. The time for data collection is four months. Series mean is used for the missing data by the program SPSS for Windows.

Table 3.11 Number of Samples and the Response Rate of the Questionnaire by Business Segment

Business Segment	Number of Samples	Response Rate	Response Rate in Percentage
Retail and Wholesale	280	61	21.78
Service	300	103	34.33
Manufacturing	340	139	40.88
Total	920	303	32.93

Table 3.11 Number of Samples and the Response Rate of the Questionnaire by Business Segment of the medium enterprises indicates that the manufacturing business

segment has the highest response rate, followed by service business segment, and retail and wholesale business segment, respectively.

3.1.4 Quantitative Data Analysis

The researcher defines data analysis from the research objectives and statistical data as follows:

Part 1 Results of Basic Statistical Data Analysis for the Researched Variables

1) The basic data analysis on the samples and basic information about the organizations provides an understanding of the nature of the samples and organizations. Statistics used include frequency and percentage. The program SPSS for Windows is used for this analysis.

2) The analyses of basic statistical data performed on observable variables in this study include organizational performance, organizational culture, strategic fit, and innovative leadership, which help to understand the nature of distribution and variability of variables. Statistics used include mean, standard deviation, skewness, kurtosis, and coefficient of variation. The program SPSS for Windows is used for this analysis.

The normal distribution is $SK=0$. If the result is $SK>0$ (positive value), it indicates a right skewed or positively skewed curve. That is, data is densely packed in the low values. If the result is $SK<0$ (negative value), it indicates a left skewed or negatively skewed curve. That is, data is densely packed in the high values. The normal distribution curve is $KU=0$, which indicates a mesokurtic distribution curve or normal frequency distribution curve. If the result is $KU>0$ (positive value), it indicates a leptokurtic distribution curve or high degree of peakedness. If the result is $KU<0$ (negative value), it indicates a platykurtic distribution curve or low degree of peakedness (Sirichai Kanchanawasi, 2002).

Part 2 Data Analysis for Research Objectives

1) To answer the research objective 1 To study the level of innovative leadership and organizational performance of the medium enterprises by employing statistical analysis, as follows:

The analyses of basic statistical data on innovative leadership and organizational performance from data collection are performed in order to understand

the distribution of each variable using basic descriptive statistics to find mean and standard deviation. The program SPSS for Windows is used for this analysis.

Criteria of innovative leadership and organizational performance levels of the medium enterprises is defined by the researcher, as follows:

1.00-1.83	Level	Very low
1.84-2.67	Level	Low
2.68-3.50	Level	Relatively low
3:51-4:33	Level	Relatively high
4:34-5:16	Level	High
5:17-6:00	Level	Very high

2) To answer the research objective 2 To study the relationship between the level of innovative leadership, organizational culture, and strategy; and the level of organizational performance of the medium enterprises. The statistical analysis used is as follows:

(1) To study the relationship among innovative leadership, organizational culture, and strategy that affect organizational performance of the medium enterprises.

Pearson's product moment correlation coefficient is employed in order to determine the relationship among studied variables and whether or not they have a linear relationship. It also examines the size and direction of relationships among variables. The relationship among independent variables should not exceed 0.80. In case of multicollinearity, some variables should be cut off or highly correlated variables should be combined. The program SPSS for Windows is used for this analysis.

The correlation coefficient broad criteria (Puangrat Thaweerat, 2000) can be used to consider the relationship between two variables and the level of relationship, as shown in Table 3.12.

Table 3.12 Correlation Coefficient and Relationship Level

Correlation Coefficient (r)	Relationship Level
$r > 0.80$	High
$0.60 < r < 0.80$	Relatively high
$0.40 < r < 0.60$	Moderate
$0.20 < r < 0.40$	Relatively low
$r < 0.20$	Low

3) To answer the research objective 3 To establish and validate the consistency of the causal model of the innovative leadership that affects organizational culture, strategy, and organizational performance of the medium enterprises, which has been developed with empirical data. The statistical analysis used is as follows:

(1) To establish and validate the consistency of the causal model of innovative leadership that affects organizational culture, strategy, and organizational performance of the medium enterprises, which has been developed with empirical data.

Structural Equation Modeling (SEM) using LISREL for Windows version 8.52 is employed to verify the consistency of the hypothesis model with empirical data.

3.2 Qualitative Research Methodology

Qualitative research method is important because the findings from quantitative research alone only prove the pattern and level of relationship for the concept. An explanation for some parts of findings may not be clear by the principles of the concept studied for the real phenomenon. Thus, qualitative research plays an important role in providing strong analysis and a description of findings from the quantitative research (Niti Ratanaprichavej, 2010). To achieve the best result for this study, the quantitative research method is employed primarily and the qualitative research method is used to strengthen findings explanation and to understand the profound reasons about the relationships among variables, which fosters the

development of better organizational performance for each business segment. Details of the qualitative research method are as follows:

3.2.1 Key Informant for Qualitative Research

The three key informants for the qualitative research are senior executives; for example, Chief Financial Officer (CFO), Chief Marketing Officer (CMO), or Chief Executive Officer (CEO) of the medium enterprises. Each informant is willing to be interviewed who is purposively selected from three business segments, i.e. (1) retail and wholesale, (2) service, and (3) manufacturing. For each business segment, organizations are selected by their highest score of level of innovative leadership and organizational performance compared to other organizations within the same segment, which is taken from the quantitative empirical data analysis and used for the in-depth interview.

3.2.2 Tool Used in Qualitative Research

The researcher employs a semi-structured interview as a tool for the key informants' interviews. The structure of interview questions is acquired from the findings of the quantitative research regarding the level of innovative leadership and organizational performance development. The purpose of the interview is to seek truth from organization management who are responsible for policy and action plan formulation, policy implementation, as well as human resources and organizational development. Questions are related to four main issues: 1) innovative leadership, 2) organizational culture, 3) strategic fit, and 4) organizational performance. This aims to find in-depth data and verification of the quantitative data analysis.

3.2.3 Qualitative Data Collection

The researcher uses in-depth interviews to collect data from the real phenomenon for describing results from the quantitative research in order to better understand the causal relationship of direct and indirect effects. Since the key informants are top executives who are busy with their workloads, their schedules for available times are not consistent. Data collection sessions like small group seminars or group interviews is not appropriate. For that reason, the researcher asks for an

interview appointment by phone through close aids of the key informants. If the key informants are not available for the meeting, the researcher asks to conduct a phone interview. It takes about 30-60 minutes for each interview. During each interview session, audio recordings and note taking are employed by the researcher as proof for data analysis.

3.2.4 Qualitative Data Analysis

Typological analysis refers to typologies data classification. After data collection, the researcher organizes a data system by specified criteria (Supang Chantavanich, 2010: 74-90; Rattana Buosonte et al, 2008: 197-219). Microdata classification for domain analysis and taxonomy analysis is then employed. Keyword analysis classifies a set of words within another. The meaning of such words covers the set of words. To put it another way, keyword analysis groups words using some relationships for each word in the set, while quantitative data analysis employs factor analysis to group sub-variables within the same composition (Rattana Buosonte et al, 2008: 198).

Analytic induction denotes the interpretation of physical substances or noticeable phenomena collected from two or more sets of data. Analytic induction must be deployed for all qualitative data analyses. Because analytic induction is a consideration of characteristics in common of the physical data according to the principle of "induction", which means fact finding of various parts. Conceptualization is later captured from those substantial materials. Analytic induction for qualitative research methodology can be applied in three patterns, i.e. summary analysis from field records of descriptive notes, summary analysis of typological analysis or classification, and summary analysis of factor analysis.

3.3 Suggestions for Future Research

This research employs a cross sectional study for a time period defined by the researcher, which may render different results. Therefore, a longitudinal study, which employs consistency validation on data collection more than one time, should be employed in further study for different results.

CHAPTER 4

RESEARCH FINDING

Three research objectives are: 1) to study the level of innovative leadership and organizational performance of the medium enterprises, 2) to study the relationship among innovative leadership, organizational culture, and strategy that affect organizational performance of the medium enterprises, and 3) to establish and validate the consistency of the causal model of the innovative leadership that affects organizational culture, strategy, and organizational performance of the medium enterprises, which has been developed with empirical data. The researcher presents research findings in three parts, as follows:

4.1 Results of Basic Statistical Data Analysis for the Researched Variables

4.1.1 Basic data analysis of the samples and organization basic information

4.1.2 Analysis of basic statistical data performed on observable variables in this study

4.2 Data Analysis for Research Objectives

4.2.1 Analysis on the level of innovative leadership and organizational performance of the medium enterprises

4.2.2 Analysis of the relationship among variables of innovative leadership, organizational culture, and strategy that affect organizational performance of the medium enterprises.

4.2.3 Analysis of the consistency of the causal model of the innovative leadership that affects organizational culture, strategy, and organizational performance of the medium enterprises, which has been developed with empirical data.

4.3 Qualitative Data Analysis

4.3.1 Key informants' basic information

4.3.2 Results of the interviews

4.1 Results of Basic Statistical Data Analysis for the Researched Variables

Data analysis results in this part consist of two sections. The first section concerns basic data analysis results from the samples and basic information of organizations. Statistics like distribution, frequency, and percentage are presented. The second section involves basic statistical data analysis results for the researched observable variables in a causal model of innovative leadership that affect organizational culture, strategy, and organizational performance of the medium enterprises. Statistics such as mean, standard deviation, maximum, minimum, skewness, kurtosis, and coefficient of variation are employed to study the distribution and variation of the observable variables.

4.1.1 Basic Data Analysis Results from the Samples and Basic Information of Organizations

Basic data analysis results from the samples include gender, age, education, work tenure, and current title. They indicate that of 303 samples in this study, respondents are mostly males, which comprise 55.12 percent, while females are 44.88 percent. The majority of respondents are aged 41-50 years or 41.58 percent, followed by 51-60 years or 27.72 percent. And the least, respondents aged 30 years or less comprise 4.95 percent. The education level of most samples is master degree or 52.15 percent, followed by bachelor degree or equivalent of 43.23 percent. And the least is respondents with Post Graduate Degree or 0.99 percent. On work tenure, most respondents work 15 years or more or 35.31 percent, followed by 5-10 years of working or 31.02 percent. And the least, 5 years or less of working comprise 7.26 percent. The current title of most respondents is Vice President or 23.76 percent, followed by the Assistant President of 21.12 percent. And the least is Secretary or 5.28 percent. Details are in Table 4.1.

Table 4.1 Number and Percentage of Respondents by Gender, Age, Education, Work Tenure, and Current Title

Variable		Frequency	Percentage
1) Gender	Male	167	55.12
	Female	136	44.88
	Total	303	100.00
2) Age	Less Than 30 Years	15	4.95
	30–40 Years	53	17.49
	41–50 Years	126	41.58
	51–60 Years	84	27.72
	More Than 60 Years	25	8.25
	Total	303	100.00
3) Education	Below Undergraduate	11	3.63
	Bachelor Degree	131	43.23
	Master Degree	158	52.15
	Post Graduate Degree	3	0.99
	Total	303	100.00
4) Work Tenure	Less Than 5 Years	22	7.26
	5–10 Years	94	31.02
	11–15 Years	80	26.40
	More Than 15 Years	107	35.31
	Total	303	100.00
5) Current Title	President	56	18.48
	Vice President	72	23.76
	Assistant President	64	21.12
	General Manager	54	17.82
	Strategic, Personal Manager	41	13.53
	Secretary	16	5.28
Total		303	100.00

Basic data analysis results from information of organizations comprise business segment, fixed assets value, number of employee, and year in operation. The samples of 303 medium enterprises in this data analysis indicate that product segment is the majority of respondents, or 40.88 percent, followed by the service segment of 34.33 percent. And the least of 21.78 percent are the retail and wholesale segment. On fixed assets value, most respondents work for organization with 101-150 million baht in value, or 54.46 percent, followed by 50-100 million baht in value, or 23.76 percent. And the least, or 21.78, percent are organizations with 151-200 million baht in value. Regarding the number of employees, 47.52 percent, or the majority of respondents, work for an organization with 101-150 people, followed by an organization with 50-100 people, or 32.67 percent. And the least, or 19.80 percent of respondents, work for an organization with 151-200 people. With respect to years in operation, 25.08 percent, or the majority of respondents, work for an organization with 11-15 years in operation, followed by an organization with 6-10 years in operation, or 23.10 percent. And the least, or 6.60 percent of respondents, work for organization with less than three years in operation. Details are in Table 4.2.

Table 4.2 Number and Percentage of Sample Organizations by Business Segment, Fixed Assets Value, Number of Employees, and Years in Operation

Variable		Frequency	Percentage
1) Business Segment	Retail and Wholesale	61	21.78
	Service	103	34.33
	Manufacturing	139	40.88
	Total	303	100.00
2) Fixed Assets Value	50–100 MB	72	23.76
	101–150 MB	165	54.46
	151–200 MB	66	21.78
	Total	303	100.00

Table 4.2 (Continued)

Variable		Frequency	Percentage
3) Number of Employees	50–100 People	99	32.67
	101–150 People	144	47.52
	151–200 People	60	19.80
	Total	303	100.00
4) Years in Operation	Less Than 3 Years	20	6.60
	3–5 Years	27	8.91
	6–10 Years	70	23.10
	11–15 Years	76	25.08
	16–20 Years	67	22.11
	More Than 20 Years	43	14.19
	Total	303	100.00

4.1.2 Analysis of Basic Statistical Data Performed on Observable Variables in this Study

Details on basic statistical data analysis for fifteen observable variables used in the study of causal model of innovative leadership that affect organizational culture, strategy, and organizational performance of the medium enterprises are as follows:

1) Three observable variables of organizational performance consist of economic performance, process performance, and product performance. The mean of variables ranges between 4.96 and 5.07. Product performance has the highest mean ($\bar{x} = 5.07$), followed by process performance ($\bar{x} = 4.97$) and economic performance ($\bar{x} = 4.96$), respectively. This indicates that the mean of organizational performance in three aspects, economic performance, process performance, and product performance is high.

The variation and distribution of data reveal that the coefficient of variation (C.V.) ranges between 8.40 and 9.20. This means each variable does not differ much with respect to variation. Economic performance and product

performance variables have left skewed data distribution (negative skewness). The values of skewness are between -0.23 and -0.58, indicating that most data is higher than the mean, while process performance has right skewed data distribution (positive skewness). The value of skewness is 0.07 indicating that most data is lower than the mean. And the kurtosis of all variables are between -0.32 and 0.94, which are close to zero, demonstrating their near normal distribution.

2) Four observable variables of organizational culture include adhocracy, clan, hierarchy, and market. The mean of variables ranges between 4.79 and 4.98. Clan culture has the highest mean ($\bar{x} = 4.98$), followed by market culture ($\bar{x} = 4.85$), adhocracy culture ($\bar{x} = 4.82$), and hierarchy culture ($\bar{x} = 4.79$), respectively. This indicates that the mean of organizational culture in four aspects, adhocracy, clan, hierarchy, and market is high.

The variation and distribution of data reveal that the coefficient of variation (C.V.) ranges between 7.38 and 8.89. This means each variable does not differ much with respect to variation. Hierarchy culture and market culture variables have left skewed data distribution (negative skewness). The values of skewness are between -.03 and -0.25 indicating that most data is higher than the mean, while adhocracy culture and clan culture variables have right skewed data distribution (positive skewness). The values of skewness are between 0.41 and 0.50, indicating that most data is lower than the mean. And the kurtosis of all variables are between -0.09 and 0.78, which are close to zero, demonstrating their near normal distribution.

3) Four observable variables of organizational strategy comprise strategic analysis, strategic formulation, strategic implementation, and strategic control and evaluation. The mean of variables ranges between 4.77 and 4.93. Strategic control and evaluation has the highest mean ($\bar{x} = 4.93$), followed by strategic analysis ($\bar{x} = 4.90$), strategic implementation ($\bar{x} = 4.82$), and strategic formulation ($\bar{x} = 4.77$), respectively. This indicates that the mean of organizational strategy in four aspects, strategic analysis, strategic formulation, strategic implementation, and strategic control and evaluation is high.

The variation and distribution of data reveal that the coefficient of variation (C.V.) ranges between 8.95 and 11.37. This means each variable does not differ much with respect to variation. Strategic control and evaluation culture variable

has left skewed data distribution (negative skewness). The value of skewness is -0.09, indicating that most data is higher than the mean, while strategic analysis, strategic implementation, and strategic formulation variables have right skewed data distribution (positive skewness). The values of skewness are between 0.01 and 0.19, indicating that most data is lower than the mean. And the kurtosis of all variables are between -0.16 and 0.80, which are close to zero, demonstrating their near normal distribution.

4) Four observable variables of innovative leadership contain skills, personality, social characteristics, and roles. The mean of variables ranges between 4.83 and 5.01. Roles variable has the highest mean ($\bar{x} = 5.01$), followed by personality ($\bar{x} = 4.95$), skills ($\bar{x} = 4.95$), and social characteristics ($\bar{x} = 4.83$), respectively. This indicates that the mean of innovative leadership in four aspects, skills, personality, social characteristics, and roles is high.

The variation and distribution of data reveal that the coefficient of variation (C.V.) ranges between 7.86 and 10.90. This means each variable does not differ much with respect to variation. Personality variable has left skewed data distribution (negative skewness). The value of skewness is -0.26, indicating that most data is higher than the mean. While roles, social characteristics, and skills variables have right skewed data distribution (positive skewness). The values of skewness are between 0.01 and 0.27, indicating that most data is lower than the mean. And the kurtosis of all variables are between -0.23 and 0.41, which are close to zero, demonstrating their near normal distribution. Details are in Table 4.3.

Table 4.3 Basic Statistics of Observable Variable (n=303)

Observable Variable	\bar{x}	S.D.	MIN	MAX	SK	KU	CV.
Organizational Performance							
1) Economic Performance	4.96	.43	3.40	6.00	-.58	.94	8.63
2) Process Performance	4.97	.46	4.00	6.00	.07	-.32	9.20
3) Product Performance	5.07	.43	3.40	6.00	-.23	.58	8.40
Organizational Culture							
1) Adhocracy	4.82	.43	3.83	6.00	.41	.25	8.89
2) Clan	4.98	.37	4.00	6.00	.50	.78	7.38
3) Hierarchy	4.79	.40	3.83	6.00	-.03	.16	8.30
4) Market	4.85	.42	3.83	6.00	-.25	-.09	8.72
Organizational Strategy							
1) Strategic Analysis	4.90	.44	3.75	6.00	.01	.52	8.95
2) Strategic Formulation	4.77	.43	3.25	6.00	.19	.80	9.04
3) Strategic Implementation	4.82	.55	3.25	6.00	.03	-.16	11.37
4) Strategic Control and Evaluation	4.93	.49	3.75	6.00	-.09	.02	9.90
Innovative Leadership							
1) Skills	4.89	.53	3.60	6.00	.27	-.05	10.90
2) Personality	4.95	.39	4.00	5.80	-.26	-.23	7.92
3) Social Characteristics	4.83	.40	4.00	6.00	.05	.41	8.32
4) Roles	5.01	.39	4.00	6.00	.01	.36	7.86

4.2 Data Analysis for Research Objectives

Four parts of data analysis in this section are presented based on the research objectives. The first part deals with the analysis on the level of innovative leadership and organizational performance of the medium enterprises. The second part relates to the analysis of the relationship among observable variables of innovative leadership, organizational culture, and strategy that affect organizational performance of the medium enterprises. The third part involves the analysis of the consistency of the

causal model of innovative leadership that affects organizational culture, strategy, and organizational performance of the medium enterprises developed with empirical data. Lastly, the fourth part incorporates the qualitative data analysis. Following are the details.

4.2.1 Analysis on the Level of Innovative Leadership and Organizational Performance of the Medium Enterprises

According to the results, the level of innovative leadership of the medium enterprises is high ($\bar{x} = 4.92$, S.D. = 0.29). Innovative leadership on roles has the highest mean ($\bar{x} = 5.01$, S.D. = 0.39). It is followed by personality ($\bar{x} = 4.95$, S.D. = 0.39), skills ($\bar{x} = 4.89$, S.D. = 0.53), and social characteristics ($\bar{x} = 4.83$, S.D. = 0.40), respectively.

The level of innovative leadership considered by the business segment unveils that retail and wholesale has the highest mean ($\bar{x} = 4.99$, S.D. = 0.25). It is followed by service ($\bar{x} = 4.91$, S.D. = 0.31), and manufacturing ($\bar{x} = 4.89$, S.D. = 0.29), respectively.

According to the results, the level of organizational performance of the medium enterprises is high ($\bar{x} = 5.00$, S.D. = 0.32). Organizational performance on products has the highest mean ($\bar{x} = 5.07$, S.D. = 0.43). It is followed by process ($\bar{x} = 4.97$, S.D. = 0.46), and economic ($\bar{x} = 4.96$, S.D. = 0.43), respectively.

The level of organizational performance considered by business segment unveils that retail and wholesale has the highest mean ($\bar{x} = 5.04$, S.D. = 0.26). It is followed by manufacturing ($\bar{x} = 5.02$, S.D. = 0.34), and service ($\bar{x} = 4.94$, S.D. = 0.32), respectively. Details are in Table 4.4 below.

Table 4.4 Mean and Standard Deviation of the Level of Innovative Leadership and Organizational Performance of the Medium Enterprises by Business Segment (n=303)

Variable	\bar{x} (S.D.)	Meaning	Business Segment (\bar{x} / S.D.)		
			Retail and Wholesale	Service	Manufacturing
Innovative Leadership					
1) Skills	4.89 (0.53)	High	5.04 (0.42)	4.87 (0.62)	4.84 (0.50)
2) Personality	4.95 (0.39)	High	5.06 (0.37)	4.98 (0.40)	4.87 (0.38)
3) Social Characteristics	4.83 (0.40)	High	4.93 (0.37)	4.78 (0.43)	4.82 (0.39)
4) Roles	5.01 (0.39)	High	4.93 (0.38)	5.01 (0.41)	5.04 (0.38)
Total	4.92 (0.29)	High	4.99 (0.25)	4.91 (0.31)	4.89 (0.29)
Organizational Performance					
1) Economic Performance	4.96 (0.43)	High	5.04 (0.33)	4.92 (0.42)	4.95 (0.47)
2) Process Performance	4.97 (0.46)	High	4.97 (0.41)	4.90 (0.50)	5.04 (0.44)
3) Product Performance	5.07 (0.43)	High	5.12 (0.37)	5.02 (0.48)	5.09 (0.40)
Total	5.00 (0.32)	High	5.04 (0.26)	4.94 (0.32)	5.02 (0.34)

4.2.2 Analysis of the Relationship Among Variables of Innovative Leadership, Organizational Culture, and Strategy that Affect Organizational Performance of the Medium Enterprises

The relationship analysis of 15 observable variables in the study using Pearson Correlation Coefficient for a total of 105 pairs shows a statistically significant level of 0.01 for all variables. All pairs have the same direction correlation (a positive correlation coefficient) and the degree of correlation ranges from 0.207 to 0.686.

Correlation coefficient consideration among observable variables from the same latent variables groups produces the following.

1) Observable variables analysis of organizational performance reveals that observable variables have the same direction correlation with a statistical significance level of 0.01 (a positive correlation coefficient). The degree of correlation ranges from 0.354 to 0.431, with medium correlation ($0.40 < r < 0.60$) for two pairs and with relatively low correlation ($0.40 < r < 0.60$) for one pair. Variables with the highest degree of correlation are economic performance and product performance ($r = 0.431$), while variables with the lowest degree of correlation are process performance and product performance ($r = 0.354$).

2) Observable variables analysis of organizational culture reveals that observable variables have the same direction correlation with statistical significance level of 0.01 (a positive correlation coefficient). The degree of correlation ranges from 0.305 to 0.473, with medium correlation ($0.40 < r < 0.60$) for four pairs and with relatively low correlation ($0.40 < r < 0.60$) for two pairs. Variables with the highest degree of correlation are adhocracy culture and market culture ($r = 0.473$), while variables with the lowest degree of correlation are clan culture and market culture ($r = 0.305$).

3) Observable variables analysis of organizational strategy reveals that observable variables have the same direction correlation with a statistical significance level of 0.01 (a positive correlation coefficient). The degree of correlation ranges from 0.368 to 0.431, with medium correlation ($0.40 < r < 0.60$) for three pairs and with relatively low correlation ($0.40 < r < 0.60$) for three pairs. Variables with the highest degree of correlation are strategic formulation and strategic implementation ($r = 0.431$), while variables with the lowest degree of correlation are strategic analysis and strategic implementation ($r = 0.368$).

4) Observable variables analysis of innovative leadership reveals that observable variables have the same direction correlation with statistical significance level of 0.01 (a positive correlation coefficient). The degree of correlation ranges from 0.313 to 0.686 with relatively high correlation ($0.60 < r < 0.80$) for two pairs, with medium correlation ($0.40 < r < 0.60$) for one pair, and with relatively low correlation ($0.40 < r < 0.60$) for three pairs. Variables with the highest degree of correlation are innovative leadership on personality and social characteristics ($r = 0.686$), while variables with the lowest degree of correlation are innovative leadership on skills and social characteristics ($r = 0.313$).

Correlation coefficient consideration among observable variables from different latent variables groups produces the following:

1) The correlation among observable variables of organizational performance and of organizational strategy show that 12 pairs of observable variables have the same direction correlation with statistical significance level of 0.01 (a positive correlation coefficient). The degree of correlation ranges from 0.232 to 0.506 with medium correlation for three pairs ($0.40 < r < 0.60$) and with relatively low correlation for nine pairs ($0.40 < r < 0.60$). Variables with the highest degree of correlation are economic performance and strategic control and evaluation ($r = 0.506$), while variables with the lowest degree of correlation are product performance and strategic formulation ($r = 0.232$).

2) The correlation among observable variables of organizational performance and organizational culture show that 12 pairs of observable variables have the same direction correlation with a statistical significance level of 0.01 (a positive correlation coefficient). The degree of correlation ranges from 0.247 to 0.446, with medium correlation for five pairs ($0.40 < r < 0.60$) and with relatively low correlation for seven pairs ($0.40 < r < 0.60$). Variables with the highest degree of correlation are economic performance and adhocracy culture ($r = 0.446$), while variables with the lowest degree of correlation are process performance and clan culture ($r = 0.247$).

3) The correlation among observable variables of organizational performance and innovative leadership show that 12 pairs of observable variables have the same direction correlation with a statistical significance level of 0.01 (a

positive correlation coefficient). The degree of correlation ranges from 0.212 to 0.487 with medium correlation for six pairs ($0.40 < r < 0.60$) and with relatively low correlation for six pairs ($0.40 < r < 0.60$). Variables with the highest degree of correlation are economic performance and personality ($r = 0.487$), while variables with the lowest degree of correlation are product performance and roles ($r = 0.212$).

4) The correlation among observable variables of organizational strategy and organizational culture show that 16 pairs of observable variables have the same direction correlation with a statistical significance level of 0.01 (a positive correlation coefficient). The degree of correlation ranges from 0.207 to 0.497, with medium correlation for two pairs ($0.40 < r < 0.60$) and with relatively low correlation for 14 pairs ($0.40 < r < 0.60$). Variables with the highest degree of correlation are strategic control and evaluation and market culture ($r = 0.497$), while variables with the lowest degree of correlation are strategic implementation and clan culture ($r = 0.207$).

5) The correlation among observable variables of organizational strategy and innovative leadership show that 16 pairs of observable variables have the same direction correlation with a statistical significance level of 0.01 (a positive correlation coefficient). The degree of correlation ranges from 0.233 to 0.494, with medium correlation for three pairs ($0.40 < r < 0.60$) and with relatively low correlation for 13 pairs ($0.40 < r < 0.60$). Variables with the highest degree of correlation are strategic implementation and roles ($r = 0.494$), while variables with the lowest degree of correlation are strategic formulation and skills ($r = 0.233$).

6) The correlation among observable variables of organizational culture and innovative leadership show that 16 pairs of observable variables have the same direction correlation with statistical significance level of 0.01 (a positive correlation coefficient). The degree of correlation ranges from 0.243 to 0.543 with medium correlation for five pairs ($0.40 < r < 0.60$) and with relatively low correlation for 11 pairs ($0.40 < r < 0.60$). Variables with the highest degree of correlation are market culture and roles ($r = 0.543$), while variables with the lowest degree of correlation are hierarchy and roles ($r = 0.243$).

In summary, the correlation among all observable variables of the same latent variables groups and different latent variables groups have the same direction

correlation with a statistical significance level of 0.01 (a positive correlation coefficient). Most degrees of correlation are relatively low ($0.40 < r < 0.60$).

To confirm the identity matrix of correlation matrix, the statistical calculation of hypothesis utilizes Bartlett's Test of Sphericity. Statistic of 1045.578, degrees of freedom of 105, and p of .000 indicate that the correlation matrix of all observable variables of the sample differs from the identity matrix with a statistical significance level of 0.01. According to factor analysis technique, Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO), the near 1 index demonstrates data appropriateness for analysis. Since the KMO of this study is 0.713, correlation matrix among all observable variables of the causal model of innovative leadership that affects organizational culture, strategy, and organizational performance of the medium enterprises is appropriate for LISREL Model analysis, as shown in the Table 4.5.

Table 4.5 Correlation Coefficient among Observable Variables in the Study (n=303)

	Economic	Process	Product	Analysis	Formula	Implement	Evaluation	Adho	Clan	Hier	Market	Skill	Personal	Social	Role
Economic	1.000														
Process	.354**	1.000													
Product	.431**	.427**	1.000												
Analysis	.248**	.307**	.338**	1.000											
Formula	.422**	.313**	.232**	.402**	1.000										
Implement	.306**	.315**	.397**	.368**	.431**	1.000									
Evaluation	.506**	.335**	.425**	.383**	.405**	.385**	1.000								
Adho	.446**	.315**	.348**	.269**	.307**	.232**	.317**	1.000							
Clan	.432**	.247**	.444**	.324**	.259**	.207**	.225**	.467**	1.000						
Hier	.438**	.385**	.299**	.250**	.238**	.307**	.415**	.432**	.336**	1.000					
Market	.317**	.345**	.405**	.390**	.399**	.391**	.497**	.473**	.305**	.415**	1.000				
Skill	.450**	.255**	.371**	.330**	.233**	.313**	.360**	.462**	.263**	.289**	.437**	1.000			
Personal	.487**	.351**	.419**	.295**	.324**	.392**	.281**	.286**	.411**	.286**	.396**	.445**	1.000		
Social	.441**	.349**	.248**	.371**	.368**	.487**	.349**	.344**	.256**	.244**	.256**	.313**	.686**	1.000	
Role	.419**	.464**	.212**	.308**	.487**	.494**	.378**	.363**	.478**	.243**	.543**	.344**	.617**	.370**	1.000
\bar{x}	4.959	4.975	5.069	4.902	4.769	4.818	4.926	4.845	4.792	4.980	4.821	4.890	4.947	4.826	5.008
S.D.	0.428	0.458	0.426	0.439	0.431	0.548	0.488	0.422	0.398	0.367	0.428	0.533	0.392	0.401	0.394

Kaiser-Meyer-Olkin Measure of Sampling Adequacy = .713 , Bartlett's Test of Sphericity Approx. Chi-Square = 1045.578, df = 105, p = .000

Note: *p <.05 , ** p < .01

4.2.3 Analysis of the Consistency of the Causal Model of the Innovative Leadership that Affects Organizational Culture, Strategy, and Organizational Performance of the Medium Enterprises, Which has been Developed with Empirical Data

Data analysis results in this part are from the LISREL Model. The objective is to determine a theoretical hypothesis of a causal relationship model of innovative leadership that affects organizational culture, strategy, and organizational performance of the medium enterprises with empirical data developed by the researcher.

The consistency of the model according to the research conceptual framework has been examined by the researcher. Three endogenous variables consist of organizational culture, strategy, and organizational performance. One exogenous variable comprises innovative leadership. Fifteen observable variables are used in the data analysis. The details are as outlined below.

Results from the causal relationship model test of the innovative leadership that affects organizational culture, strategy, and organizational performance of the medium enterprises according to the theoretical hypothesis proposed from empirical data by the researcher indicate the model's inconsistency with empirical data. Results are Chi-Square Goodness of Fit Index (χ^2) of 314.94, degrees of freedom (df) of 84, probability (p) of .000, Goodness of Fit Index (GFI) of 0.880, Adjusted Goodness of Fit Index (AGFI) of 0.830, and Root of Mean Square Residuals (RMR) of 0.017.

From the analysis results, the researcher then adjusts the casual model of innovative leadership that affects organizational culture, strategy, and organizational performance of the medium enterprises to allow errors to be consistent by employing modification indices. After modification, results of the casual model of innovative leadership that affects organizational culture, strategy, and organizational performance of the medium enterprises are consistent with the empirical data. Details of the data analysis are shown in Table 4.6.

Data analysis in Table 4.6 shows statistics used to test the correlation of the model and empirical data. The Chi-Square Goodness of Fit Index (χ^2) is equal to 51.88, degrees of freedom (df) is equal to 48, and probability (p) is equal to 0.325. That is to say, the Chi-square insignificantly differs from zero. It signifies that the hypothesis for

the developed causal model of innovative leadership that affects organizational culture, strategy, and organizational performance of the medium enterprises is consistent with the empirical data, as the Goodness of Fit Index (GFI) is equal to 0.98, the Adjusted Goodness of Fit Index (AGFI) is equal to 0.94, and the Root of Mean Square Residuals (RMR) is equal to 0.006.

Observable variables indicate reliability between 0.43 and 0.62. The personality of innovative leadership has the highest reliability of 0.62, followed by strategic control and evaluation with reliability of 0.61, product of 0.58, economic performance of 0.57, market culture of 0.57, social characteristics of 0.54, strategic formulation of 0.54, strategic analysis of 0.53, roles of 0.52, skills of 0.51, adhocracy culture of 0.51, clan culture of 0.49, process performance of 0.48, and strategic implementation of 0.47, respectively. While hierarchy culture has the lowest reliability of 0.43.

Coefficient of determination (R-Square) of the Structural Equation Modeling of organizational culture variable equals 0.46, indicating that the model variable like innovative leadership can explain the variance of organizational culture variables for 46 percent. The coefficient of determination of the Structural Equation Modeling of organizational strategy variables equals 0.65, indicating that model variables like innovative leadership and organizational culture can explain the variance of organizational strategy variables for 65 percent. Lastly, the coefficient of determination of the Structural Equation Modeling of organizational performance variables equals 0.84, indicating that model variables like innovative leadership, organizational culture, and organizational strategy can explain the variance of organizational performance variables for 84 percent.

1) Direct Effect

Organizational performance variables receive a direct effect with a statistical significance of 0.01 from innovative leadership, organizational culture, and organizational strategy variables with the effect size of 0.37, 0.34, and 0.46, respectively. This indicates that leaders of medium enterprises with vision, abilities to mobilize people for new ideas or means of work and to build good atmosphere in the workplace, emotional maturity, and real-life situations problem-solving capability will render better organizational performance. And, if the medium enterprises possess

organizational values that respond well to the organization's environment, change readiness, teamwork focus, regulations and policies definition fit, and answer to operational goal achievement, they will render better organizational performance. Moreover, if the medium enterprises have strategic fit; analysis of the environment to identify strengths, weaknesses, opportunities, and threats for strategic formulation and organization direction; the right strategic implementation; and continued strategic evaluation, they will render better organizational performance. This corresponds to hypotheses 3 and 5-6 that innovative leadership, organizational culture, and organizational strategy have direct effect on organizational performance.

Organizational strategy variables receive direct effect with statistical significance of 0.01 from innovative leadership and organizational culture variables with the effect size of 0.72 and 0.66, respectively. This indicates that leaders of medium enterprises with vision, abilities to mobilize people for new ideas or means of work and to build good atmosphere in the workplace, emotional maturity, and real-life situations problem-solving capability will render better organizational strategy formulation. Moreover, if the medium enterprises possess organizational values that respond well to the organization environment, change readiness, teamwork focus, regulations and policies definition fit, and answer to operational goal achievement, they will render better organizational strategy formulation. This corresponds to hypotheses 2 and 4 that innovative leadership and organizational culture have a direct effect on organizational strategy formulation.

Organizational culture variables receive direct effect with statistical significance of 0.01 from innovative leadership variable with the effect size of 0.75. This indicates that leader of medium enterprises with vision, abilities to mobilize people for new ideas or means of work and to build good atmosphere in the workplace, emotional maturity, and real-life situations problem solving capability will render organizational culture or values suitable for the organization. This corresponds to hypothesis 1 that innovative leadership has a direct effect on organizational culture.

2) Indirect Effect

Organizational performance variables receive indirect effect with a statistical significance of 0.01 from innovative leadership through organizational culture and organizational strategy variables with the effect size of 0.39. This corresponds to

hypotheses 7 and 8 that innovative leadership has indirect effect on organizational performance through organizational culture and organizational strategy.

Organizational performance variables receive indirect effect with a statistical significance of 0.01 from organizational culture through organizational strategy variables with the effect size of 0.23. This corresponds to hypothesis 9 that organizational culture has an indirect effect on organizational performance through organizational strategy.

3) Total Effect

Total effect on organizational performance variables shows a statistical significance of 0.01 from innovative leadership, organizational culture, and organizational strategy variables with the effect size of 0.76, 0.57 and 0.46, respectively. Total effect on organizational strategy variables shows a statistical significance of 0.01 from innovative leadership and organizational culture variables with the effect size of 0.72 and 0.66, respectively. Total effect on organizational culture variables shows a statistical significance of 0.01 from innovative leadership with the effect size of 0.75.

The correlation matrix among latent variables reveals correlation coefficient between 0.74 and 0.81. All pairs of variables have the same direction correlation (a positive correlation coefficient). Variables with the highest correlation coefficient of 0.81 are innovative leadership and organizational performance. This indicates that management's innovative leadership aspects such as skills, personality, social characteristics, and roles will enhance organizational performance. Variables with lower correlation coefficient of 0.80 are innovative leadership and organizational culture. This indicates that increasing level of innovative leadership will result in good organizational values, which can be passed on to new members of organization. And variables with the lowest correlation coefficient of 0.74 are organizational culture and organizational performance. Details of analysis are shown in Table 4.6 and Figure 4.1.

Table 4.6 Statistic Results of Correlation Analysis of Latent Variables and Effect Analysis of the Causal Analysis Model of Innovative Leadership that Affects Organizational Culture, Strategy, and Organizational Performance of the Medium Enterprises

Statistic

$\chi^2 = 51.880$, $p = 0.325$, $df = 48$, $GFI = 0.980$, $AGFI = 0.940$, $RMR = 0.006$

Effect Size from Cause Variables to Effect Variables

Effect Variables	CUL			ST			OP		
	TE	IE	DE	TE	IE	DE	TE	IE	DE
IL	0.75** (0.13)	-	0.75** (0.13)	0.72** (0.11)	0.32** (0.15)	0.40** (0.10)	0.76** (0.18)	0.39** (0.14)	0.37** (0.12)
CUL	-	-	-	0.66** (0.12)	-	0.66** (0.12)	0.57** (0.14)	0.23** (0.08)	0.34** (0.13)
ST	-	-	-	-	-	-	0.46** (0.15)	-	0.46** (0.15)

Coefficient of Determination

Variables	CUL	ST	OP
R ²	0.46	0.65	0.84

Reliability

Variables	Skill	Personal	Social	Role	Adho	Clan	Hier	Market	Analysis
Reliability	0.51	0.62	0.54	0.52	0.51	0.49	0.43	0.57	0.53
Variables	Formula	Implement	Evaluation	Economic	Process	Product			
Reliability	0.54	0.47	0.61	0.57	0.48	0.58			

Correlation Matrix among Latent Variables

	OP	ST	CUL	IL
OP	1.000			
ST	0.786**	1.000		
CUL	0.743**	0.769**	1.000	
IL	0.815**	0.794**	0.801**	1.000

Note: * $p < .05$, ** $p < .01$

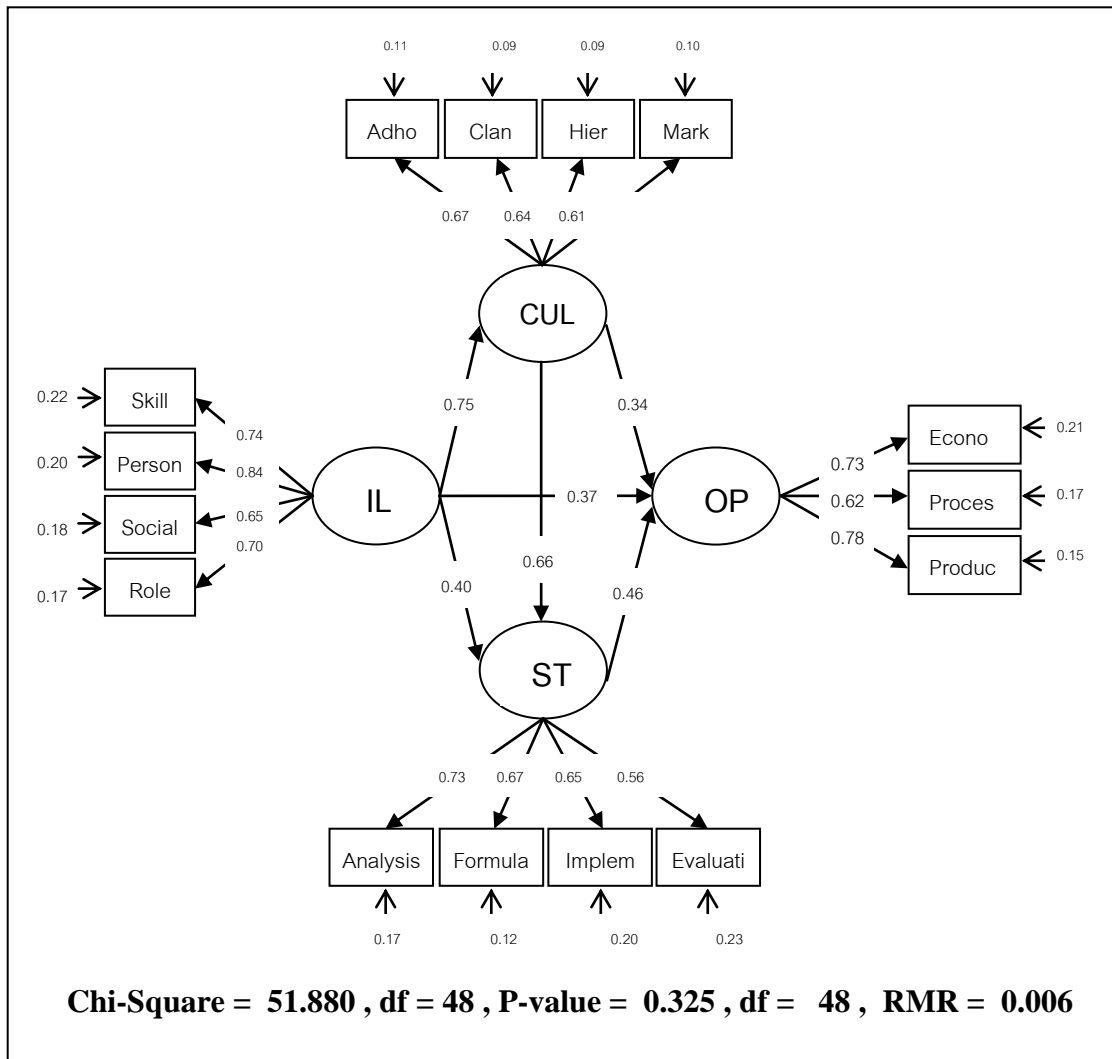


Figure 4.1 Causal Analysis Model of Innovative Leadership that Affects Organizational Culture, Strategy, and Organizational Performance of the Medium Enterprises.

Table 4.7 summarizes testing of the defined hypotheses, in which nine hypotheses are supported.

Table 4.7 Hypothesis Test Result Summary

Hypothesis	Result
Variables with Direct Effect	
H1 : Innovative leadership has a direct effect on organizational culture	Support
H2 : Innovative leadership has a direct effect on organizational strategy	Support
H3: Innovative leadership has a direct effect on organizational performance	Support
H4 : Organizational culture has a direct effect on organizational strategy	Support
H5: Organizational culture has a direct effect on organizational performance	Support
H6 : Strategic fit has a direct effect on organizational performance	Support
Variables with Indirect Effect	
H7: Innovative leadership has an indirect effect on organizational performance through organizational culture	Support
H8: Innovative leadership has an indirect effect on organizational performance through organizational strategy	Support
H9: Organizational culture has an indirect effect on organizational performance through organizational strategy	Support

4.3 Qualitative Data analysis

Analysis results in this section are used to strengthen the description of quantitative research findings and to understand the in-depth reasons about connection among variables affecting better organizational performance. Details of the qualitative data analysis are as follows:

4.3.1 Key informants' Basic Information

The key informants are three executives from the medium enterprises. The following includes their basic information, along with general information about the organization.

1) Retail and Wholesale

Name of Key Informant	Mr. Ukit Tangchitcharoen
Title	General Manager (heir of business)
Name of Company	P Kijisiri Furnishing Company Limited
Address	99 Moo 6, Khlong Si, Khlong Luang District, Pathum Thani
Year of Founding	1991
Number of Employees	170 People
Business Segment	Retail and wholesale sales of wooden furniture (table, bed, cabinet, shelve, and all wooden furniture). Manufacturer and assembly of made-to-order wooden furniture

2) Service

Name of Key Informant	Mr. Santi Promsorn
Title	Managing Director
Name of Company	ST Rizing Company Limited
Address	888/102 Moo 19, Bangplee-Tamru Road, Bangpleeyai, Bangplee District, Samut Prakan
Year of Founding	2001
Number of Employees	50 People
Business Segment	Rustproof metal plating service (manganese phosphate coating, rustproof plating, phosphate coating, chromate coating, lubricating before stamping) industrial grease cleaning products, zinc phosphate coating for steel, stainless steel, aluminum, plastic, etc., and chemical formula mixing

3) Manufacturing

Name of Key Informant	Mr. Pichet Charoenkit
Title	Managing Director
Name of Company	Ekawat (1994) Company Limited
Address	146 Moo 2, Phetkasem Road, Sa Krathiam, Muang District, Nakhon Pathom

Year of Founding	1974
Number of Employees	200 People
Business Segment	Chassis assembly, design, repair, modification, improvement and sale of air-conditioners, fans, and electric powered buses, mobile medical vehicles (such as X-ray, dental, and blood donation, as well as ambulances), multi-purpose mobile vehicles (such as ATM, library, stage, office, recreational vehicles, toilets)

4.3.2 Results of the Interview

Results of the interviews based on the hypotheses are concluded in line with quantitative findings by the researcher, as follows:

Hypotheses 1-3 Innovative leadership has a direct effect on organizational culture, organizational strategy, and organizational performance.

Results from quantitative research support hypotheses that innovative leadership has a positive effect on organizational culture, organizational strategy, and organizational performance. They also correspond to the interviews, of which three interviewees regard innovative leadership as being vital for organizational values creation. Good management should act as a role model for the members of an organization. They must be ready for rapid environmental changes, able to convey operating ideas/approaches in order to attain the defined target, and to create a good working atmosphere. They must focus on teamwork and understand organizational environment contexts so that they can make decisions for organization plan or strategy serving customer demands. They must perceive strengths, weaknesses, opportunities, and threats of the organization in order to properly plan for operation and effective strategies. Moreover, they must constantly assess their organizational operation and better adjust their strategies to fulfill customer satisfaction. An organization has better organizational performance as a result. Table 4.8 shows the interview results.

Table 4.8 Interview Results on “Innovative Leadership Has a Direct Effect on Organizational Culture, Organizational Strategy, and Organizational Performance”

Business Segment	Reason
Retail and Wholesale	<p>Management prepared for all circumstances will render good performance for the company and be a good model for the employees. Our company follows customer's orders. We mostly focus on wholesale rather than retail, which includes dormitories and establishments in the country. We export to the United States of America and France. If we can be a leader in wooden furniture business, we will experience better organizational performance. We have analyzed market demand trends and tracked innovation or modern or exotic products to meet the needs of customers, which helps to motivate their buying decisions. We have worked with other companies like our suppliers in order to reduce product costs, which has resulted in more profits.</p>
Service	<p>I agree that management is critical to the survival or failure of an organization. I, myself, try to create a brotherhood working atmosphere. We communicate among all departments. We allow employees to learn new ideas via internal training and external seminars (training courses on chemical mixing, coating and plating techniques). I also attend courses to always improve my knowledge about product development and differentiation so that we can compete with other companies. Because technology changes so fast today, we must keep up and be prepared for anything that might happen. We must analyze the situation to properly plan every year and always adjust our strategies in order to provide products and services that meet customer demands and our highest quality standards.</p>

Table 4.8 (Continued)

Business Segment	Reason
Manufacturing	I give priority to product differentiation because our products are sold in niche markets, such as mobile ATM and mobile dental vehicles. Products that meet customer demand and customer satisfaction will result in more purchases from them, hence better organizational performance. Right now we are looking for export market expansion for both buses and medical vehicles; for instance, to the African nations. On my business trip there, I noticed that the bus market is still growing and the demand is high. We need to study the possibilities and opportunities of doing business there. What are the restrictions and obstacles? How are the competitors doing? To make products that meet the needs of customers, I encourage employee's skill development and more vehicle designs. For creativity development, training courses both inside and outside company are provided for staff because innovation brings better performance.

Hypotheses 7 and 8 Innovative leadership has an indirect effect on organizational performance through organizational culture and organizational strategy

Results from quantitative research support hypotheses that innovative leadership has an indirect effect on organizational performance through organizational culture and organizational strategy. They also correspond to the interviews of which three interviewees regard innovative leadership as vital for organizational values creation. Management should promote knowledge and competency development for employee and provide them the opportunities for work collaboration and unity development. They must be ready for rapid environment changes as well as able to convey operating ideas/approaches in order to attain the defined target. They must focus on customers' needs in order to provide products and services to best serve the customers. Organizational values on openness facilitate all functions to work toward

identification of organization's strengths, weaknesses, opportunities, and threats so that organization can decide on proper operation plans and effective strategies to answer customers' demands and to increase its market share. Moreover, they must constantly assess their organizational operation and better adjust their strategies to fulfill customer satisfaction. Organization then has better organizational performance as a result. Table 4.9 shows the interview results.

Table 4.9 Interview Results on “Innovative Leadership Has an Indirect Effect on Organizational Performance through Organizational Culture and Organizational Strategy”

Business Segment	Reason
Retail and Wholesale	Management is the core for organization's operation toward performance. I encourage employees to pay attention to products and services, focus on quality, effective freight, and new products development to better meet the needs of customers, which prompt them to always buy our products. Employees are motivated to actively work. Function heads plan their operations together through analysis of environments such as market demand trends, related laws, government policies, competitor status, technology, and innovation. Results will be adapted to fit our organization, which will help us to perform better.
Service	We work as we are brothers and sisters. We talk and consult among us in all departments. Employees are allowed to give their opinions. However, I believe that management is still important to shape an organization's aims such as a profit driven, reputation and innovation focus. I myself in this initial stage, focus on creating a learning organization. We provide trainings and seminars for the employees so that they can learn something new. Research and development continue in order to bring knowledge into product

Table 4.9 (Continued)

Business Segment	Reason
Manufacturing	<p>improvement and differentiation. This aims at our ability to compete with others. So our organizational performance will be better. Upon the team having enough knowledge, I will then focus on marketing plan and channels to reach more customers. Our team analyzes the situations to facilitate good working plans so we can provide products and services that meet customer demands and our highest quality standards. That will result in better organizational performance.</p> <p>I encourage employees to develop creativity, workmanship, and design. Most employees can propose their ideas on design or vehicle model production and they can do it without reluctance. I always provide staff training on new production technique too. Because innovation brings us better organizational performance. I give priority to product differentiation since our products are sold in niche markets. Making products that meet customer demand will result in better organizational performance. Besides, we are the only company in Thailand that builds prototypes making us better off than our competitors. However, we have never ceased self-improvement. We analyze market and consumers demands all the time in order to make products that best meet the needs of customers.</p>

Hypotheses 4 and 5 Organizational culture has a direct effect on organizational strategy and organizational performance

Results from quantitative research support hypotheses that organizational culture has a positive effect on organizational strategy and organizational performance. They also correspond to the interviews of which three interviewees regard organizational culture as vital for organizational strategy formulation. Because

organizational values stand for organizations' identity on how they operate, i.e. focus on knowledge development, earnings, or adaptation on environment changes. This facilitates the annual business plan. Both internal and external organizational environment analyses are performed to support the right organization's active and passive strategy formulation. Project in line with organizational values will result in better organizational performance as shown in Table 4.10.

Table 4.10 Interview Results on "Organizational Culture Has a Direct Effect on Organizational Strategy and Organizational Performance"

Business Segment	Reason
Retail and Wholesale	Mostly, my organization deals with foreign countries like the USA (80%), France (10%) on wholesale. Our products are made to order. We must maximize our product development and novelty. Products must be protected during international freights and arrived on time. Employees coordinate well so that we can deliver our products to the customers on schedule. Each unit is involved in organization development planning, market expansion, and product offering. This results in the company's product and service quality recognition from customers, which in turn renders better organizational performance.
Service	We work as if we are brothers and sisters. We talk and consult amongst each other in all departments. Employees are allowed to give their opinions. We provide training and seminars for the employees so that they can learn something new. Research and development continues in order to bring knowledge into product improvement. So, our organizational performance will be better. Once the team has enough knowledge, I will then focus on the marketing plan and channels to reach more customers. Our team analyzes the situations to facilitate good working plans so we can provide products and services that meet customer demands and our highest quality standards. This results in better organizational performance.

Table 4.10 (Continued)

Business Segment	Reason
Manufacturing	Our organization focuses on customer satisfaction. Employees honor and respect each other. All departments must follow standards, work as a team, share and exchange knowledge, as well as communicate within. Action plans work through brainstorming and employees' opinions count. Evaluations are constantly performed to ensure product development and after-sales service, which makes our performance better.

Hypothesis 9 Organizational culture has an indirect effect on organizational performance through organizational strategy.

Results from quantitative research support hypothesis that organizational culture has a positive effect on organizational performance through organizational strategy. They also correspond to the interviews, of which three interviewees regard organizational culture as being vital for organizational performance. Organizational values are important features on business plan formation and that the identification of organization's internal factors such as strengths and weaknesses must be accessed and improved before evaluating external organizational environments like changes in government policies, economic conditions, market demand trends, and technologies. Such factors help to understand how they can be opportunities or threats for organization development. Organizations can then create an effective business strategic plan to answer product and service development, as well as customer satisfaction. This results in smooth operation. as well as better product and service quality development and organizational performance. Table 4.11 shows the interview results.

Table 4.11 Interview Results on “Organizational Culture Has an Indirect Effect on Organizational Performance through Organizational Strategy”

Business Segment	Reason
Retail and Wholesale	Our company survives because we focus on product and service quality development, which results in the company being recurrently accepted by the customers. The company analyzes foreign market trends, exchange rates, and tax limitations, etc. since they affect organizational performance. We also need to develop innovative products that are safe to use. Products must be protected during international shipping and arrive on time. Each unit will be involved in analysis, organization development planning, market expansion, and product offering in order to accomplish proper business planning, which in turn renders better organizational performance.
Service	Our organization focuses on employees’ courtesy on work. We talk and consult among us in all departments. Employees are allowed to give their opinions. Research and development continue in order to bring knowledge into product improvement. Our team analyzes strengths like our home metal plating service, knowledge sharing for those interested, and product demonstration at trade shows. Our weaknesses, like an insufficient workforce, results in business networks establishment with third parties in order to expand our market and make customer access easier. We can address customer demands and provide products and services that meet our quality standards. That will result in better organizational performance.
Manufacturing	We focus on customer needs. All departments must follow standards, work as a team, share and exchange knowledge, as well as communicate within. Action plans, product costs analysis, and popular usable innovations work through brainstorming answering customer demands. Analyses on domestic and international markets opportunities are carried out in order to expand our business. Evaluations are constantly performed to ensure product development and after-sales service, which makes our performance better.

Hypothesis 6 Strategic fit has a direct effect on organizational performance

Results from quantitative research support the hypothesis that organizational strategy has a positive effect on organizational performance. They also correspond to the interviews, of which three interviewees regard organizational strategy as being vital for organizational performance. An organization employing self-assessment on both internal and external organizational environments for business plan and organizational strategy formulations through real organization's contexts analysis and collaboration will have smooth business operations and the ability to timely solve problems. Business plan and organizational strategy assessments also make an organization aware of its advantages and disadvantages on implementation of the plan. Modified strategy fully aligned with the organization and environment will render better organizational performance in terms of production and service, work processes, as well as sales, as indicated in Table 4.12.

Table 4.12 Interview Results on “Strategic Fit has a Direct Effect on Organizational Performance”

Business Segment	Reason
Retail and Wholesale	The company uses business operation data from previous years to analyze and plan for operations in the following years. Analyses include economic trends, exchange rates, tax limitations, and market demand trends. We then examine our strengths. We are superior in the wooden furniture trade. With focus on quality, swiftness, and after-sales services, we can use these strengths as incentives for more orders from customers. Each unit will be involved in analysis, business plan formation, and market expansion in order to accomplish proper business planning, which in turn renders better organizational performance and continued market expansion trend.

Table 4.12 (Continued)

Business Segment	Reason
Service	<p>During the company's initial stage, I did not pay attention to business strategy much. I focused on learning organization development. When the business trends looked promising, we started to expand our organization. We have specialized functions that cooperate on business plan formation through analysis of strengths, such as our home metal plating service. We have built business networks connection with third parties in order to expand our market and make customer access easier. We can address customer demands and provide quality products and services. We have survived even during the economic downturn because we have research and development on a new body of knowledge, which differentiates our service from other organizations. That will result in better organizational performance.</p>
Manufacturing	<p>Our organization works as a team. We exchange ideas on action plans through brainstorming. Analyses on domestic and international markets opportunities are carried out in order to expand our business. We study restrictions that affect us; for example, copyrights and taxes. Product costs and employee production potential analyses answer customer demand. Evaluations are constantly performed to ensure product development and after-sales service. Data analysis is used for annual business plan formation. The draft plan sometimes gets revised quarterly to satisfy economic conditions and customer needs. That improves our performance.</p>

CHAPTER 5

CONCLUSION DISCUSSION AND RECOMMENDATION

The three research objectives associated with this causal relationship study include: first, to study the level of innovative leadership and organizational performance of the medium enterprises. Second, to study the relationship among innovative leadership, organizational culture, and strategy that affect organizational performance of the medium enterprises. And the third objective is to establish and validate the consistency of the causal model of the innovative leadership that affects organizational culture, strategy, and organizational performance of the medium enterprises, which has been developed with empirical data. Two research methodologies used as a mix method include: 1) a quantitative research method using questionnaires as data collection, and 2) a qualitative research method using in-depth interviews as data collection, which is intended for phenomenon study and the data acquired helps to explain the quantitative findings better.

The population used in this study comprises 13,924 medium enterprises classified into three business segments: (1) retail and wholesale, (2) service, and (3) manufacturing, which are listed in the Office of Small and Medium Enterprises Promotion database (Office of Small and Medium Enterprises Promotion, 2012). Samples in the study consist of medium enterprises in three business segments, i.e. (1) 111 retail and wholesale businesses, (2) 204 service businesses, and (3) 231 manufacturing businesses. Multi-stage sampling is employed in this study. The unit of analysis is at the organizational level for a total number of 920 organizations. However, 303 questionnaires, or 32.93 percent of the samples of medium enterprises, are returned comprising (1) 61 enterprises of retail and wholesale business, (2) 103 enterprises of service business, and (3) 139 enterprises of manufacturing business.

Researched variables include four latent variables and fifteen observable variables. They can be classified into three endogenous variables, i.e. 1) organizational

performance measured by three observable variables, such as economic performance, process performance, and product performance, 2) organizational culture measured by four observable variables, such as adhocracy culture, clan culture, hierarchy culture, and market culture, and 3) organizational strategy measured by four observable variables, such as strategic analysis, strategic formulation, strategic implementation, and strategic control and evaluation. One exogenous variable is innovative leadership measured by four observable variables: skills, personality, social characteristics, and roles.

Questionnaire is employed as data collection tool in the research. Questionnaire for the management of organization has been designed from related documents and research by the researcher, which consists of three parts. First part involves respondent's basic information. Second part contains questions on factors related to organizational performance. And third part consists of questions on organizational performance. In-depth interviews are employed for phenomenon study and data acquired is used to affirm quantitative findings.

Data analysis in this research comprises two parts. First part involves results of basic statistical data analysis for the researched variables, which are basic data analysis on the samples and organization basic information as well as analyses of basic statistical data performed on observable variables in this study. Second part implicates data analysis for research objectives. Analyses on the level of innovative leadership and organizational performance of the medium enterprises, on the relationship among innovative leadership, organizational culture, and strategy that affect organizational performance of the medium enterprises, and on consistency of the causal model of the innovative leadership that affects organizational culture, strategy, and organizational performance of the medium enterprises developed with empirical data.

5.1 Conclusion

5.1.1 Results of Basic Statistical Data Analysis for the Researched Variables

1) Basic Data Analysis on the Samples and Organization Basic Information

Basic data analysis on the samples indicates that the majority of respondents are males, are 41-50 years of age, have master's degree, have worked for more than 15 years, and are assuming the title of vice president.

Basic data analysis on organization basic information indicates that the majority of medium enterprises samples are manufacturing business segment, have fixed assets value of 101-150 million baht, have 101-150 employees, and have been in operation for 11-15 years.

2) Analysis of Basic Statistical Data Performed on Observable Variables

Analysis of basic statistical data performed on observable variables in this model study indicates that 1) mean of level of organizational performance in three variables, i.e. economic performance, process performance, and product performance is high. 2) Mean of organizational culture in four variables, i.e. adhocracy culture, clan culture, hierarchy culture, and market culture is high. 3) Mean of level of organizational strategy ability in four variables, i.e. strategic analysis, strategic formulation, strategic implementation, and strategic control and evaluation is high. And 4) mean of level of innovative leadership in four variables, i.e. skills, personality, social characteristics, and roles is high.

Data distribution for each variable does not differ much. Six variables have left skewed data distribution (negative skewness). Nine variables have right skewed data distribution (positive skewness). And the kurtosis are near normal distribution (kurtosis are close to 0).

5.1.2 Data Analysis for Research Objectives

1) Analysis on the Level of Innovative Leadership and Organizational Performance of the Medium Enterprises

The analysis indicates that the level of innovative leadership of the medium enterprises is high. Roles of innovative leadership has the highest mean, followed by personality, skills, and social characteristics, respectively. Consideration the level of innovative leadership by business segment yields that retail and wholesale has the highest mean, followed by service, and manufacturing, respectively.

The level of organizational performance of the medium enterprises is high. Product of organizational performance has the highest mean, followed by process performance and economic performance, respectively. Consideration the level of innovative leadership by business segment yields that retail and wholesale has the highest mean, followed by manufacturing, and service, respectively.

2) Analysis on the Relationship Among Innovative Leadership, Organizational Culture, and Strategy that Affect Organizational Performance of the Medium Enterprises

The analysis on the relationship among researched variables indicates that the correlation coefficients of all pairs of variables are positive. And the degree of correlation ranges from 0.205 to 0.686. Variables with the highest degree of correlation are innovative leadership on personality and social characteristics, while variables with the lowest degree of correlation are strategic implementation and clan culture.

3) Analysis of Consistency of the Causal Model of Innovative Leadership that Affects Organizational Culture, Strategy, and Organizational Performance of the Medium Enterprises Developed with Empirical Data

The analysis indicates that the developed causal model of innovative leadership that affects organizational culture, strategy, and organizational performance of the medium enterprises is consistent with empirical data.

Variables with the highest direct effect on organizational performance are organizational strategy, followed by innovative leadership and organizational culture, respectively.

Variables with the highest indirect effect on organizational performance are innovative leadership through organizational culture and organizational strategy, followed by indirect effect on organizational culture through organizational strategy variables.

Variables with the highest total effect on organizational performance are innovative leadership, followed by organizational culture and organizational strategy, respectively.

5.2 Discussion

The following discussion on research findings employs quantitative data analysis from questionnaires together with qualitative analysis from in-depth interviews. The researcher divides this discussion into two sections, as follows.

5.2.1 Levels of Innovative Leadership and Organizational Performance

1) Levels of Innovative Leadership

Findings indicate that the level of innovative leadership of the medium enterprises is high in all aspects. The mean value of innovative leadership on roles is the highest among all, which is probably due to organization management as a thoughtful leader and role model for the employees. According to Hall (1991), working atmosphere, employees' work support and encouragement, reward by performance, and management attributes are vital to the success or failure of the organization. Management that realizes the scope of responsibility will be able to command followers on assignments, make them aware of their roles, as well as understand the department's goals and policies, which will lead to business plan formation in line with the organization's status and environment. This effectively enables the organization to achieve its defined goals, according to a study by Carmeli et al. (2010). The high level of innovative leadership facilitates management's ability on business strategic fit formulation rendering an effective organizational performance development on finance, production, and an organization's internal process.

Comparison on the mean value of innovative leadership by business segment yields that retail and wholesale has the highest mean. This is probably due to the impact from economic situations in the recent years like price wars, competitors, and quality of products and services. Thus, an essential attribute for management capable of sustainable driving the organization, according to a study by Sen and Erena (2012), is innovative leadership. The large-scale predicaments such as hunger, health, poverty, unemployment, lack of independence and freedom, inequality, terrorism and wars, as well as population growth and environmental destruction cannot be fixed within a short period of time. Ample time and the right solutions are required for innovative leaders with high multi-disciplined knowledge, problem solving and long-

term planning skills to tackle the problems for a sustainable organization or society. Accessibility on complex problems or opportunities and new approaches to operations can respond to situations (Weiss and Legrand, 2011). Efficient leaders must adapt their behavior and style to fit the team, situation, and working environment that affects department development, such as economic pressures, changes in the information age, technological development, social demands, business competition, as well as political policies and social trends. To attain its goals, a successful organization certainly depends on its leaders' ability to utilize resources wisely. Therefore, efficient leadership will be able to manage and consolidate the power of organization members, as well as convince them to work together towards organizational goals (Hersey, Blanchard and Johnson, 1996).

2) Level of Organizational Performance

Findings indicate that the level of organizational performance of the medium enterprises is high. The mean value of organizational performance on products is the highest among all, which is probably due to organization management's focus on quality and innovation of products and services responding to customer needs. These are organization strengths earning customers' confidence on quality standard of the products and services that meets their own needs and encourages them to repeat purchases. Today, organizations concentrate on the development of knowledge and skills for staffs so that they can apply the knowledge for product and service development and differentiation. This aims at its ability to compete with other organizations and to increase its market share. This is consistent with a study by Terziovski and Samson (1999) that indicated the ground of success of an organization derives from the quality of product and service development and improvement of small and medium enterprises.

Comparison on mean of organizational performance by business segment yields that retail and wholesale has the highest mean value. This is probably due to the realization of quality of product and service, as well as safe and timely transportation of goods to the customers. In 2013, the growth rate of medium enterprises exports declined from 2012. An organization needs to adapt in order to survive the economic recession. It must develop a body of knowledge, technology, and innovation related to product and service in order to enhance organizational performance. A research by

Burton et al. (2004) agreed that organizations that change structures, policies, resources, operations, and activities responding to environment emphasize their competitiveness potential to raise organizational performance. It is evident that retail and wholesale business utilizes communication technology with customers; for example, computer programs, social network, or online product orders to facilitate customers' convenience by adding more ordering channels. Evaluation, follow up, and after-sales service are carried out to ensure customers' trust and repeat orders.

5.2.2 Factors Affecting Organizational Performance

The findings indicate that innovative leadership has a positive effect on organizational performance of the medium enterprises. That is, with effective management, medium enterprises can operate and bring together the power of the organization members, as well as influence people to cooperate towards goals achievement. Organizations with conceived innovation can respond to situations (Weiss and Legrand, 2011). Knowledgeable, capable, and successful executives who are highly regarded by employees, investors, or customers can build confidence for concerned parties and lead the organization under rapidly changing environments. Visionary executives capable of mobilizing people for new ideas or ways of working, creating good atmosphere in the workplace, and solving real-life problems will result in better organizational performance, product and service quality development, and maximum work process efficiency realignment, which is in line with both internal and external organization perspectives. As suggested by Bowen et al. (2013), effective leadership highly affects profitability of the aviation business. Productivity and the quality of services are crucially managed with a focus on work system development, as well as profitability and sustainability of the organization. In other words, innovative leadership is a key mechanism in creating organizational values so employees have a common practice and means to transfer such values to the new members. Organizational values guide strategies formulation of which management must be able to pick the best ones to deploy for both the short-term and long-term. Stakeholders should be involved in accurate planning and evaluating the pros and cons of increasing the operational efficiency and effectiveness in order to find business opportunities in such a fierce competition, as is the case today, with an

awareness of factors both inside and outside of the organization. Any organization with strategic fit will develop an effective organizational performance including finance, production, and internal management (Carmeli et al., 2010).

Organizational culture has a positive effect on organizational performance. That is, medium enterprises with organizational values involving good response to the organizational environment, readiness to change, initiativeness, innovativeness on work process as well as product and service, teamwork orientation, collaboration between departments, proper regulation and work direction, work challenge promotion, along with success and self-improvement emphasis will be better off with organizational performance in terms of higher sales growth and market share. This is in accordance with a study by Gordon and DiTomaso (1992) that signifies strong organizational culture results in higher financial performance in later years of operation. Adaptability culture renders organizations to have better financial performance in subsequent years. The organizations are also recognized for their goods and services quality, customer satisfaction, and adopting new techniques for current products and services improvement and streamlining, as well as long-term planning. As we can see, organizational values today not only focus on one specific pattern of organizational culture, but a variety of organizational environments. For example, a chemical manufacturer has both clan and adhocracy cultures. It emphasizes a brotherhood working style in which management and staff are close and able to talk together about most topics. They cooperate in planning. In contrast, the organization also pays attention to adaptability. New techniques or ways beneficial to product development are studied. The organization aims at a learning organization and is always ready to change. Products differentiation can help the organization sustainably live on. This is consistent with research by Calori and Sarnin (1991) that found that strong culture has a positive correlation with organizational growth at a high level and the organization has higher profitability.

Organizational strategy formulation has a positive effect on organizational performance. That is, if medium enterprises have strategic fit; environment analysis on strengths, weaknesses, opportunities, and threats for strategic formulation and organizational direction; proper strategic implementation; and constant strategic evaluation, their organizational performance will be better. This is consistent with a

study by Carmeli and Tishler (2004) that found that an organization's success requires strategic fit utilizing market gap of demand, along with the advantages of a more flexible and ready structure in adapting to the rapidly changing environment. An organization must also be ready for change to facilitate the development and response to the external environment by adding new market channels and organization development. Modification of strategies fitting an organization will render organizational performance with respect to profit or failure. As pointed out by Sharma (2004), market strategic planning has a positive effect on return of assets, as well as an increase in consumer groups and domestic and overseas sales. It is obvious that an organization's strategic formulation in line with both internal and external perspectives of the organization will result in smooth operation and higher performance. As agreed by Carmeli et al. (2010), innovative leadership and strategic fit relate to organizational performance, in which innovative leadership has both direct and indirect effects on organizational performance through strategic fit. Innovative leadership is considered a key mechanism in creating strategic fit for the organization (Schneider, 2005, Carmeli and Tishler, 2004; Leavy, 2005; Bowen et al., 2013) through realization of both internal and external factors of the organization. Organizations with strategic fit will efficiently improve their organizational performance in terms of finance, production, and internal management.

5.3 Recommendations on the Application of Research Findings

The researcher would like to recommend using the results from the study of innovative leadership that affect organizational culture, strategy, and organizational performance of the medium enterprises on development of the medium enterprises, as follows.

5.3.1 Practical Recommendations

- 1) Results indicate that innovative leadership has an effect on higher level of organizational performance. Therefore, medium enterprises should focus on developing innovative leadership at both the management and employee level because innovative leadership in the medium enterprises may not be sufficiently defined. If an

organization's management and employees have developed innovative leadership, they will be able to drive people towards new ideas or ways of working that help better answer and solve the problems in the real situation and creates more innovation in the organization. An organization will have higher organizational performance as a result. Four aspects of leadership must be focused upon: 1) Skills refers to abilities to learn, encouragement of innovation, creativity, and transformation of idea into practice, 2) Personality represents open-mindedness, being a good listener, ethics, challenging, and changing orientation. 3) Social characteristics signify the ability to persuade, emotional maturity, social responsibility, and networking with people inside and outside the organization, and 4) Roles denote being an opinion leader, role model, creator of a good working atmosphere, and being an inspirer on working.

2) Results indicate that organizational culture has an effect on higher level of organizational performance. Therefore, medium enterprises should focus on developing of organizational values consistent with their perspectives. Four aspects of organizational culture must be focused upon: 1) adhocracy, 2) clan, 3) hierarchy, and 4) market. The results suggest that organizational values do not focus on one specific style of organizational culture, but various styles of values that answer organization environments. Values include readiness for change; creativity; innovation in work processes, products and services; teamwork orientation; collaboration between departments; proper regulation and work direction, work challenge for employees; and highlighting success and self-improvement. This leads to an increase in organizational performance.

3) Results indicate that strategic fit has an effect on a higher level of organizational performance. Therefore, medium enterprises should focus on developing organizational strategy, including marketing strategy, risk management, and manpower management. These effectively helps the internal management of the organization and results in higher organizational performance. Four aspects of organizational strategy must be focused upon: 1) strategic analysis, 2) strategic formulation, 3) strategic implementation, and 4) strategic control and evaluation, through realization of both internal and external factors of the organization. Organizations with strategic fit will efficiently improve their organizational performance in terms of finance, production, and internal management.

5.3.2 Recommendations on Policy

1) Relevant state and private agencies should promote medium enterprises development of entrepreneurship. Sustainable organization development can be supported via knowledge and business expertise development, training on information and business trend analysis, both in the short-term and long-term. This will ensure the organization's survival under rapidly changing circumstances.

2) Relevant state and private agencies should promote medium enterprises development on product and service quality starting from production knowledge development, new techniques, knowledge sharing on product differentiation innovation, utilization of wireless networks (such as online ordering and business transaction deals through computer), and accessibility for the customers, to add value for goods and services. This may include the building of a database for each business segment so that customers can find the data and easily access to the organization as an additional channel for goods and services offered from the enterprises.

3) Relevant state and private agencies should develop business networks in order to reduce the costs of goods and services. This also expands the market for the business and bargaining power for business networks.

5.3.3 Recommendations for Future Research

1) The causal model of innovative leadership that affects organizational culture, strategy, and organizational performance of the medium enterprises developed by the researcher is just the beginning of theoretical concept development. So, this causal model should be further developed and tested. This is due to more variables from related theories and research that the researcher employs in this study; for instance, competency for innovation and attainment of a learning organization so that the model can better clearly explain the phenomena related to innovative leadership and organizational performance.

2) The researcher examines only three business segments of the medium enterprises in this study. Thus, it does not cover large and small enterprises, as well as other retail businesses. The developed model should be tested with other samples in order to have accurate research findings that cover a broader population.

3) This is a cross-sectional study for the time period specified by the researcher. It may have some discrepancies. Therefore, longitudinal study is interesting because long-term studies may provide different results.

4) This research employs a data analysis technique using the LISREL program. Therefore, future studies should utilize a multilevel analysis technique in order to compare the results on staff and organization levels by using HLM data analysis (Hierarchical Linear Model)

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APPENDICES

APPENDIX A

List of the Expert Who Consider Content Validity of Questionnaire

1. Assoc. Prof. Dr. Boon-anan Phinaitrup
Graduate School of
Public Administration
National Institute of
Development Administration
2. Assoc. Prof. Dr. Chindalak Vadhanasindhu
Graduate School of
Public Administration
National Institute of
Development Administration
3. Assoc. Prof. Dr. Pairote Pathranarakul
Graduate School of
Public Administration
National Institute of
Development Administration
4. Assoc. Prof. Dr. Duangkamol Traiwichitkhun
Faculty of Education
Chulalongkorn University
5. Dr. Pannee Boonprakob
Behavioral Science
Research Institute
Srinakarinwirot University

APPENDIX B

Survey Questionnaire

Description

1. This questionnaire is a research tool used for acquiring the opinions of business owners, heirs, partners, or senior executives who are involved in policy making in the organization on innovative leadership, organizational strategy, organizational culture, and organizational performance.
2. This questionnaire consists of three parts as follows.

Part 1: General Information	9 Questions
Part 2: Factors Related to Organizational Performance	60 Questions
Part 3: Organizational Performance	15 Questions
3. For the most practical result, the researcher would like to ask the respondents to provide the answers that best described to their opinions. Please answer all questions. Your answers in this research will be used only for the dissertation. They will be kept strictly confidential.

The researcher would like to thank you for taking the time in answering the questions and for the courtesy on the information provided for organization development and future study.

Ms. kunnaree Thanomsuk (the researcher)
Doctor of Public Administration Student
National Institute of Development Administration (NIDA)
E-mail: kunna_ja@hotmail.com

Part 1: General Information**General Information of Respondent**

1. Gender Male Female
2. Age Less than 30 years old 30-40 years old
 41-50 years old 51-60 years old
 More than 60 years old
3. Education Below Undergraduate Bachelor degree or equivalent
 Master degree Post Graduate Degree
4. Work Tenure Less than 5 years 5-10 years
 11-15 years More than 15 years
5. Current Title President Director
 Vice President Assistant President
 General Manager Manager (specify).....
 Other (specify).....

General Information of Organization

1. Business Segment Manufacturing Retail and Wholesale
 Service Maintenance
 Other (please specify).....
2. Fixed Assets Value Less than 50 MB
 50-200 MB
 More than 200 MB

3. Number of Employee

- Less than 100 people 101-200 people
 201-300 people More than 300 people

4. Year in Operation

- Less than 3 years 3-5 years
 6-10 years 11-15 years
 16-20 years More than 20 years

Part 2: Factors Related to Organizational Performance

Please study the following statements and mark ✓ in the box best corresponding to your opinion. Criteria for grading are as follows.

- 6 means **Strongly** agree with the statement
 5 means Agree with the statement
 4 means **Relatively** agree with the statement
 3 means **Relatively** disagree with the statement
 2 means Disagree with the statement
 1 means **Strongly** disagree with the statement

No	Question	Answer Scale					
		(Strongly Disagree → Strongly Agree)					
		1	2	3	4	5	6
	Innovative Leadership						
1	You have a clear vision to anticipate for business trends, opportunities and priorities that affect organizational operation.						
2	You can adapt vision and strategy into appropriate business plan or action plan to achieve organizational goal.						

No	Question	Answer Scale					
		(Strongly Disagree → Strongly Agree)					
		1	2	3	4	5	6
3	You can communicate organizational vision, strategy, goal, and direction to the stakeholders properly.						
4	You can analyze the cause of the problems and solve them properly.						
5	You empower staffs appropriately and foster initiatives within the organization.						
6	You allow staffs to express their opinions freely.						
7	You are genuinely open to employees' opinions.						
8	You treat all employees fairly and without favoritism.						
9	You modernize information technology in your organization.						
10	You always exchange work process techniques to improve organization with business partners.						
11	You can convince employees to comply with organizational goal and strategy.						
12	You clearly advise employees about the organizational goal.						
13	You can control your emotions well in all situations.						

No	Question	Answer Scale					
		(Strongly Disagree → Strongly Agree)					
		1	2	3	4	5	6
14	You encourage corporate social responsibility and community participation for good image building.						
15	You always collaborate with business partners on exchanging of data and information needed for organization development.						
16	You are committed to acting a good role for the employees.						
17	You encourage teamwork and unity among employees.						
18	You inspire confidence in employees to effectively work as assigned.						
19	You promote employees' proper learning and competence development.						
20	You compliment and reward employees who succeed at work.						
	Organizational Culture						
21	Your organization focuses on external environment changes and employees are risk takers who like challenging work.						
22	Your organization focuses on strategic learning and values on future opportunities.						

No	Question	Answer Scale					
		(Strongly Disagree → Strongly Agree)					
		1	2	3	4	5	6
23	You are a good example to employees who are innovative and risk taking.						
24	Your organization support the development of innovations, work freedom, and challenging task assignment.						
25	Employees renovate work techniques and lead in innovation advancement.						
26	Your organization defines "success" on the basis of distinguished innovation and leads the development of new recognized approaches or concepts.						
27	Your organization is family type, friendly, and employees are supportive to each other.						
28	Your organization emphasizes teamwork where team members participate in the decision making.						
29	You advise, facilitate, and take good care of employees.						
30	Your organization focuses on strategies of human resources development, credibility/trust, open-mindedness, and staff involvement.						

No	Question	Answer Scale					
		(Strongly Disagree → Strongly Agree)					
		1	2	3	4	5	6
31	Employees have trust, faith, and commitment toward the organization.						
32	Your organization defines "success" on the basis of human resources development, team building, and employee centric.						
33	Your organization employs strict lines of command, official processes/procedures, and clear structured plans.						
34	Your organization focuses on strategies of operational efficiency, clear process, control, and smooth operation.						
35	You are a good coordinator, focus on team building, and able to perform efficiently and effortlessly.						
36	Your organization focuses on line of command with clear regulation and management.						
37	Employees regard structured and formal rules and policies.						
38	Your organization defines "success" on the basis of efficiency, system reliability development, and cost savings.						

No	Question	Answer Scale					
		(Strongly Disagree → Strongly Agree)					
		1	2	3	4	5	6
39	Your organization primarily focuses on performance and target achievement.						
40	Your organization focuses on strategies of competition, target achievement, and triumph over competitors.						
41	You are serious and emphasize success on work.						
42	Your organization focuses on employees' success, high target setting, and competition on work.						
43	Employees focus on goal achievement and are serious on work success.						
44	Your organization defines "success" on the basis of market and competitor winning.						
	Strategic Fit						
45	Your organization can identify and analyze facing problems and issues accurately.						
46	Your organization can analyze internal environment to locate strengths and weaknesses for organization development.						

No	Question	Answer Scale					
		(Strongly Disagree → Strongly Agree)					
		1	2	3	4	5	6
47	Your organization can analyze external environment to identify opportunities and threats for organization development.						
48	Your organization sets the direction for development and goal in accordance with organization status.						
49	Your organization utilizes internal and external environment analyses for operational direction.						
50	Your organization defines specific objectives and performance indicators appropriately.						
51	Your organization can analyze achievable options and pick the best alternative for strategic fit.						
52	Your organization establishes plan/project/activity in accordance with guideline laid down by the strategy.						
53	Your organization implements defined action plan and properly assigns tasks to staff.						
54	Your organization establishes operating calendar in conjunction with timeframe in defined strategy.						
55	Your organization provides necessary knowledge and skill training program for staff.						

No	Question	Answer Scale					
		(Strongly Disagree → Strongly Agree)					
		1	2	3	4	5	6
56	Your organization supports the right tool, equipment, and technology for the jobs.						
57	Your organization establishes a strategy monitoring and evaluation committee, which regularly oversees, follows up, assesses, and reviews the operation.						
58	Your organization possesses the right tools for strategy assessment and analysis.						
59	Your organization communicates the operation assessment report to the employees.						
60	Your organization applies the improved strategy assessment for suitable operation.						

Part 3: Organizational Performance

Please study the following statements and mark ✓ in the box best corresponding to your opinion. Criteria for grading are as follows.

- | | | |
|---|-------|---|
| 6 | means | Strongly agree with the statement |
| 5 | means | Agree with the statement |
| 4 | means | Relatively agree with the statement |
| 3 | means | Relatively disagree with the statement |
| 2 | means | Disagree with the statement |
| 1 | means | Strongly disagree with the statement |

No	Question	Answer Scale					
		(Strongly Disagree → Strongly Agree)					
		1	2	3	4	5	6
1	Your organization can control costs of production or service effectively.						
2	Your organization maintains the defined growth in sales or service.						
3	Your organization retains consistently profitable earnings.						
4	Your organization receives satisfactory return on investment.						
5	Your organization can continually create value-added products and services.						
6	Coordination among departments in your organization is efficient.						
7	Your organization utilizes new technologies for process development and improvement.						
8	Employees obtain timely and correct information for implementation as per the action plan.						
9	Employees retain teamwork morale and consolation.						
10	Your organization reviews performance periodically for long-term competition strategy development.						

No	Question	Answer Scale					
		(Strongly Disagree → Strongly Agree)					
		1	2	3	4	5	6
11	Your organization regularly inspects the quality of goods and services.						
12	Your organization sets the goal on new products or services development for market.						
13	Your organization can offer goods or services to customers on time specified.						
14	Your organization pays attention to quality service to customers during and after sales.						
15	Customers satisfy with products and services offered by your organization.						

Other Suggestions

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Thank you for your participation for this questionnaire

APPENDIX C

In-depth Interview Questions

INNOVATIVE LEADERSHIP

- What are leadership aspects of the firms having good performances ?
- How to manage your company in current uncertain situations ?
- Does good leadership affect company performance ? How?

CORPORATE CULTURE

- What is your corporate culture like?
- What is your firm development priority and why?
- Does corporate culture affect company performance ? How?

COMPANY STRATEGY

- How do you analyse and plan your corporate strategies to reach the company goal ?
- Would your firm achieve the company goal in accordance with your strategic plan?
- Does good strategic planning affect company success ? How?

COMPANY PERFORMANCE

- What was your company last fiscal year performance compared to competitors? Did it meet your expectations?
- What is your company strength and opportunity to gain competitive advantage?
- Does your firm have an innovative product? What is it like?
- Does your company apply new technologies to help improve corporate performance? How?
- How do you prepare to cope with any situation changes ,for example,AEC?

BIOGRAPHY

NAME

Miss Kunnaree Thanomsuk

ACADEMIC BACKGROUND

2007

Bachelor of Social Science
(Psychology)
Kasetsart University

2009

Master of Education
(Education Research)
Chulalongkorn University

PRESENT POSITION

2016 – Present

Plan and Policy Analysis,
Practitioner Level
Land Development Department,
Ministry of Agriculture and Cooperatives