

# CHAPTER 1

## INTRODUCTION

### Overview

The international business is interested in the strategic management on the viewpoint of the planning and implementation of strategies to fit competitive environments leading to firm performance. This study focuses on global strategic management to develop operation to enhance the capability in preparation and responsibility to market demands effectively. Firms have emphasized on strategic management that contributes to make a decision and apply modern techniques to decrease cost to apply for in international commercial settings (Merkert and Hensher, 2011). Global business is noted for the requirements of various products, standards of qualities, good services, resource efficiency, and facilitated communication which firms are facing in the condition of high variability. Accordingly, firms should integrate strategies on activities-oriented (i.e. training and development), operational practices, and cross-functional cultures to appropriately help firms maintain sustainable performances (Morita, Flynn, and Ochiai, 2011). Firms should not ignore to observe surroundings and absorptive capability for seeking external knowledge along with customer behaviors to be applied for the competitive advantages to the firm (Boyd and Hollensen, 2012). Furthermore, active and inventive techniques are important to drive an international business to improve existing specific resources to value-added for new products. However, firms have to develop procedures in conjunction with the great management which leads to recognition of the firm's products and services.

Technological progress makes several organizations develop employees' skills, utilize innovation potentially in operation, and discover the best practices. The essential factors to enhance abilities of firm are transfer of knowledge from experts and formal policies which constitute good communication internationally (Czinkota

and Ronkainen, 2005). Likewise, firms should realize business networks that help them access target groups and cooperative relationships between customers and suppliers of the firms as well (Holm, Eriksson, and Johanson, 1996). Besides, trade relation is difficult to create and maintain values while it is superior to other competitors in the same business. Moreover, firms must accept the changing globalization trend which stimulates firms paying attention to principles of global strategic management in order to be successful (Sippola and Smale, 2007). Indeed, global strategic management competency is helping the firms manage the availability of the operating systems that causes features and differentiation of the new products. Accordingly, firms should eliminate problems through designs in various strategies to reinforce good relationships and exchange reciprocal information intimately (Luo, 2002).

Interestingly, textile industries have a higher growth rate and a higher market demand continuously. Especially, Asian markets have low wages when compared with European markets and will gain opportunities to several countries to invest and help decrease costs manufacturing textiles (Shelton and Wachter, 2005). Moreover, textile industries are aware of overall management in firms' operations, such as data collection, customer information, coordination, research and development, production, deliver of products and services, transport and so on. Firms should integrate those operations together for total profitability (Cao, et al., 2005). In addition, the key success of exporting textile is a management system comprising of personal skills, languages, computer, and work experiences along with knowledge about industries to prepare competitions (Muhammad and Ha-Brookshire, 2011). Furthermore, textiles - exporting entrepreneurs in Thailand try to find an efficient management as well because international markets have demands continuously while they meet many obstacles that cause the lack of business stability and slow growth. It is the sources of the interest in studying the factors influencing on strategic management of the firms focusing on textile industries in oversea business.

For the challenges, firms endeavor to seek a universal operation approach to establish credibility for organizations which business environments seem ambiguous (Selwyn, 2010). Certainly, firms have determined the new alternatives, system of management, and decision strategic options for firms' survival while they are

experiencing with business restrictions in many aspects in various situations and unable to forecast. Although firms have abundant resources, they are not able to manage and utilize the resources; therefore, firms can eventually lose business opportunities. Occasionally, there is a tendency to lack resources and deficient administrative management as it results in inefficient management and the loss of resources more than necessary as well (Walters, Whitla, and Davies, 2008).

Furthermore, the relationships and networks which have paradoxes in cross operations will cause different cultures. This conflict relies on time to make adaptation (Hakansson and Ford, 2002). Many organizations are facing with conflicts, caused by interaction and resulted in making understanding and operation unsuccessfully (Koc, 2010). As mentioned, it indicates that environmental variation has affected on strategies of the firms. This study aims to fulfill the gap and develop the constructs linking to the conceptual model and expects to envision the factors influencing on global strategic management competency and firm performance in international business.

### **Purposes of the Research**

The main purpose of research is to test the associations between three constructs (business collaboration effectiveness, modern management excellence, and proactive operational management) and firms' performances via global strategic management competency (a mediator). This paper concentrates on enhancing abilities of management and benefits to the firms' achievement in international markets.

Therefore, the specific aims of this research are presented as below:

(1.) To examine the relationships among business collaboration effectiveness, modern management excellence, proactive operational management, and global strategic management competency influencing on the firm performance.

(2.) To investigate whether the role of mediating effect of global strategic management competency has the impacts on the relationships between business collaboration effectiveness, modern management excellence, proactive operational management, and firm performance.

## **Research Questions**

The key research questions of this study focus on the role of mediating effect that acts as global strategic management competency, and how three independent constructs have an influence on firm performance. Hence, the specific research questions are as below:

(1.) How do business collaboration effectiveness, modern management excellence, proactive operational management, and global strategic management competency have an influence on firm performance?

(2.) How does global strategic management competency mediate the relationships between business collaboration effectiveness, modern management excellence, proactive operational management, and firm performance?

## **Scope of the Research**

This study emphasizes on the potential management to be successful in global markets. In order that enterprise will gain and survive in environments changing rapidly. The global strategic management competency is able to develop various operations more systematically and more efficiently. In addition, it is alternative arrangement for the executive available to the best decision to solve and compete in any situation. Currently, firms have a receptive business and expand commercial to customers in another area. Thus, the textiles - exporting businesses are interested in this research. Firstly, the textile exports have tendency to growth continuously, Secondly, these textile businesses require the technique of management and strategy to respond to various situations to enter international markets, and Thirdly, the textile businesses in Thailand have high quality and outstanding which are able to compete in global markets and just to mitigate some weakness.

Besides, literature reviewed global strategic management competency and found that underlying on resource-based view (RBV) concentrates on both internal and external operations of organizations. Resource-based view demonstrated phenomena of the firms in the aspect of intrinsically generating strength, values, and existing resources to benefits and competitive advantages to the firms (Barney, 1991).

Moreover, RBV concept is strategic implementation of organizations to be applied in operations, and it is difficult to be imitated respecting products and services along with response to uncertain environments effectively (Priem and Butler, 2001). The firms are able to manage resources through creative development and maintain values that will obtain customers' satisfaction and adaptability whether it is in any circumstance (Sirmon, Hit, and Ireland, 2007). Additionally, RBV is widely applied in strategic management and acceptance to explain the linkage of the framework in the viewpoint of coordination, modern management, and proactive operational to drive the global strategic management competency so as to lead to firms' success.

The main research objective is to exam the relationships between global strategic management competency and firm performance. Especially, a key success of this conceptual framework depends on the influence of three independent constructs to encourage the potential of global strategic management competency and bring about firms' achievement. The researcher attempts to develop the linkage of each constructs and study previous research and reviewed literatures that were relevant to global strategic management competency. Therefore, identified definitions of independent, mediator, and dependent variables are as follows: Firstly, business collaboration effectiveness refers to ability of the firms to generate the relationship to coordinate efficient, utilize existing resources together, and lead to competitive advantages (Meunier-FitzHugh, Massey, and Piercy, 2011). Secondly, modern management excellence defined as a firm is outstanding to appropriately integrate the various knowledge, information, technology innovation, and communication to enhance the quality and standards of operational effectively (Liu and Chin, 2010). Thirdly, proactive operational management is viewed as the firms' abilities to develop skills, capability, and business expertise to gain availability to respond to ever changing environments efficiently (Srinivasan, Rangaswamy, and Lilien, 2005). Fourthly, global strategic management competency refers to the potential of the firms to an operational approach focusing on adaptability and flexibility to practices that are consistent with environments and leads to operations systematically and effectively (Gecikova and Papcunova, 2014). Lastly, firm performance is defined as an achievement of the firms in terms of profitability and non-profitability (Kim, Song, and Koo, 2008).

This paper is survey research that will study the textiles - exporting businesses in Thailand, totally 566 companies. Accordingly, this research is able to seek for information of exporters from the database of Thailand's exporter directory of Department of Export Promotion, Ministry of Commerce of Thai government in July, 2014 (<http://www.depthai.go.th>). The instrument for collecting data is a set of questionnaires which is convenient to collect data across the country. The preparation process of data collection is mailing a set of questionnaires to the presidents, executives, or managerial managers of the firms who are appropriately selected as the key informants. The unit of analysis is justified by firms. In addition, the questionnaire is developed as a new scale from related literatures, reviewed previous research, and its definition. Next, completed a set of questionnaires will be verified by global strategic management experts at least two persons. Thirty questionnaires will be administered in pre-test to evaluate the validation of these questionnaires through confirmatory factor analysis (CFA) to ensure validity of constructs. Moreover, the reliability of measurement is estimated via Cronbach alpha coefficients (Nunnally and Berstein, 1994). If it has found that the great results from the sample, the researcher will conduct data collection on the total population. Period of data collection is expected to come within three months by the third weeks, and postcards will be sent to follow-up.

### **Organization of the Research**

This research is categorized into five chapters: Chapter one mentions to an overview of the research, the purposes of the research, the research questions, scope of the research, and the organization of the research. Next, chapter two mentions to searching for previous research and reviewed literatures relevant to global strategic management competency and describes the theoretical framework and the linkage of all constructs in this conceptual model along with developing the related hypotheses for testing. Chapter three involved in the research methodology comprises of population selection and data collection procedures, the variable measurements of each construct, the instrument verification, the statistics and equations to test the hypotheses, and the table of the summary of the definitions and operational variables

of the constructs also included. Chapter four presents the empirical results and discussion. Finally, Chapter five is a part of the conclusion, theoretical and practical contributions, limitations, and suggestions for future research directions.