

## A Structure Equation Model of Strategic Management for Driving Country Economy of Provincial Chamber of Commerce

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### Abstract

Situations in the present world have been changed so much that they affect the overall economy of the country. Trade competitions are getting higher, causing the uniting of private businesses into Council of Chamber of Commerce, Federations of Thai Industries, Thai Chamber of Commerce, and Provincial Chamber of Commerce. When Provincial Chamber of Commerce is taken into consideration, it is found that some of them are not strong enough. Moreover, there are many management problems caused by executive committee. This study aimed to investigate strategic management and to develop a structure equation model for Provincial Chamber of Commerce. The qualitative data were collected via interviewing experts while the quantitative ones were collected from executive committee and members of Chamber of Commerce via questionnaire. The number of the samples in total was 500. The analysis showed that the developed structure equation model passed the evaluation criteria, and was consistent with the empirical data. Its Chi-square probability level, relative Chi-square value, goodness of fit index, and root mean square error of approximation were 0.209, 1.122, 0.976, and 0.016 respectively.

**Keywords:** Structure equation model, Strategic management, Provincial chamber of commerce

### 1 Introduction

As the world economy keeps changing rapidly, economic and social activities in countries are inevitably affected either directly or indirectly. Competitions of weapon and war are nowadays turned into those of trade. To operate business successfully, it is necessary for one to have some guidelines to manage his/her business. Strategic management model may be of help to achieve such purpose. External and internal organization conditions, and competition situations should be taken into consideration and analyzed [1] so that management process with good planning in advance is triggered. Planning process is of both science and arts. Administrators should combine and apply them to their business

management [2] Good administrators must be ready for every situations and be able to lead their business organizations to the set target smoothly [3].

Provincial Chamber of Commerce is a business organization that plays a very important role in economic system at both province and country levels. It is an organization that is expected to help business entrepreneurs in its own province. It is of a juristic person established by businessmen in the very province, working closely with the private sector, especially in the local area that aims to do trading business. Provincial Chamber of Commerce has to be prepared in every dimension to lead and drive entrepreneur members to gain business opportunities [4]. Administrators of Provincial Chamber of Commerce must, consequently, review their own role

and work to earn creditability for their organization. They should have update and accurate economic information for entrepreneurs to be used for making decision to trade and invest. In order to be a thought leader of the country, they should not act solely as a problem collector but offer guidelines to solve such problems for development. They should be able to give counselling, facilitate business operation; to voice for private sector in every profession; to participate in imposing directions of development in the whole economic and business sector of the province; to plan and cooperatively work with every sector, both government and private; to help to drive strategy to develop the province in every aspect, responding to the growth of the province and the country.

## 2 Related Literature

Three topics; namely, leaders' strategy, driving dynamics, and information technology, would be presented in this part.

**Leaders' strategy:** Tan and Ding [5] investigated the significance of strategy to gain advantages over competitors and found that good administrators must possess strategic leadership. If leaders use only strategy to manage business, they may not be successful as they should be. It is suggested that they use both science and art to motivate their followers. However, the followers should be willing and happy to follow so that the goal can be achieved. [5], [6]

**Driving dynamics:** The most important factors to lead organization to achievement are building network, planning and driving teamwork. Good leaders should be able to build teamwork that can plan and work cooperatively together to achieve the objectives. [5], [7]

**Information technology:** World situation is changing all the time and businesses are facing higher competitions. Only organizations with effective management and faster information access can survive. Information technology is an application of knowledge of science to manage the needed information, using new and modern technology tools [5], [8]

The researcher analyzed the 3 issues mentioned above and then initiated a strategic management model for Provincial Chamber of Commerce. The model consisted of 5 factors; namely, leadership, network, planning, teamwork, and information technology.

## 3 Hypotheses

This study aimed to investigate and construct a strategic management model for Provincial Chamber of Commerce. The model consisted of 5 factors; namely, leadership, network, planning, teamwork, and information technology. The hypotheses of the study were proposed as follows:

**H1: Information technology factor directly influenced leadership factor.**

Besides being a thinker and analyst, leaders have to be the best decision maker [9]. It is, therefore, necessary for administrators to have some tools to help planning and making decision on how to handle the arising problems. Such tool is information technology that is accurate, update, and enough for work.

**H2: Leadership factor directly influenced network factor.**

To operate the Provincial Chamber of Commerce successfully, leaders of the Chamber must have point of view and vision at an international level, leading to building network so as to be able to exchange information, knowledge sources, resources, and management with good relationship. Such connection can be made between persons, groups, or organizations [10].

**H3: Leadership factor directly influenced planning factor.**

Planning is an important tool of leaders of Chamber of Commerce because it can be used for control and follow up works. Good plan is usually coupled with clear targets that can help the leaders to check how much work has been done and what the outcome is like, whether it meets the expected target or not, all of which will serve as a feedback for future improvement [11].

**H4: Leadership factor directly influenced teamwork factor.**

Good teamwork management depends on leaders who are equipped with knowledge, skills, and ability in doing many related jobs. Leadership and justice seem to be very important potential of leaders. Team members are important factor in operating business. Good leaders must be able to motivate their team to work willingly, effectively and happily. They must also be able to support their team to work smoothly in order to get the utmost outcomes and achieve the goals [12], [13].

**H5: Information technology factor directly influenced planning factor.**

The success of the application of information technology to operation of Provincial Chamber of Commerce is believed to be caused by development of infrastructure of information technology that accords with situations and strategic operation of organization. Effective information technology system can well assist administrators to do the planning job for Provincial Chamber of Commerce, specifically at a strategic level in order to intermingle the operations of the whole organization [14].

***H6: Planning factor directly influenced network factor.***

Network is considered as building foundation of business. It emphasizes finding partners for future benefit and cooperation. In some occasions, network provides information and more choices for administrators. Social network should be started with good planning since planning helps administrators to have targets and reasons to have network [15].

***H7: Planning factor directly influenced teamwork factor.***

Teamwork plays a very important role in effectively operating Provincial Chamber of Commerce to be accepted by the other organizations. Building good teamwork should start with good plan [16]. Planning in details is very essential. Members of the team, team leaders, leaders' authority, team size, job description must be taken into consideration and well planned in order to mutually achieve the objectives of any works [17].

#### **4 Research Method**

This study is of an inductive research type with mixed-methodology, qualitative and quantitative.

1. One hundred and eight observed variables were investigated.

2. The qualitative data were collected via in-depth interview and focus group while the quantitative ones were gathered, using questionnaires.

3. There are 5 latent variables; namely, leadership, networking, planning, teamwork, and information technology.

The informants for qualitative part was 9 widely accepted experts for the in-depth interview and 7 for focus group. The population of the quantitative part was 38,745 committee members and members of Provincial Chamber of Commerce. The sample size of

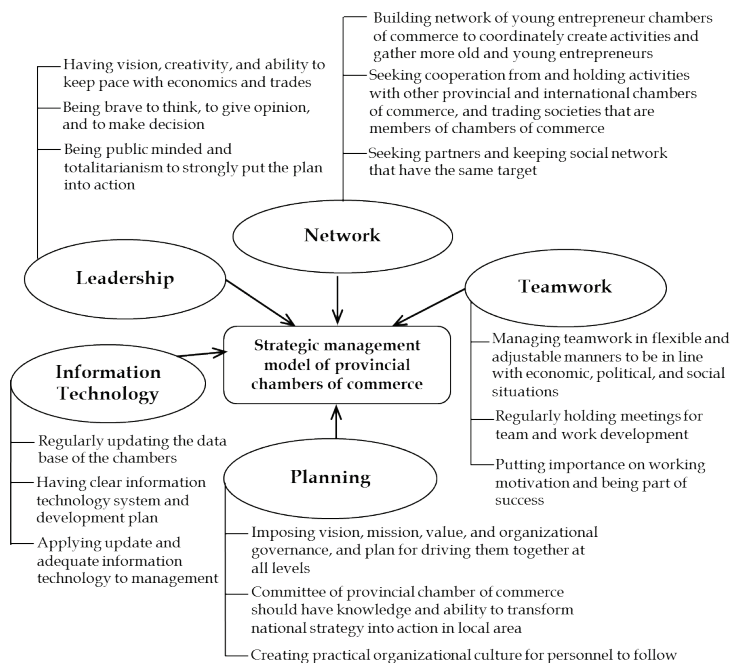
500 was drawn, based on Comrey and Lee's method [17]. Multi stage sampling was employed to obtain the samples [18].

The instruments used in this study were questionnaires with check-list and Likert's 5 point rating scale [11]. The analysis of the IOC between the questions and the objectives indicated that the IOC values of all 108 questions were between 0.60–1.00. The reliability of the questionnaire calculated via Cronbach's alpha coefficient was 0.973, and its discrimination calculated via corrected item-total correlation was between 0.33–0.86.

Descriptive, referential statistics were used to analyze the data via SPSS software while AMOS was employed for multivariate statistical analysis and for development of Structural Equations Modeling (SEM). Four criteria for evaluating the data-model fit were [19]: Chi-square probability level of  $> 0.05$ , relative Chi-square  $< 2$ , goodness of fit index  $> 0.90$ , and root mean square error of approximation of  $< 0.08$ .

#### **5 Results**

1. It was found, according to responses from the respondents in percentages, that Provincial Chamber of Commerce were located in the eastern part of Thailand (30%); Chambers had clear structure of work (51.60%); Chambers had clear management and activity plan in both long and short terms (47%); Chambers imposed the term of two years for being Chamber President and executive committee (70.20%); Chambers were a non-profit organization so they lacked management budget (43.80%) and lacked budget for organizing activities for members (33.80%); their income was only from member fees (34.40%); President with knowledge and ability was a factor of management success (35.80%); Chambers regularly provided seminar for members to give them knowledge on development of goods and services (39.80%); the important role of Provincial Chamber of Commerce in relation to economics improvement and development was to propose economy development strategy to the province (37.00%); coordinating was used to build relationship (35.20%); Chambers provided social assistance occasionally (53.40%); being socially responsible was an important requirement of the committee of Provincial Chamber of Commerce (40.80%); information was communicated among



**Figure 1:** The by-aspects hierarchical order of strategic management model of Provincial Chamber of Commerce.

committee members via line application (50.00%); and practice-oriented was the way to excellence in terms of the Chamber management (37.60%).

2. The findings of strategic management model of Provincial Chamber of Commerce was, by-aspect, presented as Figure 1.

The informants rated the items in order of significance as follows:

**Leadership:** Having vision, creativity, and ability to keep pace with economics and trades ( $\bar{X} = 4.18$ ); being brave to think, to give opinion, and to make decision ( $\bar{X} = 4.11$ ); and being public minded and totalitarianism to strongly put the plan into practice ( $\bar{X} = 4.09$ ).

**Network:** Building network of young entrepreneur Chamber of Commerce to coordinately create activities and gather more old and young entrepreneurs ( $\bar{X} = 4.00$ ); seeking cooperation from and holding activities with other Provincial and International Chamber of Commerce, and trading societies that are members of Chamber of Commerce ( $\bar{X} = 3.96$ ); and seeking partners and keeping social network that have the same target ( $\bar{X} = 3.93$ ).

**Planning:** Imposing vision, mission, value, and organizational governance, and plan for driving them

together at all levels ( $\bar{X} = 3.96$ ); committee of Provincial Chamber of Commerce should have knowledge and ability to transform national strategy into action in local area ( $\bar{X} = 3.90$ ); and creating practical organizational culture for personnel to follow ( $\bar{X} = 3.88$ ).

**Teamwork:** Managing teamwork in flexible and adjustable manner to be in line with economic, political, and social situations ( $\bar{X} = 3.93$ ); regularly holding meetings for team and work development ( $\bar{X} = 3.92$ ); and putting importance on working motivation and being part of success ( $\bar{X} = 3.91$ ).

**Information technology:** Regularly updating the data base of Chamber ( $\bar{X} = 3.82$ ); having clear information technology system and development plan ( $\bar{X} = 3.76$ ); and applying update and adequate information technology to management ( $\bar{X} = 3.75$ ).

Taking modification indices into consideration as advised by Arbuckle (2011, pp. 107–109), the researcher improved the model. After the improvement, it was found that the model's Chi-square probability level was 0.209, relative Chi-square was 1.122, goodness of fit index was 0.976, and root mean square error of approximation was 0.016 respectively, passing the evaluation criteria and being consistent with the empirical data as shown in Figure 2 and Table 1.

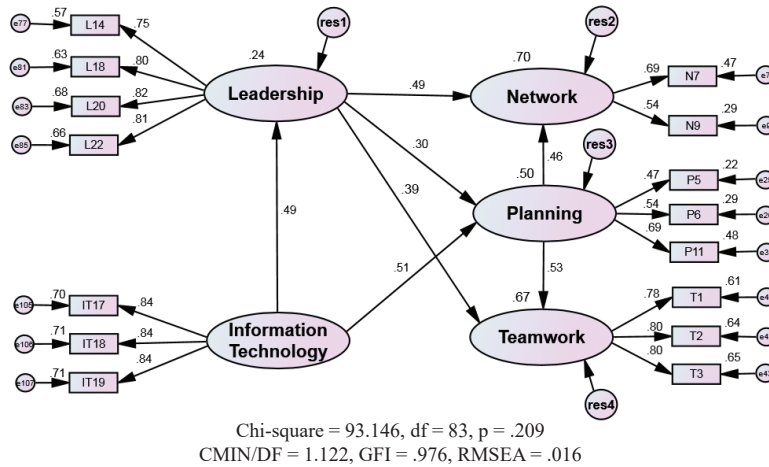


Figure 2: Structure equation model of strategic management of provincial chamber.

Table 1: Meaning of variables

Variables	Meaning
L14	Being skillful in analysis and application of management science to practice to catch up with changing situations
L18	Having systematic thought, and being able to solve problems and impose guidelines to success
L20	Being mentally matured
L22	Having tactics to encourage and motivate supervisees to work
N7	Participating in imposing goals with other organizations
N9	Being business group representative to propose business development guidelines of the province to the other agencies
P5	Imposing clear indicators of Provincial Chamber of Commerce and framing operation guidelines with other organizations
P6	Having laws experts as advisors to formulate plan as targeted
P11	Formulating action plan in details, setting goals and work achievement in every stage
T1	Proposing varieties of communication channels among teamwork in order to have good interaction while working together
T2	Clearly informing teamwork members of their role, duty and responsibility
T3	Any decision must be mutually made by team.
IT17	Providing advanced software for use in the operation of Provincial Chamber of Commerce
IT18	Creating data base that is accurate, convenient, fast and easy to access for assisting working committee
IT19	Developing specific software for use in work of Provincial Chamber of Commerce

## 6 Discussion

1. According to the previous research, it was found that leadership is the most recognized by the administrators of the Provincial Chamber of Commerce. This study quite supported that finding in that factor of affecting the success of the Chamber’s work management depended very much on the President of the Provincial Chamber of Commerce. He/She must have knowledge and ability to impose vision, strategy, plan, and action plan to strengthen the organization.

2. Information technology directly influenced leadership factor. This was in accordance with Sumethapiwat [20] study on Marketing Communication in Thailand 4.0 Era for Sustainable Development. He found that communication in Thailand 4.0 Era was boundless as if the world was flat and in the same plane. Communication was easy to make, just by finger touch. The finding of this study was supported by Surinwarangkool’s. He found that the factor contributing to success of information technology development was the support from administrators or leaders of organizations who understood and realized the importance of it [21].

3. Leadership factor directly influenced network factor. This finding was similar to Leithwood & Azah’s. They studied characteristics of effective leader network and found that leadership had important influence on network [22]. Leaders played a very important role in communicating and making friend with network. Moreover, they affected the followers’ ability.

4. The finding that leadership factor directly influenced planning factor accorded with that of Nakban's in that leadership influencing followers would lead to change and success of work, and organization goal achievement [23]. Olsen investigated strategic planning mode and found that besides influence on network, leaders had to have right and appropriate strategic plan for the organization. His finding supported the finding of this study in this matter [24].

5. That leadership factor directly influenced teamwork factor could be confirmed by Kanjanapatee's study on Leadership and Followership Affecting Effectiveness of Organizations. She found that leadership determined the effectiveness of organizations, and, with participatory management, leaders would grow with followers and teams [25]. Daft also said that leadership relatively influenced leaders and followers on working or doing activities to achieve the organization goals [26].

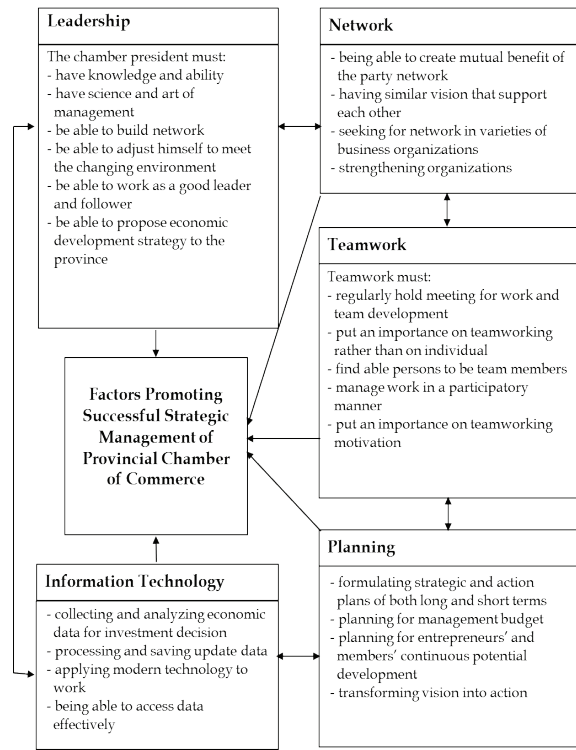
6. Information technology factor directly influenced planning. Surinwarangkool's suggestion in his study on Guidelines for Information Technology Development to Manage Knowledge in Medium Business Enterprises supported this finding. He suggested that organizations should promote personnel to frequently take and utilize information from the knowledge base via information technology channel to reduce workflow and corruptions. Administrators should understand the potential and impact of technology on organizations [21].

7. According to the result of this study, factors promoting successful strategic management of Provincial Chamber of Commerce were presented in Figure 3.

It can be seen that factors promoting successful strategic management of Provincial Chamber of Commerce are of many. As economic, political, and social situations are currently changing rapidly, organizations must adjust themselves to catch up with such changes and social context. Leadership, network, planning, teamwork, and information technology are main important factors that can assist Provincial Chamber of Commerce to operate and manage the organization effectively and sustainably.

## 7 Suggestions

1. Management of Provincial Chamber of Commerce is recommended to utilize the findings of this study to formulate strategic plan for the achievement and strength of the organization.



**Figure 3:** Factors promoting successful strategic management of Provincial Chamber of Commerce.

Every aspect; namely, leadership, network, planning, teamwork, and information technology should be taken into consideration when doing so.

2. As one of the findings of this study revealed that leadership of president of Provincial Chamber of Commerce was a factor to management success, it is, consequently, suggested that leaders' knowledge and ability be developed so that they can set up vision and mission and transform them into action plan. This will help to increase their management potential. It is also recommended that leaders of Provincial Chamber of Commerce utilize the findings to develop every management aspect of the Provincial Chamber of Commerce.

3. With regard to members of the Chambers, it is found that a small number of entrepreneurs were interested in being member. According to the information from Thai Chamber of Commerce, in 2015, only 13% of entrepreneurs in each region were members of Chambers. Activities for increasing more members of different professions are recommended to organize to strengthen Provincial Chamber of Commerce.

4. Private organizations, Thai Chamber of Commerce, Federations of Thai Industries, and Tourism Association, are recommended to use the finding in this study as guidelines in formulating strategic plan to strengthen their own organization for the benefits of organizations' teamwork acting as a representative of private sector, and for economic development of the province and the country as a whole.

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