

## Effects of the Antecedent Variable on Strategic Organizational Flexibility Capability: An Empirical Investigation of Tour Businesses in Thailand

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### Abstract

Strategic organizational flexibility capability has been as a key success factor of organization strategy in accomplishment in inconsistent business environments. Base on contingency theory describes organizational design and systems in order for them to be appropriate for the environment changing by uncertainty. The objective of this study was to investigate the relationship between the factors that affect strategic organizational flexibility capability including executive long-term vision, open-mindedness culture, technology competency and environment complexity. The results were derived from a survey of 335 tour businesses in Thailand. The hypothesized relationships among variables are examined by using ordinary least square (OLS) regression analysis. Results suggest that executive long-term vision has the most influence on strategic organizational flexibility capability. Moreover, the contributions of theoretical and managerial, conclusion and suggestions for future research are also discussed.

**Keywords:** Strategic organizational flexibility capability, Tour businesses

### Introduction

Ever since the 1970s, business environmental changes in globalization and information technologies. That make product life cycles shorter and drive market competition, are increasing and severe (Dwyer et al., 2014). The strategic flexibility has received much interest from business researchers and practitioners as the source of competitive advantage, it can reflects ability in responding and in compliance with changing situations (Genchev and Willis, 2014). Based on the literature of management research, most research in strategic flexibility has focused on two main aspects: (a) organizations internal structure for allocating their resource deployment and competitive advantage, and (b) the diversity and frequency in shifts of the patterns of resource deployment (Sharma, Sushil and Jain, 2010). However, there are a few research articles which investigated the strategic organizational flexibility capability and its antecedence.

This paper investigate the impacts of the antecedents (executive long-term vision, open-mindedness culture, technology competency and environment complexity) on four dimensions of strategic organizational flexibility capability (organizational outsourcing orientation, business alliance capability, inter-organizational teamwork concern, and strategic linkage concentration) which are drawing on the contingency theory. The strategic organizational flexibility capability as one capability of the firm through which firms confront change (Shuen and Sieber, 2010). The organizational performance relationship is between the environment and organization, which the organizational practice created or adapted in harmony with an environment (Drazin and Van de Ven, 1985). The organization can survive not only to be the strongest but also to be able to adapt to suit the business environment, both internal and external (Doty, Glick and Huber, 1993). The researchers believe that organizational success can be defined by itself by using organizational structure and strategies appropriate to the environment, and context related to a sustainable competitive advantage.

## Research Objectives

To examine the impacts of the antecedents (executive long-term vision, open-mindedness culture, technology competency and environment complexity) on four dimensions of strategic organizational flexibility capability (organizational outsourcing orientation, business alliance capability, inter-organizational teamwork concern, and strategic linkage concentration).

## Literature Review

### Strategic Organizational Flexibility Capability

The topic of flexibility had been used widely in several disciplines such as in manufacturing management, economics, strategic management, and IT management (Dreyer and Gronhaug, 2004). Zhang (2006) described, flexibility is the organization's ability to respond to an increasing variety of customer expectations without excess cost, time, organizational disruption, and performance losses. As, Sharma, Sushil and Jain (2010) suggested, flexibility was defined as the quality of responding to change or conforming capability to new situations. Flexibility is a multi-dimensional concept with demanding agility and ability. In this research, strategic organization flexibility capability is determined as the ability to adjust the organizational change promptly under the direction of an organization's administration and management. Flexibility also includes application in administration and management to adapt resources and abilities within the organization for the changing environment (Evans, 1991; Sanchez, 1995; Burnes, 1992; Lou, 2000). The authors of this paper, explore four dimensions of strategic organization flexibility capability. These four dimensions are development base on modern organization management that has an organizational structure looking like network and horizontal. The links connect employees, suppliers, customers, partners, and external contractors in several forms of coordination for sharing resources and having interdependence to enhance competitive environment (Cincog and Akogan, 2013). The four dimensions of strategic organization flexibility capability are including

### Organizational Outsourcing Orientation (OOO)

The concept of outsourcing is described by Que'lin and Duhamel (2003) as the operation of the firm in shifting a transaction governed from the internal to an external supplier in a long-term contract. In this research, organizational outsourcing orientation refers to the use of external capability in an organization's operations. Outsourcing enhances the efficiency of cost which increases the operation for higher advantages. External capability includes skills, knowledge, and superior ability from outside the organization (Varadarajan, 2009; Whitaker, Mithas and Krishnan, 2011).

### Business Alliance Capability (BAC)

Business alliances are an important tool for achieving and maintaining competitiveness in unpredictable business environments (Elmuti, Abou-Zaid and Jia, 2012). In this research, business alliance capability refers to the ability to seek potential business that has desirable qualifications for an organization's demand to cooperate as a business alliance. Such agreement contributes to an organization's operation and objectives as stated (Parkhe, 1991; Varadarajan and Cunningham, 1995).

### **Inter-Organizational Teamwork Concern (ITC)**

Teamwork is a work setting the two or more people are mutually accountable for achieving common tasks goals that are associated with organizational objectives, and perceive themselves as a social identity (Baker, Day and Salas, 2003). In this research, inter-organizational teamwork concern refers to the organization's ability to collaborate with other organizations. This concern emphasizes human resources in terms of knowledge, capability and attitude. Teamwork enhances the ability to collaborate with other organizations for various benefits in maximum yields (Chen, Donahue and Klimoski, 2004).

### **Strategic Linkage Concentration (SLC)**

The researchers pay attention to the significance of building, protecting, and sustaining competitive advantage through analysis, and organizational planning in long-term vision to facing environmental conditions (Mayfield and Mayfield, 2008). In this research, strategic linkage concentration refers to the ability to incorporate the administrative policy into organizational management and the process of strategic formulation. The linkage is involved with the consolidation of resources, personal, and operational processes in order to achieve a long-term good (Venkatraman, 1989; Grant, 1991).

### **Executive Long-term Vision (ELV)**

The chief executive of an organization is a key person who gives directions and vision to the organization, with the best decisions at high level of uncertainty, complexity and unpredictability (Bonn and Fisher, 2011). The skills in management and business practices are essential for leaders to accommodate this process for creating vision and to specify strategy to integrate all business function components to align with their vision (Foster and Akdere, 2007). From these views, executive long-term vision refers to the guidelines of the organization to focus on the integration of knowledge and capability which focuses on strategic planning and operational management to achieve successful competition and sustainable development in the future (Carmen et al, 2006; Ravilla and Rodriguez, 2011).

The executive long-term vision has emerged as an essential element in their organizational goals and has actively promoted a new strategy to respond to environmental change for the success of the organization's operations (Lee, 2008). Based on the literature reviewed above, executive long-term vision has the potential capability to enhance strategic organizational flexibility capability (organizational outsourcing orientation, business alliance capability, inter-organizational teamwork concern, and strategic linkage concentration). Hence, the first hypotheses are proposed as follows:

*H1: Executive long-term vision has a positive influence on (a) organizational outsourcing orientation (b) business alliance capability (c) inter-organizational teamwork concern and (d) strategic linkage concentration.*

### **Open-Mindedness Culture (OMC)**

The organization is seeking for strategy that is flexible and appropriate to the changing environment with the willingness to accept new ideas for developing the operation of the organization by open-mindedness. It brings about new ideas and new knowledge to the organization's management in a good way. Hernández-Mogollon et al. (2010) suggested that open-mindedness is the heart of attempt to orient the organization in knowledge management, being affected in the structure, culture, policies, and the practice of organizing. In this research, open-mindedness culture refers to the belief in an organization to learn,

accept, and integrate new ideas to benefit operation development, operational procedure and business management (Cooke and Szumal, 2000; Hernández-Mogollon et al, 2010).

Open-mindedness culture is a form of sharing knowledge in order to understand the organizational functions, and to improve the organization's operational effect for the best organizational performance (Cabrera et al., 2001). Thus, open-mindedness culture has been more important in the past as a key potential capability to enhance each dimension of a strategic organization and the capability of flexibility (organizational outsourcing orientation, business alliance capability, inter-organizational teamwork concern, and strategic linkage concentration). According to the above reasoning, the hypotheses are formulated below:

*H2: Open-mindedness culture has a positive influence on (a) organizational outsourcing orientation (b) business alliance capability (c) inter-organizational teamwork concern and (d) strategic linkage concentration.*

#### **Technology Competency (TCT)**

Technology is the application of knowledge, skills, methods, processes and scientific workings that are used to apply in helping the transition to achieving better work, and increasing efficiency and effectiveness (Tippins and Schi, 2003). In this research, technology competency refers to the use of technology in facilitating the organization's operation to create opportunity and organizational performance (Tippins and Schi, 2003; Thongsodsang and Ussahawanitchakit, 2011).

Technology competency can reduce time, place, and barriers to doing business. It can determine the strategy of the organization with greater flexibility (Sheth and Parvatiyar, 2001). Thus, technology competency has the potential capability to enhance strategic organizational flexible capability (organizational outsourcing orientation, business alliance capability, strategic linkage concentration, and inter-organizational teamwork concern). Therefore, the hypotheses are proposed as follows:

*H3: Technology competency has a positive influence on (a) organizational outsourcing orientation (b) business alliance capability (c) inter-organizational teamwork concern and (d) strategic linkage concentration.*

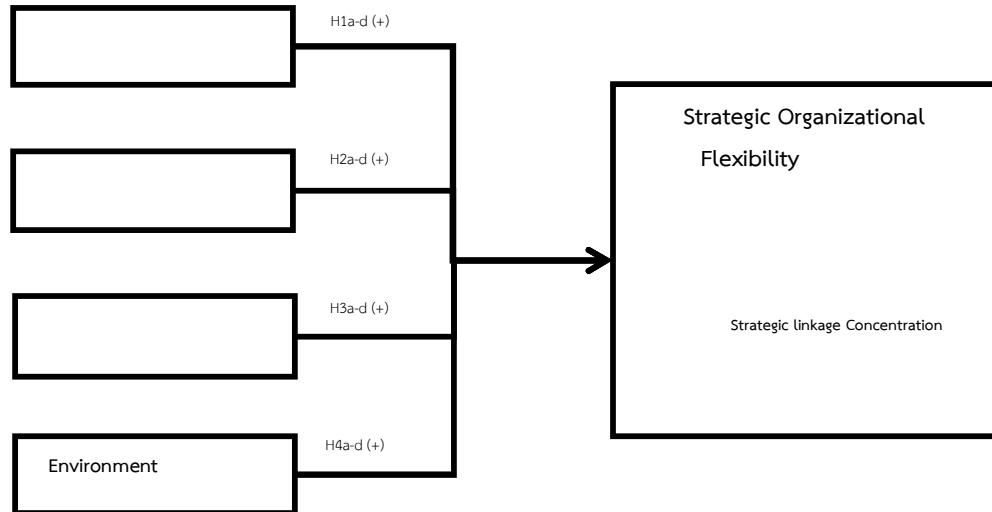
#### **Environment Complexity (ECP)**

The business environment is comprised of macro environmental factors including economic, social, cultural, technological, and competitive environmental factors. The business environment is probably difficult to control and predicts the future (Robbins and Coulter, 2003). furthermore, Nicolau (2005) defined environment complexity as the ambiguity and uncertainty of external events that are conditional to the continuous viability of the business in adaptation to cope with change. Hence, in this research, environment complexity refers to the perception toward the change of external circumstances which have ambiguous and uncertain conditions. The complexity affects the operation of the organization (Luo, 2001; Nicolau, 2005).

As prior research, environment complexity also affects the activity of a firm's strategic planning which perceives uncertainty and the complexity of environmental causes as motivating factors to develop new operational strategies (Meijer, 2010). Thus, environment complexity is a factor contributing to strategic organizational flexibility capability (organizational outsourcing orientation, business alliance capability, share resource emphasis, inter-organizational teamwork concern, and strategic linkage concentration). Hence, the hypotheses are proposed as follows:

**H4:** Environment complexity has a positive influence on (a) organizational outsourcing orientation (b) business alliance capability (c) inter-organizational teamwork concern and (d) strategic linkage concentration.

Figure 1: A Conceptual Framework



## Research Methodology

### *Population and Sample*

The outbound tourism business in Thailand is the population and sample. The reasons for selecting the outbound tourism business are as following. Firstly, the outbound tourism business faces changes of business environment of each country such as facing tourism law barriers of each country in their operation. Secondly, the tour businesses are normally small to medium sized, so they often have limited of economic resources. They try to find out how to deal with these problems of change as well as still gain a higher profit and market share than competitors. Thirdly, the tourism industry is the essential industry in the world. It is high value service business sector to create employment opportunities and results effect on the social and economic development. This is acquired from the databases of the following agencies from the database of the Bureau of Tourism business and Guide Registration office, and the Department of Tourism. A total population of 2,518 firms is selected from the database of agencies mentioned above. Therefore, the appropriate sample size under the 95% confidentiality rule will be 345 firms (Krejcie and Morgan, 1970). The period of data collection was in the region of twelve weeks, which the total of 335 responded questionnaires were received , 94 surveys were undeliverable because some firms were no longer in business or had moved to unknown addresses. The effective response rate was approximately 20.53% (Aaker, Kumar & Day, 2001).

### *Research tools*

The self-administered questionnaires were the main research instrument. The items of the questionnaires were initially designed based on previous studies (Neuman,2006).

### ***Data Collection***

The manager directors, and share managers of outbound tour businesses in Thailand are key informants. In the first stage, the completed questionnaire was answered and returned to the researcher in the first two weeks after the questionnaire was sent about 148 firms. After that, the telephone to remind the participant was used as the follow-up method that conducted to remind them to complete the questionnaire and to increase the response rate. The details of the questionnaire send out and the calculated response rate are presented. In summary, duration of data collection was approximately twelve weeks, which the total of 335 responded questionnaires were received, 94 surveys were undeliverable because some firms were no longer in business or had moved to unknown addresses. The effective response rate was approximately 20.53% (Aaker, Kumar and Day, 2001).

In order to create truthfulness and credibility, this research used two academic experts for reviewed the instrument and adjusted it to the best possible scale measure. Following this further, the pre-test method is appropriately conducted to establish the validity and reliability of a questionnaire. In this case, 30 outbound tourism firms were identified using simple randomly sampling from non-sample. Manager in these 30 firms were contracted by and were assigned to the pre-test group, in order to verify the validity and reliability of each of the measures used in the questionnaire. Accordingly, data from 30 outbound tourism firms were not included in the final data for hypotheses and assumption testing of multiple regression analysis. Factor analysis was conducted on the entire assessment tool and reliability analysis was conducted on each scale. The findings of factor loading are 0.420 – 0.908 that exceeds 4.0 and Cronbach's alpha coefficients are 0.703 – 0.875 which exceeds the acceptable cut-off score 0.7 (Hair et al., 2010). It can be concluded that the construct validity and internal consistency of each scale meets or exceeds minimum requirements in this research.

### ***Statistical Techniques***

In line with hypothesis testing, the ordinary least squares (OLS) regression analysis is used to test all hypotheses in a conceptual model. Regression analysis is appropriate to investigate the relationships among constructs which are based on data qualified as interval and categorical scales. Thus, 4 statistical equations are depicted as shown below.

$$Eq1: OOO = \alpha_{01} + \beta_1 ELV + \beta_2 OMC + \beta_3 TCT + \beta_4 ECP + \beta_5 FIA + \beta_6 FIS + \varepsilon_1$$

$$Eq2: BAC = \alpha_{02} + \beta_7 ELV + \beta_8 OMC + \beta_9 TCT + \beta_{10} ECP + \beta_{11} FIA + \beta_{12} FIS + \varepsilon_2$$

$$Eq3: ITC = \alpha_{03} + \beta_{13} ELV + \beta_{14} OMC + \beta_{15} TCT + \beta_{16} ECP + \beta_{17} FIA + \beta_{18} FIS + \varepsilon_3$$

$$Eq4: SLC = \alpha_{04} + \beta_{19} ELV + \beta_{20} OMC + \beta_{21} TCT + \beta_{22} ECP + \beta_{23} FIA + \beta_{24} FIS + \varepsilon_4$$

### **Results**

In this research, executive long-term vision, open-mindedness culture, and technology competency are treated as independent variables for which the results of the correlation analysis show that the inter-correlation coefficients are 0.494 -0.673 which do not exceed 0.8 (Hair et al., 2010). In addition to the correlations, the maximum value of VIF is 2.934 which is lower than the cut-off score of 10 (Hair et al., 2010). Both correlations and the VIF ensure the non-existence of multicollinearity problems.

**Table 1:** Results of regression analysis

Independent Variables	Dependents Variables			
	OOO	BAC	ITC	SLC
	(Eq1)	(Eq2)	(Eq3)	(Eq4)
ELV (H1a-d)	.343*** (.067)	.307*** (.066)	.370*** (.066)	.201** (.061)
OMC (H2a-d)	.049 (.078)	.082 (.076)	.107 (.077)	.244** (.071)
TCT (H3a-d)	.199** (.072)	.104 (.071)	.131* (.071)	.027 (.066)
ECP (H4a-d)	-.026 (.057)	.185** (.056)	.063 (.057)	.155** (.053)
FIA	-.135 (.099)	-.284 (.098)	-.102 (.098)	.114 (.091)
FIS	-.242 (.111)	-.071 (.109)	-.159 (.110)	-.187 (.102)
Adjusted R <sup>2</sup>	.287	.312	.305	.398
Durbin-Watson	1.726	1.875	1.938	1.955
Maximum VIF	2.934	2.934	2.934	2.934

Note: \*\*\* p ≤ 0.01, \*\* p ≤ 0.05, \* p ≤ 0.10

## Discussion

First of all, the results indicate that executive long-term vision has significantly and positively related to all four dimensions of strategic organizational flexibility capability: organizational outsourcing orientation (H1a:  $\beta_1 = 0.343$ , p < 0.01), business alliance capability (H1b:  $\beta_7 = 0.307$ , p < 0.01), organizational teamwork concern (H1c:  $\beta_{13} = 0.370$ , p < 0.01), and strategic linkage concentration (H1d:  $\beta_{19} = 0.201$ , p < 0.05). According to Bonn and Fisher (2011), the chief executive of the organization is the key person to give the best decisions for vision directions of the organization at a high level of business environment uncertainty. The organization that will be successful depends on the ability of the executives with their skillfulness in management and business practices that contribute to sustainable development (Svensson and Wood, 2006). *Thus, Hypotheses 1a, 1b, 1c, and 1d are supported.*

Secondly, the findings from this research describe that open-mindedness culture is significantly and positively related to strategic linkage concentration (H2d:  $\beta_{20} = 0.244$ ,  $p < 0.05$ ). The organizational culture is a principle of belief, and attitudes that are accepted by all members in the organization. It reflects the standard and practice (Kwantes and Boglarsky, 2007), and manages the different-idea conflicts between members (Trice and Beyer, 1993). In a competitive business environment, the organization needs new ideas and new knowledge to develop the strategic organization's management in a good way through open-mindedness. This is consistent with Hernández-Mogollon et al., (2010) who indicate that open-mindedness, as the heart of the organization in knowledge management affects the structure, culture, policies, and the practice of organizing. *Thus, Hypothesis 2d is supported.*

However, open-mindedness culture has no significant effect on organizational outsourcing orientation (H2a:  $\beta_2 = 0.049$ ,  $p > 0.10$ ), business alliance capability (H2b:  $\beta_8 = 0.082$ ,  $p > 0.10$ ), and inter-organizational teamwork concern (H2c:  $\beta_{14} = 0.107$ ,  $p > 0.10$ ). Open-mindedness culture may fail, if the learning of the organization is inconsistent with operational routines (Rianto et al., 2006). Moreover, experiential knowledge may cause a firm's overconfidence and attachment to extant ways of carrying out information search. The resulting myopia identifies markets, valuable sources of information in new markets, and is not creative in the marketplace (Kaleka, 2011). Furthermore, the condition of inertia organizations may lead to barriers of organizational learning and adaptation that depend on how they are set (Shimizu and Hitt, 2004).

*Thus, Hypotheses 2a, 2b, and 2c are not supported.*

Thirdly, the results indicate that technology competency has a significant and positive relationship with organizational outsourcing orientation (H3a:  $\beta_3 = 0.199$ ,  $p < 0.05$ ), and inter-organizational teamwork concern (H3c:  $\beta_{15} = 0.131$ ,  $p < 0.10$ ). According to Tippins and Sohi (2003) technology is the application of knowledge, skills, methods, processes and scientific workings for helping the firm to increase efficiency, effectiveness, and achieving better work. Besides, technology provides the important resources that can (Thongsodsang and Ussahawanitchakit, 2011). *Thus, Hypotheses 3a and 3c are supported.*

Notwithstanding, technology competency has no significant effect on business alliance capability (H3b:  $\beta_9 = 0.104$ ,  $p > 0.10$ ), and strategic linkage concentration (H3d:  $\beta_{21} = 0.027$ ,  $p > 0.10$ ). This reason may be, technology competency may be inconsistency with strategy of the firm, it causes the firm to select of strategy to reach technology that is necessary for needs and potential of the organization. Such as, to investment on the technology in the supply side only is may be a risk of the firm. They should develop technology on the demand side or by market demand in the presence of consumers with different needs and requirements for firms' innovative choices (Adner and Levinthal, 2001). Furthermore, the firm uses its coopetition such as suppliers and customers whose very success may support the firm and with whom it must collaborate and compete. The impact of a technological change on their coopetitions' obsolete capabilities might cause a firm's performance decrease (Afuah, 2000). Additionally, if the resources that are dedicated to an alliance

are not utilized then the firm should be returned to the contributing party, or at least not be considered when distributing alliance-derived proceeds; or, they should be terminated (Wittmann, 2007). *Thus, Hypotheses 3b and 3d are not supported.*

Finally, the analyses indicates that environmental complexity has a significant and positive relationship with business alliance capability (H4b:  $\beta_{10} = 0.185$ ,  $p < 0.05$ ) and strategic linkage concentration (H4d:  $\beta_{22} = 0.155$ ,  $p < 0.05$ ). These results are consistent with Robbins and Coulter (2003) who suggested that the business environment is comprised of macro environmental factors and competitive environmental factors. The firm that perceives environmental complexity also affects the activities of a firm's strategy for developing new operational strategies (Meijer, 2010). Additionally, environmental complexity is the key element for the organization to create new strategies of operation in order to deal with competitors and increase their competitiveness (Ussahawanitchakit, 2005). *Thus, Hypotheses 4b and 4d are supported.*

Nevertheless, environment complexity did not significantly effect on organizational outsourcing orientation (H4a:  $\beta_4 = -0.026$ ,  $p > 0.10$ ) and inter-organizational teamwork concern (H4c:  $\beta_{16} = 0.063$ ,  $p > 0.10$ ). It is possible that the business environment is probably difficult to control and predicts the future, so that it affects high-risk operations (Robbins and Coulter, 2003). The high external uncertainty may cause a firm to perceive insufficient information to be able to correctly predict the changes. The insufficient information may cause firm incapability to analyze, classify, sort, and simplify new external information to support interpretation and application (Caron, Pratoom and Sujchapong, 2015). The same as, Richard, Murthi and Ismail (2007) suggested that the operation of the firm in environmental complexity makes firms be likely to slow down the decision-making process to increase disintegration of human capital pool, or suffer loss of group coherence and coordination. *Thus, Hypotheses 4a and 4c are not supported.*

## Contributions

### Theoretical Contribution

In the first place, this research provides an explicit understanding the relationship between strategic organizational flexibility capability and antecedent variables. Secondly, this research present four dimensions of strategic organizational flexibility capability namely; (a) organizational outsourcing orientation, (b) business alliance capability, (c) inter-organizational teamwork concern, and (d) strategic linkage concentration. Lastly, the contingency theory is described about organizational design and systems in order for them to be appropriate for the environment that uncertainty changes. The organization can survive not only to be strongest but also be able to adapt to suit the business environment. Also, the contingency theory tries to understand organizational management that has a possible operational fit to improve organizational success within the environment under multitudinous conditions.

### Managerial Contributions

The research results have managerial implications for practitioners who are responsible for strategic planning in capability development of organizational. Firstly, this research helps the firm executives to identify and justify the key components of strategic organizational flexibility capability (organizational outsourcing orientation, business alliance capability, inter-organizational teamwork concern, and strategic linkage concentration) that may be more crucial in a severely competitive. In addition, executive long-term vision has the most influence on strategic organizational flexibility capability. They can guidelines of the organization to focus on the integration of knowledge and capability which focus on the strategic planning and operational management to achieve a successful competition and sustainable development in the future. Certainly, the executives should concentrate on inter-organizational teamwork concern, because it can make cooperation, interdependence, and maintains added-value between organizations. Moreover, it can engender tactical sharing, information, and knowledge that enable an organization to have flexibility, and can become successful in competition. Furthermore, the executives should concentrate on inter-organizational teamwork concern, because it can make cooperation, interdependence, and maintains added-value between organizations. Moreover, it can engender tactical sharing, information, and knowledge that enable an organization to have flexibility, and can become successful in competition.

### Future Research Directions

The results of this research indicate that the need for further research is apparent. Firstly, this research was collected data only from tour business in Thailand, so future research should be to investigate the effects of the antecedent variable on strategic organizational flexibility capability in the different business groups from other service sector in order to confirm the result findings, to verify the generalizability, and increase the level of reliability. Lastly, this research used questionnaires to collect the data and was explored through cross-sectional survey. Therefore, further research may be developed longitudinal data and/or mixed methods designed to observe strategic organizational flexibility capability and its antecedence.

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