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Analysis of Thai Auto Parts Organization Performance using a Structural Equation Model

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ABSTRACT

This study is concerned with the modeling and analysis of variables for the organizational performance in the Thai auto parts industry. Using purposive sampling research methodologies, this study includes both quantitative and qualitative research. Quantitative is further qualified in this research essay from the survey given to 320 executives in the Thai automotive industry. The responses to the question constructs were captured by the use of a 5 point Likert scale. Data were analyzed using Structural Equation Modeling (SEM). It was found that Thai auto parts organizational performance has been influenced by leadership factors, managerial skills and management innovation. These 3 variables and their quantitative and qualitative research resulted in the hypothesis of a significance level of $p \leq 0.01$ respectively. Research findings from this study suggest that the Thai auto parts industry must develop innovative leadership management techniques which are crucial in sustaining competitive capability.

Key words: Organization innovation, leadership, management skill, organization performance

INTRODUCTION

Auto parts and car accessory industries have shown a tendency for higher growth than the manufacturing sector they support. The reason being there is a knock-on effect to this huge growth in vehicle production and auto parts supplies because car owners tend to enhance their vehicles increasing even further output within the aforementioned sectors. According to auto parts manufacturers, component life within the vehicle leads to higher sales since they complement the purchased product. They also contend that longer lasting and more durable components are more important to the sector than manufacturing replacement parts of a lower quality. With higher technological and quality standards within the auto parts industry, longer vehicle life is attained which is viewed essential by this sector. With a typical vehicle consisting of 20,000-30,000 separate components, even the largest manufacturing companies cannot produce all their own parts. Therefore, outsourcing is often required to furnish the required pieces. The Thai government has additionally identified this outsourcing requirement as a strategic industry within Thailand and critical to export goals (Ministry of Industry, 2010).

Vehicle production and part supply can be categorized in the following two ways:

- Original Equipment Manufacturer (OEM). suppliers usually provide components to auto assembly operations which include such things as cushions, doors, tires, safety belts and other assembly components for new cars. This is referred to as 'Tier 1' suppliers
- The second category of suppliers, referred to as 'Tier 2', sell parts and materials to the Tier 1 suppliers. This includes the manufacturing and distribution of replacement and auto assembly parts for broken and replacement components (Ministry of Industry, 2010)

As regional manufacturing has increased, so has the competitiveness within the sectors and between the lower cost national players such as China, India, Vietnam and Indonesia. Thailand, therefore, has chosen to fight off this competition with product design and innovation as well as improvement in human resource development. Within the upstream and downstream supply chain parts sector, this process must be engaged for long term viability and growth and is therefore becoming paramount for the Thai auto industry to develop organizational expertise and behavior modification (Ministry of Industry, 2010). This will enhance capability of managers and assure long term continued growth. Additionally, according to a Chinese auto parts leadership survey from Spencer Stuart (2009), executives needed to be aware of Chinese culture through awareness and understanding of local traditions and culture. They also needed to be sensitive to local culture in their local communities.

In a later study, conducted with the Automotive Institute of Thailand, director (2012), it was stated that factors affecting successful management were leadership expertise which was a key component of policy implementation. Leadership expertise was also the essential ingredient regardless of organizational size although in Thailand, small to medium sized enterprises hired local managers while larger operations recruited foreign executives. The Thai study also suggested that most small to medium sized operations were entrepreneurial and international in nature and those companies would determine production and marketing policies based on foreign investments. This was also consistent with research obtained from Hatrawang (2012) interview who was the Thai Summit Auto Parts Industry Co., Ltd's plant director at the time. He also indicated that leadership skills included being a management expert in one's area of expertise, as well as having an emphasis on leadership and motivational creativity. In the future, he believed that understanding and implementing new innovation and technologies would also be a key to an organization's success in competing with foreign competition.

In conclusion, the development of organizational management modeling to enhance the competitive potential of the Thai auto manufacturing and auto parts industries is crucial. It is necessary and smart to better prepare business managers to enter the ASEAN Community (AEC) while helping them become an instrument that encourages their organizations to further create competitive advantages in both the private and governmental sectors.

The objectives of the study are:

- To study the direct and indirect influences of variables that affects the Thai auto parts organizational performance
- To develop structural equation modeling of variables that affects the Thai auto parts organizational performance

Work environment leadership is a multi-faceted and complex skill set. Everyone knows and accepts the uniqueness of tactics and strategies for budgeting, human resources, facility

management, material, equipment and workplace management but the one essential component throughout each is 'leadership'. According to Somyos (1995), he explained that conceptual skills were the ability to integrate organizational benefits and activities within the brain. Leadership is affected by an executive's ability to perceive how each section within the organization relies on one another and how understanding this interdependence affects the entire organization. Leadership is a process that exerts influence over another person in an attempt to introduce and facilitate activities and relationships that motivate the team or the organization. Nevertheless, leadership skills were determined to be the greatest influence in exerting control over activities and relationships within teams and organizations. This however, was motivated by the benefits to be gained from the performance and the resulting effects of the leader's performance (Boedker *et al.*, 2011). Strategic leadership affects organizational management competency (Passmore, 2009) while transformational leaders can make significant changes (Dvir *et al.*, 2002; Judge and Piccolo, 2004; Turner *et al.*, 2002). These types of leaders are capable of changing organizational vision, strategy and culture together with encouraging originality in terms of work creativity (Avolio, 1999; Bass and Riggio, 2005) as well as products and technology.

This leads to the hypothesis of:

H1: Leadership influences management skills

Leadership skills can be divided into several categories including ethics, transformational and transactional. The behavior of transformational leaders consisted of 4 major elements, whereas there are only 3 elements of a transactional leader's behavior. Clearly, transformational leaders are very different from transactional leaders. However, in terms of process involved, it is commonly believed that 1 leader may practice both types of leadership at different times and under different situations (Northouse, 2001). Meanwhile, Tibus (2010) studied both types of leadership in each stage. It was found that transactional leaders practice non-interfering policies, setting goals combined with appropriate rewards. Transformational leaders however, practice individual consideration and encourage the use of knowledge and capability. They also create motivation through inspiration and encourage perfection. With regards to education, transactional leaders focus on running a smooth, highly efficient and highly motivated operation. This is why these types of leaders tend to be experts in management functions (Bass, 1985; Yukl, 1989a, b; Chen and Fahr, 2001). Transactional leadership can only be established when the leader has determined the goals or objectives, completely understands the requirements of personnel and selects suitable rewards for motivation (Sadler, 1997; Bass and Avolio, 1990; Burns, 1978; Chen and Fahr, 2001; Sadler, 1997; Schein, 1992; Kavanagh and Ashkanasy, 2006; Sarros *et al.*, 2011; Conger, 1999). Meanwhile, transformational leaders are capable of creating significant changes (Dvir *et al.*, 2002; Judge and Piccolo, 2004; Turner *et al.*, 2002). These particular types of leaders have the ability to change organizational visions, strategy and culture while simultaneously encouraging work creativity (Avolio, 1999; Bass and Riggio, 2005). They also have the ability to create new products and technology.

Unlike transactional leadership, transformational leadership does not practice the use of material motivation in order to gain power over those who follow. Instead it has a greater emphasis on theoretical characteristics (Bass, 1985; Yukl, 1989 a, b; Chen and Fahr, 2001). It also questions processes through behavior modification, inspiring followers to accomplish greatness

(Bennis and Nanus, 1985; Sashkin, 1987; 1996, 2004; Kouzes *et al.*, 1987; Kouzes and Posner, 2003; Tibus, 2010). It also includes the process of creating teamwork among employees through building common values and goals. This is perfectly suited for contemporary management systems that require relationship building between management and employees based on trust (Sadler, 1997). This means that it is necessary to analyze both transactional and transformational leaderships. According to a study of ethical leadership, this type of leadership also plays a significant role in encouraging teamwork, as well as creating good social relationships (Aronson, 2001) and the success of organization performance (e.g., Brown and Trevino, 2006; Brown *et al.*, 2005; Koh and Boo, 2001; Lucas, 2000; Petrick and Quinn, 2001; Trevino *et al.*, 2003; Zhu, 2008). From a study of the role on innovation in business performance improvement by Panuwatwanich *et al.* (2009), the study concluded that leadership and team building within the organization affected its use of innovation, leading to better organizational performance. However, according to Withoon (2010) study regarding the effects of entrepreneurial factors on operational performance of small-to-medium sized state enterprises in Thailand, it was determined that several factors lead to their success. These included strategic vision, technological innovation, product development and offering customers new ranges of products and services each year. In addition, the organizations in their aim for higher profits tend to have greater risk taking. This leads to the following hypothesis:

H2: Leadership has effect on organization innovations

H3: Leadership has effect on organization performance

Management skill is the potential ability of a person skilled or specializing in resource allocation to effectively and efficiently achieve the goals of the organization, regardless of the organization or management level of the individual. A successful manager will have the ability to do planning, have good organizational skills, be able to lead/influence their workforce and maintain authority and control. In order to be a successful manager, the researcher has defined these required skills into the following individual and group skills. Individual skills consist of self-awareness and understanding the fact that management involves problem-solving. Group skills, on the contrary, consist of power and authorization and the building of operational teams with the ability to give orders (Katz, 2002). Management skills can also be learnt and are not necessarily something someone is born with. Management skills also entail 3 aspects. They are: (1) Technical (2) Human and (3) Conceptual skills which becomes even more important at higher management levels due to the necessity to oversee production activities and its detail. This requirement, however, is the opposite for technical supervision because higher the management level, lesser be the need for technical skills. The reason is because higher levels of management tend to pay lesser attention to the details of each production activity. Human relations skills are important at all levels as interaction is a constant requirement between management, supervisors and labor. Javadin *et al.* (2010) studied the 3 type of skills, found that there was an immediate and positive impact on the efficiency of bank managers. This corresponds to the findings of Sitterly (1993), that the 3 basic skills for executives included technical, interpersonal and conceptual skills. Meanwhile, Panuwatwanich *et al.* (2009) revealed that leadership and team building through organizational culture created innovation which would affect business performance. Leadership skills combined with managerial analysis skills would result in innovative creativity within the organization and contribute to business performance. Smircich (1983) pointed

out that corporate culture helps in optimizing the performance of the organization. It strengthens and formalizes ties between the members by using a framework to recognize the common goals. Additionally, it gives stability to the image of the group and its outward impression to society. Based on a study of the comparison of organizational cultures that affects the organizational effectiveness. 'A Case Study of Thai State Enterprises' by Somjintana Khumpai, it can be learnt that corporate culture has certain effects on performance effectiveness in Thai financial state enterprises. This is because a highly efficient organization tends to have more organizational cultures compared to small-to-medium organizations with moderate levels of efficiency. From the previous literature review we can formulate the following hypotheses:

H4: Management skills have direct positive effect on organization innovations

Establishing strategic goals, organizational structure and an employee value system is necessary to adapt the fast-paced world of international business. This is necessary for both management and staff. A study of the use of power by businesses based on Mintzberg's concept of organizational structure, determined that there are 5 basic components including strategy, mid-level operations, main operations, employee support and technological structure (Mintzberg, 1983; Isosaari, 2012). Due to a complex and rapidly changing world, important elements of management within the enterprise must begin with strategic vision able to adapt and implement change. If managers are unable to embrace change and lack the expertise in strategy formulation and implementation, they will be unable to compete within their markets. Therefore, it is necessary that executives focus on the importance of strategic planning and formulation as well as strategic vision as a means to achieve long-term objectives. Therefore, the determination of alternative strategies and being able to select 1 that best leads to the accomplishment of organizational goals is crucial. Based on a study by Kotter and Heskett (1992) regarding 'Corporate Culture and Performance' of large organizations in the USA such as ICI and Nissan, it found that corporate culture has a long-term and significant effect on economic performance, especially those organizations whose corporate culture focuses greatly on the external environment. Additionally, corporate culture plays a highly significant role in determining the success and failure of an organization. The corporate culture that exhibits adaptability has a positive effect on the bottom line while corporations unable to adapt will show negative financial results, even with qualified staff. In order for corporate transformation to occur, support from management is required because they are the ones that determine strategic vision as the guidance for the transformation, including strengthening teamwork for a better performance. Marcoulides and Heck (1993) conducted a study on 'Organizational Culture and Performance: Proposing and Testing a Model using LISREL' (Linear structure relation) to investigate the effects of corporate cultural variables on organization performance. According to the study, the 5 variables of corporate cultures included organizational structure, the employee and corporate environment, worker values and employee attitudes. The dependent variables included organization performance which included shared values, profits and rewards. It can also be stated that the mentioned variables can be used to predict the organization's performance, directly and indirectly. However, information exchange between employees is the driving factor in developing new production processes which simultaneously reduces delivery time. It was also found that the learning process is based on technology with a resultant influence on creativity. Using information knowledge systems increases

the competitiveness of the organization (Ahmad and Schroneder, 2003) and implements information transfer with people both inside and outside the organization. This leads to the hypothesis:

H5: Organizational innovation directly and positively influences organization performance

MATERIALS AND METHODS

Data collection: Surveys from 320 senior executives within the Thai auto parts industry was used for analysis.

Questionnaire design: The questionnaires were designed to be used as a measurement tool. The survey used the 5-Point Likert Scale as the measurement scale and the conceptual framework. Field definitions were constructed with its use.

Quality has been assured by using Cronbach's α -coefficient for calculation of average of correlation coefficient gained. The α -coefficient found was between 0.763-0.908, which is considered highly reliable. If the alpha value of each question was below 0.50, the researcher eliminated it from the measurements.

Scale

Dependent variable: Organization performance can be measured from operational revenues, profits, business growth and the cost of employees by the development of a measuring scale (Kaplan and Norton, 1992; Pratchaya, 2010; Boondhawan, 2007; Post and Griffin, 1997) as a tool in analysis according to a conceptual framework and operational definitions. The analytical measuring tool or questionnaire used a 5-Point Likert Scale as a measuring tool (Likert, 1970).

Independent variables: The scales of organizational leadership have been developed into 3 types of leadership measures such as transformational, transactional (Bass, 1985; Yukl, 1989a, b; Chen and Fahr, 2001; Sarros *et al.*, 2011; Pratchaya, 2010; Kouzes *et al.*, 1987; Kouzes and Posner, 2003; Tibus, 2010) and ethical leadership (Aronson, 2001; Zhu, 2008). The construction of the measuring tool or questionnaire used a 5-Point Likert Scale as a measuring scale (Likert, 1970).

Management skill was analyzed with the measuring scale from Olorisade (2011) and has been classified into 4 skill areas which are communication, motivation, decision-making and problem solving skills and has developed the measuring scale from (Yukl, 1981; Pratchya and Somsak, 2001). The construction of the measuring tool or questionnaire used a 5-Point Likert Scale as a measuring scale (Likert, 1970).

Organization innovation consists of strategies which were developed from the measuring scale from (Withoon, 2010; Chong *et al.*, 2011). Organizational culture was developed from the measuring scale from Marcoulides and Heck (1993), Petty *et al.* (1995) and knowledge management was developed from the measuring scale from (Ahmad and Schroeder, 2003; Krittakorn, 2010; Somjintana, 2013). The construction of the analysis tool and questionnaire used a 5-Point Likert Scale as a measuring scale (Likert, 1970).

ANALYSIS

We analyzed the quantitative data by using the Partial Least Squares (PLS), statistical method and additional analysis of data with the Confirmatory Factor Analysis (CFA) which is associated

Table 1: Convergent validity statistics in latent variable measurements in the reflective model

Construct/Item	Loading	t-stat
LDS: Leadership		
ETH: Ethical leadership	0.919	54.240
TRS: Transactional leadership	0.888	42.185
TRF: Transformational leadership	0.935	48.435
MGS: Management skill		
COM: Communication	0.911	38.601
MOV: Motivation	0.851	48.301
DES: Decision making	0.925	42.364
PRB: Problem solving	0.888	45.613
INO: Management innovation		
CUL: Organizational culture	0.916	47.020
STR: Organizational strategy	0.927	52.608
KM: Knowledge management	0.927	51.525
PER: Operational results of the organization		
REV: Income	0.850	21.3285
PRO: Profit	0.851	23.0463
PR: Personnel	0.835	16.4266

with the observed manifest variable and latent variables and to test the hypothesis of the research. This was presented as a model structure, whose analysis was compiled using PLS-Graph (Chin, 2001).

Accuracy of the analysis and measurement reliability of the measuring scale used Cronbach's α (alpha) to calculate the average value of the correlation coefficient, finding that the alpha coefficients ranged from 0.763-0.908 which is considered to be a high reliability factor.

In the case where the variables of the measuring scale used a reflective process analysis to verify the convergent validity, the hypothesis criteria is that loading must have a positive amount value while the indicator loading value must be greater than 0.707 and the statistical significant value must be ($|t| \geq 1.96$) indicating that the measuring scale has a convergent validity (Lauro and Vinzi, 2004; Henseler *et al.*, 2009; Piriyaikul, 2010). Analysis results are shown in Table 1.

Leadership skill factors (LDS) which is an external latent variable) are: Ethical leadership (ETH), Transactional leadership (TRS) and Transformational leadership (TRF). They have a loading value from 0.707 and a significant level of confidence at 95% ($t\text{-stat.} > 1.96$), these factors affect organizational performance.

Management skills (MGS-which is also an external latent factor) are: Communication variables (COM), Motivation variables (MOV), Decision making variables (DES) and problem solving variables (PRB). They have a loading value from 0.707 and a significant level of confidence at 95% ($t\text{-stat.} > 1.96$), these factors affect organizational performance.

Management innovation factor (INO-which is an external latent factor) are: Culture variables (CUL), Strategy variables (STR) and Knowledge Management variables (KM).

They have a loading value from 0.707 and a significant level of confidence at 95% ($t\text{-stat.} > 1.96$), these factors affect organizational performance.

Hence, the structural equation in the analysis uses Ethical leadership variables (ETH), Transactional leadership variables (TRS) and Transformational leadership variables (TRF).

Table 2: Confirmatory Factor Analysis (CFA) of the independent variables of leadership, management skill, organizational innovation and their affects on the dependent variable, organizational performance

Construct	CR	R ²	AVE	Cross construct correlation			
				LDS	MGS	INO	PER
Leadership (LDS)	0.939	-	0.836	0.914			
Management skill (MGS)	0.941	0.773	0.800	0.879	0.894		
Organizational innovation (INO)	0.946	0.724	0.853	0.755	0.851	0.924	
Organizational performance (PER)	0.882	0.488	0.714	0.667	0.661	0.640	0.845

CR: Composite reliability, R²: Square of the correlation, AVE: Average variance extracted and Statistical significance level is at 0.01 and diagonal figures mean \sqrt{AVE}

Table 3: Hypothesis testing result of hypothetical research

Hypothesis	Coefficient	t-stat	Results
Hypothesis 1: Leadership has effect on management skills	0.879	51.172**	Supportive
Hypothesis 2: Leadership has effect on organization innovations	0.032	0.381	Not Supportive
Hypothesis 3: Leadership has effect on organization performance	0.429	4.343**	Supportive
Hypothesis 4: Management skills have direct positive effect on organization innovations	0.823	12.037**	Supportive
Hypothesis 5: Organizations innovation have direct positive effects on organization performance of the organization	0.316	3.098*	Supportive

Furthermore, Communication variables (COM), Motivation variables (MOV) and Decision making variables (DES) are also used. Lastly, Problem solving variables (PRB), Cultural variables (CUL), strategy variables (STR) and knowledge management (KM) is also analyzed.

The reflective model in Table 1 shows the hypothesis validity of the internal latent variables and the correlation of variables. It also depicts the scale reliability which has been analyzed from Composite value reliability (CR) as well as the average variance extract (AVE) and R². The CR value should not go below 0.60 and the AVE values should also not drop below 0.50 and R² values should not be under 0.20 (Lauro and Vinzi, 2004; Henseler *et al.*, 2009; Boondhavan and Montri, 2010).

Table 2 shows the analysis from Thai auto parts industry performance. The data shows that all the CR values are higher than 0.60, all AVE values are higher than 0.50 and all the R² values are higher than 0.20, indicating the reliability of the measurement scale. It also found that data sets in the \sqrt{AVE} have higher values than all of the corresponding values in the 'Cross Construct Correlation' columns, representing discriminant validity of the measure in each construct and with a greater value than 0.50 of AVE.

The model generated was done using Partial Least Square-Graph software. It mirrors the variables found in Fig. 1 but instead generates 'hypothesis testing results' from all of the research variables. This data is shown on Fig. 1 and in Table 3.

It shows that empirical output supports 4 hypotheses (H1, H3, H4 and H5). Figure 1 show the output plotted to the final model of the PLS-Graph. Additionally, a Hypothesis Test Result Matrix (Table 3) clearly shows in a more comprehensible format that H1 leadership influences managerial skill with a coefficient of 0.879 and a t-stat of 51.172 and supports the hypothesis. H3 also shows leadership influences organizational performance with a 0.429 coefficient and a t-stat of 12.037 supporting the hypothesis. H4 results state that managerial skill directly and positively influences organization performance with a coefficient of 0.823 and a t-stat of 12.037. This supports the hypothesis also. Last, H5 results depict that organizational innovation positively influences the

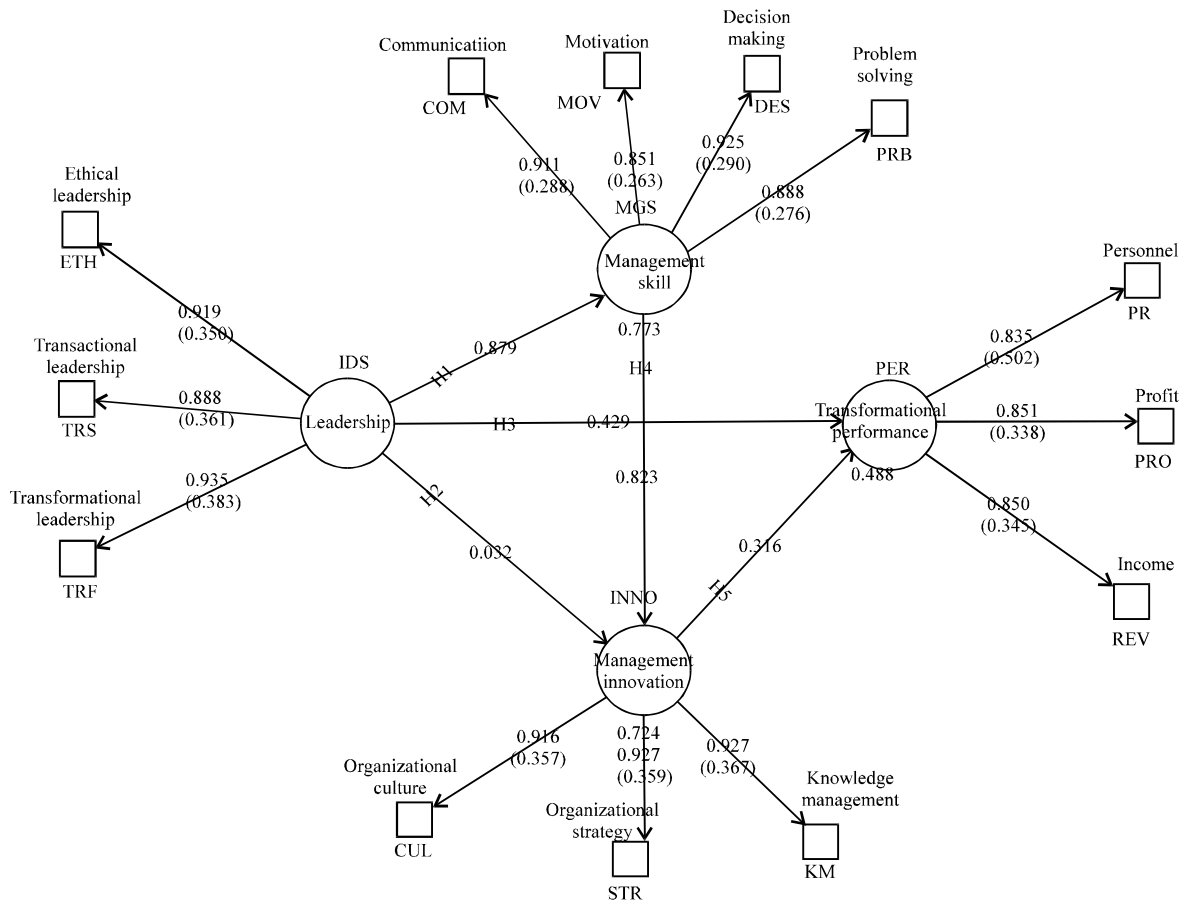


Fig. 1: Hypothesis conceptual framework-final model. Results for the structural model of the independent variables of leadership, management skill, organizational innovation and their effects on the dependent variable, organizational performance, CR: Composite reliability, R²: Square of the correlation, AVE: Average variance extracted, Lead: Leadership, INNO: Management innovation, PER: Organizational performance, MGS: Management skill

performance with a coefficient of 0.316 and a t-stat of 3.098. This confirms the hypotheses. (H2 did not support the hypotheses):

Hypothesis 1 (H1): Leadership affects management skills. The test result found that leadership affects the managerial skill with a coefficient of 0.879, a fact validated by the hypothesis significance $p \leq 0.01$.

Hypothesis 3 (H3): Leadership affects organizational performance. The test result found that leadership affects the organizational performance with a coefficient of 0.429, a fact validated by the hypothesis significance $p \leq 0.01$.

Hypothesis 4 (H4): Management skills have a direct and positive influence on organization innovation. The hypothesis tested results found that management skills are positively and directly influenced on organizational innovation which showed a coefficient of 0.823, a fact validated by the hypothesis significance $p \leq 0.01$.

Hypothesis 5 (H5): Organizational innovation has a direct and positive influence on organization performance. The hypothesis tested results shows that organizational innovation is positively and directly influenced on organizational performance which showed a coefficient of 0.316, a fact validated by the hypothesis significance $p \leq 0.05$.

RESULTS AND DISCUSSION

According to research results from Thai auto parts establishments using structural equation modeling on leadership, managerial skill and organizational innovation affecting operational outcomes, the following issues have been observed.

Leadership factors: These factors consist of ethical, transactional and transformational leadership components with the success of the Thai auto parts industry being dependent on the leadership skills of managerial staff.

Leadership characteristics according to expression behavior can be divided into 4 elements; including ethical, transformational and transactional leadership. Transformational leadership consists of 4 elements and transactional leadership has 3 elements. Transformational leadership is significantly different from transactional leadership but in actuality, they can't be separated as both processes are used by executives in different times and situations (Northouse, 2001). This observation was consistent with Somyos (1995) who explained that conceptual skills were the capability of brainstorming and the organizational benefit of activity integrity. He also stated that leadership included the executive's ability to envision the overall organization and understand how all parts of the group were dependent on other parts and how changes affected the overall organization. Leadership qualities affected conceptual skill in strategic planning and vision. It also determined how leadership strategy affected the potential of organizational management (Pasmore, 1988). The characteristic of transformational leaders could cause crucial changes (Dvir *et al.*, 2002; Judge and Piccolo, 2004; Turner *et al.*, 2002). This kind of leader was capable of visionary planning, strategy and organizational culture including the promotion of work (Avolio, 1999; Bass and Riggio, 2005). According to a study on ethical leadership, it was found that leadership affected spirit, morale, teamwork, social skills (Aronson, 2001) and success from organizational performance (e.g., Brown and Trevino, 2006; Brown *et al.*, 2005; Koh and Boo, 2001; Lucas, 2000; Petrick and Quinn, 2001; Trevino *et al.*, 2003) quoted in (Zhu, 2008). These observations were also consistent with the study result from (Panuwatwanich *et al.*, 2009) that leadership and team building affected an organization's innovation and business performance. Perelman (2001) found that managerial styles of female entrepreneurs in high-end, volatile technology industries used decision making processes based on uncertainty and ambiguity. It also found that a key to making successful business decisions was the skill to quickly and often change requirements, reflecting the changing needs of high-tech industries. In addition, there should be risk management flexibility and a focus on personal participation at work. There also needs to be the power for creativity (innovation), business understanding and motivation. All of these were essential for having good managerial skills. This is consistent with the study of Uhlaner and Thurik (2004) quoted in Aspray and Cohoon (2007) and their findings that managerial skills affect innovation development in the organization which led to the success of information technology businesses. Managerial skill includes an individual's ability and competency. Managers must also rely on their expertise or specialization in resource utilization to achieve the stated objectives effectively and efficiently. Executive skills, no matter what level or organization, has 4 management functions; planning,

organizing, leading/influencing and controlling. In order to be a successful manager, you must demonstrate 3 skill areas. The 1st being individual skills where you must develop self-awareness and management paths for problem solving. The 2nd is interpersonal skills, in which communication skills influence other things such as conflict management and motivation. Environmental influences, conflict management and motivational skills are also important. Additionally, you need to be able to empower groups, build team work and management authority (Katz, 2002). According to Kaymaz (2010) research results, job rotation also positively affects a workers motivation. This technique could reduce work monotony and also enhance knowledge and transfer these skills to other workers. It also enables better interaction between workers within the organization.

Organization innovation: Changing business environments determine the strategy, targets, organizational structure and human behavior in the organization from both employees and the organization.

According to the study by Kotter and Heskett (1992) on 'Corporate Culture and Performance', they determined big sized organization's culture in the U.S.A. (such as Hewlett-Packard, ICI, Nissan, etc.) significantly affected long term economic performance, especially when coupled with external environments. Organizational culture was 1 of the crucial factors for organizational success and failure. Corporate cultures that had shared values and able to adapt, profoundly affected economic success of the organization while organizational cultures unable to do so, would negatively affect economic performance. It was also noted that organizational structures easily obstructed economic performance in spite of the fact that they had qualified and professional staff. These companies encouraged improper behaviors and blocked strategic change, making it more difficult because of the lack of employee participation. Changes to organizational culture should be supported by management by formulating vision as the way for change and use methods that build strong relationships between organizational culture and performance. This corresponded with Rogers (1975) finding that organizational innovation was statistically significant as it contributed to enhanced outcomes.

From the study of Marcoulides and Heck (1993) on 'Organizational culture and performance, 'Proposing and testing a model' by using LISREL (Linear Structure Relations) program, organizational culture consisted of 5 organizational variables including: (1) Organizational structure, (2) Organizational works, (3) Organizational values, (4) Organizational environment and (5) Attitudes of the employees. The dependent variables in organizational performance were such things as revenue, shared values, profit and return. It was found that the above variables could predict direct and indirect operational outcomes. Organizational structure was related to organizational work and environment in the organization. Organizational value was related to organizational work and climate and employee attitudes. Organizational work was related to employee attitude, organizational climate and operational outcome. Organizational climate was related to employee attitude and operational outcome. Employee attitude was related to operational outcome. Klomthong (2006) in the study 'Organizational learning development of automotive industry in Thailand' concluded that the industry still had great potential and was still of great importance to the economy. Learning was based on technological strategy within the organization's environment, the use of production technology and the knowledge construction process which could affect its competitive potential (Ahmad and Schroeder, 2003). Knowledge management allocation and technology were effective

and supportive tools for transition of information management to people in both internal and external organizations (Grant, 1996; Spender, 1996) contributing to higher performance. According to the study of Belzowski *et al.* (2003), the findings showed that: (1) Organizations should be aware of knowledge value within the organization, (2) A gap may arise between their interests and activities, (3) The need to improve the discrete information transfer process (4) Understanding the requirements between the suppliers and customers, (5) Classification consideration of corporate organizations and customer and company by referring to public, technology, process and culture favorable to learning activity and (6) Effective management requires effective learning and evaluation techniques. The West and Burnes (2000) study on organizational learning processes in the automotive industry determined that these elements have become more important during the past decade. The study concluded that companies who try to foster learning do so to assure operational development and success.

CONCLUSION

Research was conducted on the Thai auto parts industry using Structural Equation Modeling (SEM). The analysis examined leadership, management skills and organizational innovation affecting corporate performance. The findings indicate that the important factors affecting an organization's performance are ethical leadership, transformation leadership and transactional leadership. These factors have a direct effect on an organization's performance as well as an indirect effect through management skill variables. These include motivational, communications and decision making skills. Organizational innovation variables include organizational culture, strategy determination and knowledge management. Entrepreneurs can easily and continuously adapt leadership skills making them more competitive in international markets.

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