

CHAPTER 2

LITERATURE REVIEW

2.1 Knowledge Management

Currently, “The wealth of a nation depends on its ability to acquire and convert raw materials no longer, but on the abilities and intellect of its citizens” (TFPL, 1999, p. 2). This knowledge economy has brought with it new fields of study and approaches that are contributing to a more robust understanding of the role of knowledge for the creation of human and social capital as key factors in societal development as the creative economy initiative. The creation of these types of paradigm shift is in the interest of multiple sectors of society and benefits society as a whole. Thai entrepreneurs should make the best use of Thainess as new kind of intellectual capital based on Thai culture, wisdom, tradition, and heritage as economic multipliers for economic growth in this creative economy era.

Nowadays, processes related to knowledge creation, learning, and innovation have a social impact just as significant as economic initiatives (OECD, 2001, p. 17). Today, more than ever, business is a key shaper of the emerging global society. The exchange of knowledge, materials, energy and people; the blending of cultures; and the dissipation of geo-political boundaries are to a great extent the result of transnational business operations. The relevance of knowledge and the need for approaches to manage it became apparent first and foremost in the business world. In fact, in a survey of chief executives, knowledge management was put second on their “must do” list after globalization (TFPL, 1999, p. 3).

Since the dynamic changes from industrial to service based economy, the gross domestic product (GDP) of Thailand has expanded significantly. In 2005, the service sector accounted for 48 percent of the country gross domestic product (Manasserian, 2005). Currently, Thailand should concentrate in the knowledge-based creation to provide best creative service industries. In countries like the US, the

service sector accounted for 69 percent of the GDP by 1989. In the UK in 1990, the service sector accounted for 62 percent of GDP and 60 percent of GDP in Germany. For emerging economies like China, the service sector contributes to 48 percent of GDP in 2001, but it decreased to 33 percent (Malhotra et al, 2005).

The challenges and opportunities emerging from a rapidly changing global environment demand that we go beyond these conceptions. Knowledge, and the processes of its acquisition, generation, distribution and utilization, has become the main source of value creation. But science, as a knowledge creation enterprise, is itself evolving and systematic transcending conceptions. For this reason, it is important that contemporary knowledge management be grounded in the most recent scientific thought – in particular, the sciences of complexity (such as systems theory, chaos theory, and dynamical systems theory) that provide the foundations for a new understanding of how complex dynamic thinking systems evolve.

In the increasing competitiveness of the global market, organizations which are able to make the exploitation of knowledge will be more successful. Knowledge can be defined in two ways. Firstly, tacit knowledge, which is knowledge gained by more nuanced or discriminating approaches (Nanoka & Tekechi, 1995). Secondly, explicit knowledge, this is tangible and comprehensible knowledge. The more valuable of the two is tacit knowledge, because it is more difficult to quantify, and therefore obtain. Past research has affirmed the importance of four main “domains” of knowledge management practices: knowledge culture, knowledge content, knowledge infrastructure, and knowledge process (Birchall & Tovstiga 1998; Chait, 1998; Tovstiga and Korat, 2000). Organizations which are able to create positive knowledge cultures will be more successful.

Practices in successful organizations in different regions should be similar to each other. Surveys were sent by Dana, Korat and Tovstiga (2005) to 32 leading firms in the Silicon Valley (USA), 30 firms in Singapore, 8 in The Netherlands, and 26 in Israel. The response rate of the surveys received back was just under half. Industries selected in the surveys encompassed software, hardware, and biotech companies. The

researchers used the Knowledge Practices Survey (KPS). This survey was developed by Tovstiga and Korot (1999), and taps into the four categories discussed earlier. Questions concerned topics such as learning culture, sharing of knowledge, openness and trust, knowledge dissemination, and where knowledge resides.

Dana, Korat, and Tovstiga (2005) concluded that key organizations in each region surveyed had management practices that were in common. The three were: propensity for experimentation; collective sharing of knowledge, and collective decision making. Each region was found to also have strengths and weaknesses. For example, the Silicon Valley and Israel "...have highly motivated knowledge workers, but with their organizations falling short of their employee's expectations. Singapore has a very small gap between current practices and importance which likely means practices from upper management is restrictive, however, this is not entirely problematic, because this is an accepted cultural norm" (Dana et al, 2005).

After this study organizations should question the status quo, and research into which knowledge management practices will allow them to be more successful. Dana, Korat, and Tovstiga (2005) have given firms a guide, as to what is working around the world.

2.1.1 Knowledge creation and tacit knowledge

The SECI model and COP theory will be employed from capture, analysis, validation, modeling, sharing, and learning the new knowledge creation for personality enhancement model for Thai people. The knowledge of Thai traditional and local wisdom has many important special tacit characteristics, which requires exploring and involving both explicit and tacit natures. According to Nonaka (1998, 2000), the transformation of knowledge, SECI Model, has four phases and the process will repeat like a spiral. Some tacit can be transferred straightforwardly to other people as tacit knowledge. Tacit knowledge can also be expressed and externalized into explicit knowledge, which can be combined and therefore new explicit knowledge can be produced. Explicit knowledge should be internalized and become one's own tacit knowledge before it can be applied and generated. All these transfer and transformation of knowledge creation produce within appropriate Ba, which are physical and virtual places, tools and environment facilitating the learning processes.

Nonaka's concepts and practices are grounded in Japanese culture, a domain primarily known and honored tacitly (Nonaka and Konno, 1998). His approach has less to do with representational ideas and more to do with a constructivist understanding of knowledge (von Krogh, 1998). Nonaka does cite Michael Polanyi's conception of tacit knowledge, and says he aims to take Polanyi's notion in a more practical direction. To do this, he outlines an approach that works with many colleagues, borrowing ideas, modifying, inventing, fitting, and trying them out. Working thus in social interaction is the very process Nonaka recommends for people to develop knowledge within their organizations. "Knowledge is alive because it changes continuously... transferred through human interaction" (Nonaka, 1994). From his experience of profound East-West differences in styles of business activity, Nonaka suggests that tacit and explicit knowledge are best epistemologically understood as two distinct types. Tacit knowledge is characterized by "analogue" qualities – parallel processing of continuous complex variables – while explicit knowledge shows the discrete discontinuities characteristic of "digital" processing (Nonaka, 1994). This heuristic makes a dualism of tacit knowledge and explicit knowledge. Focusing on the tacit, (which for Polanyi is subsidiary) Nonaka contends that he gains further access to the knowledge resources of the person.

The creation of organizational knowledge begins with subjective tacit knowledge, that flow of information which individuals have created and proven in their own committed, effective, embodied actions. Nonaka understands an individual's tacit knowledge as "pure experience," an intentional self-involvement in the object and situation that transcends subject-object separation. Knowledge is personal, a "justified true belief." Nonaka wants to facilitate the justification of each individual's true beliefs within a wider community. In Nonaka's vision, an organization can amplify and crystallize individuals' tacit knowledge by allowing them to experience deeper understanding of any knowledge they may receive, and importantly, the potential that knowledge holds.

The problem of tacit knowledge is one that confronts people daily. Coined by the epistemologist Polanyi, tacit knowledge refers to the hard acquisition of knowledge one has gained without realizing one has come into possession of it (Polanyi, 1958; 1966). In other words, it is the stuff we just know. Tacit knowledge is problematic, because it is difficult to bring to the surface, to make it explicit knowledge which can be used by the general populous. In organizations, people with tacit knowledge in a specialized field are very valuable, because they will more easily solve problems or complete tasks (Baumard, 1999). How is tacit knowledge converted into explicit knowledge within organizations?

In research conducted by Stover (2004) the use of a web-based ready reference database (RRD) was used for a closer look at this process. A RRD is a "repository" and a "knowledge map" of information (Stover, 2004). It stores a huge variety of information on any number of questions or queries that can be requested. Librarians find it useful for answering student's questions about research topics, etc. For his research Stover used an RRD located at the San Diego State University library (SDSU). Four translations were conducted at SDSU. Firstly, "tacit to tacit" occurs on and directly off the premises of the library. This can be described as "under the table" transfers. Secondly, "tacit to explicit" takes place when a librarian shares her knowledge within the library setting. This might happen down an aisle of books, the reference desk, or even over the phone. These encounters are often translated to scribbles, lists of references, or even important names and topics. Thirdly, "explicit to

explicit” takes into account three different activities. First, the researcher will obtain new knowledge through the tools at the library. Two, the researcher discards what is not necessary, and filters the information. Finally, the researcher molds the knowledge so that it can be used by the RRD. The final translation is “explicit to tacit” which shares the knowledge throughout the reference department.

Problems exist for the wide implementation of these kinds of systems. Tacit knowledge is the most valuable, and therefore the least often shared. It can be the advantage one employee has over the other for a job promotion. Additionally, RRDs could be used to facilitate leaks of information to the world outside the organization. This of course brings the discussion back to restrictions. Still, while organizations are faced with challenges such as these the need to bring tacit knowledge to the masses might be enough motivation to run RRDs in some limited forms.

Stover concludes that RRDs have found a profound place in libraries. The community of users as a whole is part of the process of bringing tacit knowledge to general knowledge. Still, problems exist. The information must be reevaluated and made fresh, and information may be kept secret. Also, the information in the RRD could be seen as more valuable than tacit knowledge. In any case, the power of RRDs to bring tacit knowledge to the fore need to be explored more. The place of RRDs in firms, however, is more challenging.

2.1.2 Knowledge Sharing and Mentoring

Successful mentoring depends on how strong the bonds are between mentor and mentee. In a business setting this can be an opportunity for the company to be more effective at transferring knowledge from senior employees to their juniors. Also, it can provide an edge against competitors (Byrant, 2005). Mentoring programs are one example of the increased awareness of firms that gains can be made. In companies nowadays new employees are encouraged to find a mentor (Loeb, 1995). However, this formal mode of knowledge management may not provide the best opportunities for knowledge sharing.

Success in such programs is not guaranteed. In a study by Karkoulian, Halawi, and McCarthy (2008) on the effectiveness of mentoring programs, Lebanese

banks were questioned "...to measure their perception of the impact of mentoring on their willingness to share information within their organization" (Karkoulian et al, 2008). Ten banks were chosen, and a total of 600 surveys were sent out with a return rate of 83.17 percent, so a total of 499 surveys were analyzed. Measurement was based on four hypotheses. The results were correlated for the relationship between formal and informal mentoring, and knowledge sharing and knowledge utilization.

From the results of the study, it was found that informal mentoring facilitates a greater amount of knowledge sharing and utilization. In contrast, formal mentoring provides information sharing, but not utilization. The correlation of formal mentoring and knowledge sharing was 0.419, while knowledge utilization dropped to -0.059. The informal correlations are impressive: 0.832 for sharing, and 0.577 for utilization. What are some possible reasons for this?

The best relationships often occur when the relationship is not forced. When two people are paired by an outside force it feels contrived. In contrast, when two people come together through some mutual interest or attraction the relationship flows naturally. The problem with a mentoring program is that it posits two people who may have personality differences, or some other block, and a relationship may never be successful. So, relationships that occur through informal means have a better chance at long term success.

The authors of this study, rightly, suggest that Lebanese banks (at least) foster activities in which informal relationships can develop. This set a research does conform to study by Noe (1988) in which it was concluded that formal mentorships are likely to fail. In conclusion, knowledge in the business environment can be better transferred through informal mentorships.

However, the big challenge is in how this knowledge, and by extension the creativity released for the utilization and application of knowledge, can be exploited enhance human capital capacity building which will positively increase the national competitiveness in creative economy era.

2.2 The Development of the Creative Economy in Thailand

This section provides an overview of the development of the concepts of “creativity”, “creative goods and services”, “cultural industries”, “creative industries” and “creative economy” in an effort to reach not a final consensus but at least a shared vision as a basis for comparative analysis and informed policy-making. It also considers the emergence of the associated concepts of “creative class”, “creative cities”, “creative clusters” and “creative districts”. The major drivers of the growth of the creative economy are discussed, and some evidence is presented as to the contribution of the creative industries to the economy of Thailand.

2.2.1 The Definition of a Creative Economy

The conception of the creative economy is one that is still being formulated. UNCTAD (2008) reports that the creative economy is “multidisciplinary” and has “...complex interactions between economics, culture, and technology...” UNCTAD (2008, p. 15) lists several key indicators of the creative economy, the most important are, job creation, export growth, tourism, the use of technology, and intellectual property.

The 2001 book by John Howkins was the first in publication to use the term “creative economy” (UNCTAD, 2008). His use of the term covered an array of industries from the arts to science and technology (UNCTAD, 2008). Howkins calculated that in the year 2000 the creative economy was worth \$2.2 trillion, and that was growing near 5 per cent annually (UNCTAD, 2008). In his mind the relationship between creativity and economics was changing, he wrote, “...creativity is not new and neither is economics, but what is new is the nature and the extent of the relationship between them and how they combine to create extraordinary value and wealth” (UNCTAD, 2008). Howkins saw two kinds of creativity, the first is a feature found in all backgrounds, and the second is found in “...industrial societies which put a higher value on novelty, on science, and technological innovation, and on intellectual property rights” (UNCTAD, 2008). The creative economy harnesses the creative talents of the people, and that creates value which in turn can be a powerful asset for a nation.

In this globalizing world of the twenty-first century, there has been a growing understanding of the interface between creativity, culture, and economics, which is the rationale behind the emerging concept of the “creative economy”. Central to this is the fact that creativity, knowledge, and access to information are increasingly recognized as powerful engines driving economic growth and promoting development in both developed and developing countries. The word “creativity” in this context is associated with originality, imagination, inspiration, ingenuity and inventiveness, which are individuals’ inner characteristics to be imaginative and express ideas, associated with knowledge. These ideas help to produce original works of art and cultural products, functional creations, scientific inventions and technological innovations are the essence of intellectual capital. As Stanford University Economist Paul Romer has long argued, great advances have always sprung from ideas. There is thus an economic aspect to creativity, observable in the way it contributes to entrepreneurship, fosters innovation, enhances productivity and promotes economic growth. Creativity is found in all societies and countries – rich or poor, large or small, advanced or developing. Nevertheless, the characteristics of creativity in different areas of human effort can at least be expressed as follows: “Artistic/cultural creativity” involves imagination and a capacity to generate original ideas and novel ways of interpreting the world, expressed in text, sound and image; “scientific creativity” involves curiosity and a willingness to experiment and make new connections in problem-solving; and “economic creativity” is a dynamic process leading towards innovation in technology, business practices, marketing, etc., and is closely linked to gaining competitive advantages in the economy. All of the above involve “technological creativity” to a greater or lesser extent and are interrelated, as shown in Figure 5 (KEA Europe Affairs, 2006).



Figure 5 Four Characteristics of Creativity in Economy

According to UNCTAD 2008 Report, the concept and definition of “creativity” can be summarized as follows: “Fundamental to an understanding of the creative economy – what it comprises and how it functions in the economies of both developed and developing countries are the evolving concepts of “cultural industries” and “creative industries”.

In addition, creativity is an important measurable social process. From the economic point of view, however, a relationship between creativity and socio-economic development shows that creativity impacts economic growth. Owing to this reason, it is important to measure not only economic outputs of creativity but also the cycle of creative activity through the interplay of four forms of creative capital (social cultural, human, and structural or institutional) as the determinants of the growth of creativity. The accumulated effects of these determinants are the “outcomes of creativity”. The below mind mapping represents a framework which is the interplay of 5 Cs creativity index (outcomes of creativity plus 4 capitals) as seen in Figure 6.

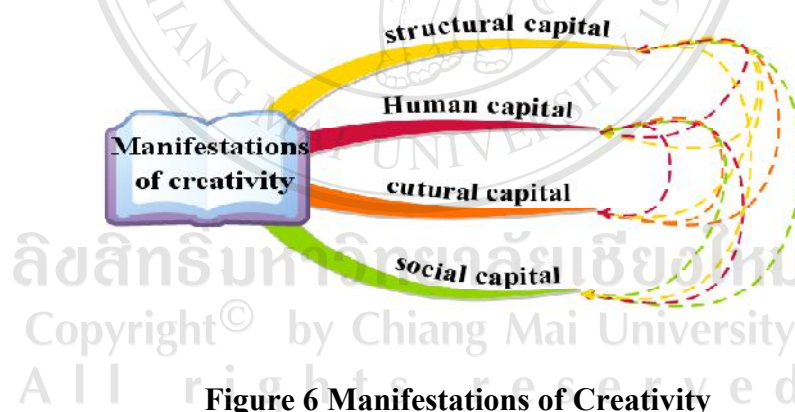


Figure 6 Manifestations of Creativity

According to UNCTAD, the “creative economy” can be defined as an evolving concept based on creative capitals potentially generating economic growth and development. In addition, the “creative economy is an evolving concept based on creative capitals that can foster income generation, job creation and export earnings while promoting social inclusion, cultural diversity and human development. It can also include economic, cultural and social aspects interacting with technology, intellectual property and tourism objectives. Besides that, the “creative economy” can

be defined as a set of knowledge-based economic activities with a development dimension and cross-cutting linkages at macro and micro levels to the overall economy.

2.2.2 The Framework of the Creative Economy

The creative economy is a new paradigm shift that embrace economic, cultural, technological and social aspects of development at both macro and micro national economic levels. The “Thainess Capital” will be an initiative economic driver used to foster national intellectual capital for building competitive national brand equity benefit as the key driving forces for economic growth and value promoting development in this rapid changing era. Creativity of Thainess Capital will be shaped as the formulation of new ideas for national branding to foster service economy, enhancing productivity and economic growth of Thailand. Thainess Capital will be created from the Thai normative wisdom, values and beliefs of Thai people as self-presentation appearance and behaviors in everyday life to perform the best performance.

Thainess capital creation is associated with originality, imagination, inspiration, ingenuity and inventiveness from the inner mental model representing as Thais identity and values for delivering best service-minded and expressing creative hospitality ideas; associated with knowledge, these intangibilities are the key essence of Thainess intellectual capital. Thainess capital knowledge management of Thai creativity, culture and economic will be modeled towards a multidisciplinary model centered on the service dominant of Thai economy.

The scope of the creative economy is determined by the extent of the creative industries. “creative industries” which is at the heart of the “creative economy” can be defined as the cycles of creation, production and distribution of goods and services that use creativity and intellectual asset as primary inputs. They compose a set of knowledge-based activities that produce tangible goods and intangible intellectual or artistic services with creative content, economic value and market goals. Creative industries comprise a vast and heterogeneous field dealing with the interplay of various creative activities ranging from traditional arts and crafts, publishing, music, and visual and performing arts to more technology-intensive and services-oriented

groups of activities such as film, television and radio broadcasting, new media and design, as shown in Figure 7.

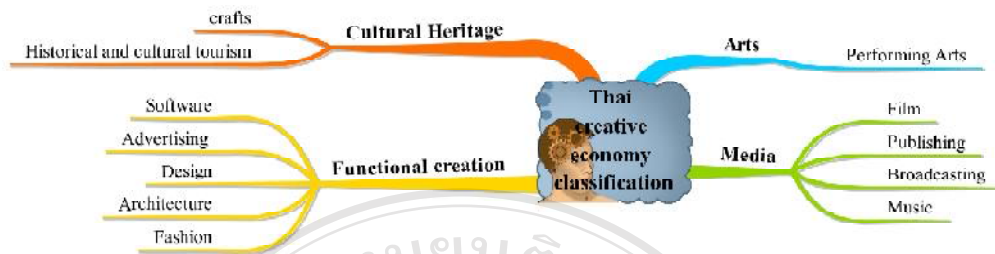


Figure 7 Thai Creative Economy Classification

UNCTAD's definition of the creative industries (Creative Economy Report, 2008, p. 12) includes the following aspects of creative industries. They:

- “are the cycles of creation, production and distribution of goods and services that use creativity and intellectual capital as primary inputs;
- constitute a set of knowledge-based activities, focused on but not limited to arts, potentially generating revenues from trade and intellectual property rights;
- comprise tangible products and intangible intellectual or artistic services with creative content, economic value and market objectives;
- are at the cross-roads among the artisan, services and industrial sectors; and
- constitute a new dynamic sector in world trade.” (UNCTAD, 2008)

In UNESCO, for example, the “cultural industries” are regarded as those industries that “combine the creation, production and commercialization of items which are intangible and cultural in nature. These items are typically protected by copyright and they can take the form of goods or services”. An important aspect of the cultural industries, according to UNESCO, is that they are “central in promoting and maintaining cultural diversity and in ensuring democratic access to culture”. This twofold nature combines the cultural and the economic and it gives the cultural industries a distinctive profile. In the present day, there remain different

interpretations of culture as an industry. Culture and industry were argued to be opposites and the term was used in polemics against the limitations of modern cultural life. More generally, however, the proposition that the cultural industries are simply those industries that generate cultural goods and services, has gained better acceptance.

The “creative industries” and the cultural industries are sometimes defined distinctively, but sometimes the two terms are used interchangeably. A sensible way to proceed is to begin by defining the goods and services that these industries produce. It can be suggested that these goods and services have cultural value in addition to whatever commercial value they may possess and that this cultural value may not be fully measurable in monetary terms. These goods and services in the context of “cultural goods and services” such as artwork, musical performances, literature, film and television programs, and video games can be seen as a subset of a wider category of goods that can be called “creative goods and services”. These are man-made products whose manufacture requires some reasonably significant level of creativity. Thus the category “creative goods” extends beyond cultural goods as defined above to include products such as fashion and software. These latter goods and services can be seen as essentially commercial products, but their production does involve some level of creativity.

A number of different models have been put forward over recent years as a way of providing a systematic understanding of the structural characteristics of the creative industries. The following Figure 6 reviews four of these models, highlighting the different classification systems that they imply for the creative economy. Each model has a particular rationale, depending on underlying assumptions about the purpose and mode of operation of the industries. Each one leads to a somewhat different basis for classification into “core” and “peripheral” industries within the creative economy. There is no “right” or “wrong” model of the creative industries, simply different ways of interpreting the structural characteristics of creative production.

The four models used in the classification are: UK DCMS Model, Symbolic Texts Model, Concentric Circles Model, and WIPO Copyright Model. The UK DCMS Model defines “Creative industries” as those requiring creativity, skill and

talent, with potential for wealth and job creation through the exploitation of their intellectual property (United Kingdom Department of Culture, Media and Sport (DCMS), 2001). In the Symbolic Texts Model, the culture of a society is formed and transmitted via the industrial production, dissemination and consumption of symbolic texts or messages, which are delivered by means of various media such as film, broadcasting and the press. The Concentric Circles Model asserts that creative ideas originate in the core creative arts in the form of sound, text and image and that these ideas and influences diffuse outwards through a series of layers or “concentric circles”, with the proportion of cultural to commercial content decreasing as one moves further outwards from the centre. Last but not least is the WIPO Copyright model, this model is based on industries involved directly or indirectly in the creation, manufacture, production, broadcast and distribution of copyrighted works (World Intellectual Property Organization, 2003).

So how can we define the various strands of the creative economy into something that can be recognized as an overarching theme? The answer is to call it intellectual capital.

2.3 Intellectual Capital

The field of intellectual capital (IC) presents a few different viewpoints of IC definitions. In Choong’s (2008) examination one finds Edvinsson and Malone’s definition of IC as the, “...difference between the firm’s market value and its book value of entity”. Choong points out that this definition comes from “non accounting researchers” which leads to an explanation of book value and entity by accounting researchers. The difference between the firm’s value and book value is “goodwill” (Choong, 2008). However, this term has never received enough scrutiny, so it is not exactly clear what goodwill means (Choong, 2008).

Sullivan (2000) discusses IC as a set of intangibles, and one can see where “goodwill” might be a useful term. For example, “...firms depend on intangibles such as reputation, customer loyalty, name recognition, leadership, and standard setting, and these are vitally dependent upon human capital to ensure repeat business” (Choong, 2008). Lev (2001) also takes the topic of intangibles and explains, “...an intangible asset is a claim to future benefits...and it does not have physical

substance.” According Mouritsen *et al.*, (2004) IC is the motivational glue that influences employees, customers, and managers. They remark that, “IC cannot stand by itself as it merely provides a mechanism that allows the various assets to be bonded together in the productive process of the firm” Mouritsen *et al.*, (2004) Therefore, what is clear is IC is something one can neither touch nor hold, but companies must be able to secure it to be successful.

Finally, IC is imperative for the reason that it is a primary source of “value creation” (Choong, 2008). However, no element of IC by itself creates ongoing value for an organization or a nation, but only does so when interacting with other elements, such as the product and process management of human and cultural capital (Johnson, 2002, p. 417).

Definitions of IC have not solidified, so the debate will continue. Choong (2008) ends by writing, “In general, most definitions (indications) state that an IC is a non-monetary asset without physical substance but it possesses value or it can generate future benefits.

Adam Smith raised the issue of how to balance the needs of self-interest and the moral community in his work on *The Theory of Moral Sentiments* (Smith, 1976 [1759]). Rousseau (1993) discussed the importance of shared values and a social contract (people are not originally “corrupted” and have a “good will”). Durkheim (1984) looked at norms and values shared by group members. Simmel (1955) noted group affiliations and reciprocal exchanges, and during the same period Weber (1904, 1922) studied the role of culture, religion and trust. In fact, Portes and Sensenbrenner (1993) draw on the relevant thoughts of classical sociologists to develop the concept of social capital.

Social capital is defined by Putnam (1993) as “trust, norms and networks” that facilitate cooperation for mutual benefit, can be utilized for relation capital or customer capital. In addition, Grootaert and Bastelaer (2001) have developed an interesting conceptual framework consisting of scope, forms and channels of social capital. The scope includes the following dimensions: micro (networks, norms, values of social organizations, households); meso (social structure that facilitates personal and corporate actions that have both vertical and horizontal associations and hierarchical relationships); and macro (besides the informal relationships at micro and

meso levels, it includes formal institutions such as political regime, the rule of law, the court system and so on).

Human capital is defined as the combined knowledge, skill, innovativeness, and ability of the company's individual employees to meet the task at hand. It also includes the company's values, culture, and philosophy. Human capital has also been defined on an individual level as the combination of four key factors: genetic inheritance; education; experience; and attitudes about life and business (Hudson, 1993). The term human capital has also been used by the American Nobel Prize-winning economist Theodore W. Schultz (1981). The decisive factors of production in improving the welfare of poor people are not space, energy, and cropland; the decisive factors are the improvement in population quality and advances in knowledge. These advancements can be augmented by proper investment in human capital.

At the organizational level, human capital consists of three components: competence, relationships, and values (Skandia, 2005). Competence refers to the professional (ability to use organizational structural capital), social (ability to work with others in the organization), and commercial (ability to work with customers and ex-firm resources and create value generating constellations) competence of individuals. Relationships (similar to social competence) refer to an individual's ability to generate value through cooperation with others in the organization. Finally, values are the driver of the individual's behavior and an individual's propensity to hold the "right" values are an important part of the individual's value to the organization (Bontis, 2004). Human capital refers to and includes know-how, education, work-related competencies, and psychometric assessments. McGregor et al. (2004) define human capital as the size and quality of broader labor markets, but also as the sum of individual competencies in organizations. Teece (2000) recognizes that knowledge assets or products result from the experience and expertise of individuals. However, the "physical, social, and resource allocation structure" of organizations are important if such experience and expertise is to be translated into competencies that help generate knowledge products (Teece, 2000; McGregor et al., 2004).

Professor Dr. Chira Hongladarom, Secretary-General Foundation for International Human Resource Development mentioned that the importance of HRD illustrated by some of following quotations namely, “Comparative advantage of countries or economies depends on the quality of human resources.” (Michael Porter) and “People are the most important asset in the nations and companies” (Mr. Paron Isarasena na Ayutthaya). According to Hongladarom’s interview summary on human capital development as national capacity building for the creative economy driver can be summarized as follows:

The ‘Human Capital’ thinking future for HRD is quite difficult because HRD is quite a long term planning and lack of interconnected effort with other policies such as economic and social and technological issues. However, despite the difficulties, we in Asia can try to fill up the gap and if we pursue HRD with consistency and deep commitment, especially, by political support and strong co-operation from academic and private sector. As chair of APEC HRD Working Group, we have established this working group for more than 20 years, yet we do not have enough support from key government leaders. But during my chairmanship, we have tried our very best to fill the gap. However, experience in Asia show that if there is consensus and political support in HRD, we can effectively move forward. Education in Thailand can be at two levels; one is formal and one during the working life. Unfortunately education in Thailand has only produced certificates or degrees but not ability to think critically and think outside the box, in Thailand lack of “intellectual capital.” I suggest as my theory 5K’s: Innovation Capital, Knowledge Capital, Cultural Capital, Emotional Capital, and Creativity Capital. In addition, the theory of 8K’s can also be useful to enhance the nation’s capacity building: Human Capital, Intellectual Capital, Ethical Capital, Happiness Capital, Social Capital, Sustainability Capital Digital Capital, and Talented Capital. How can you have an innovation culture, when your society doesn’t know how to think. Moreover, during the working life over 30 years, investment in

workforce human capital training is also relatively inadequate. My suggestion for education improvement is to reform our learning system which the most critical aspect of human capital and capacity building. I have developed these methods of 4L's learning theory: Learning Methodology, Learning Environment, Learning Opportunities, Learning Communities, in both at formal and informal learning – it works because people enjoy learning and sharing ideas. In the west, there is a theory called the fifth discipline by Peter Senge, which includes: personal mastery, mental models, shared vision, team learning, and system thinking. The important aspect of capacity building is to understand that good ideas must be turned into action plan.

Expressed as a Mind Map, Hongladarom's theoretical typology on human resources development is presented below in figure 8.

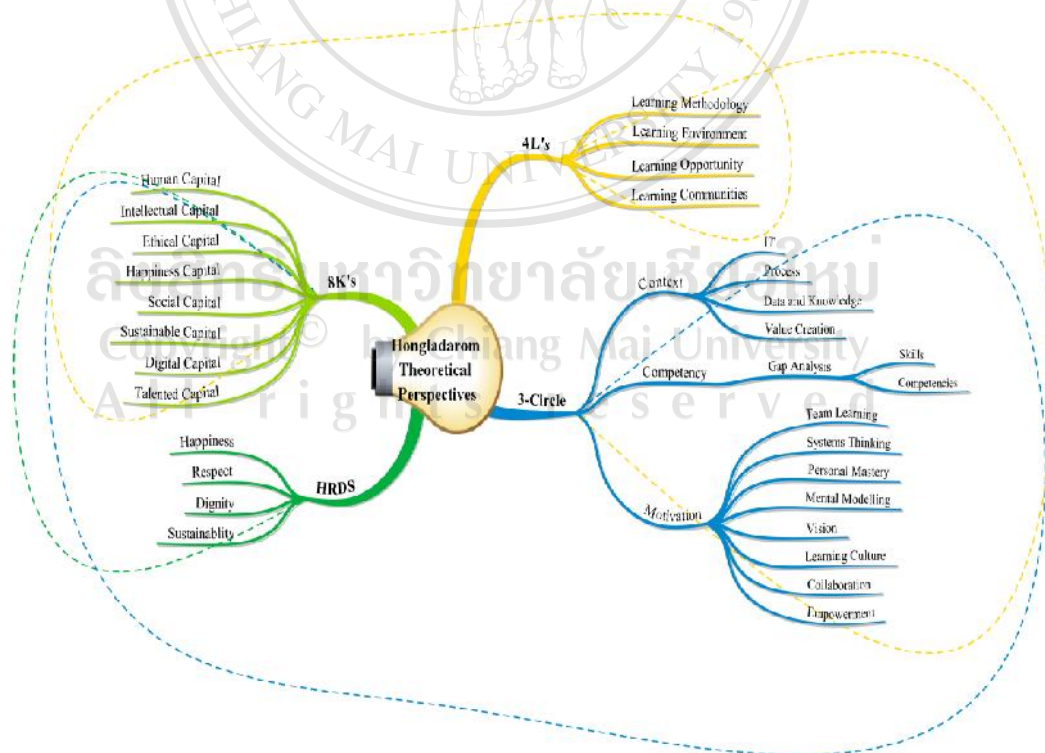


Figure 8 Hongladarom's theoretical typology on human resources development

2.4 Intangible Capital

An organization's competency is defined as a group of intangible resources, interrelated and synergic, that have the capacity to create value. The focus of the competency is the organization, but the perspective is all-inclusive, or rather, it takes into consideration the relationships with suppliers, partners and clients.

Intangibles have not always been acknowledged as something of value. Organizations did not have the tools necessary to accurately measure intangible assets. One example, traditional measurements have not taken into account intangible when evaluating an organization's worth (Kalafut & Low, 2001). An organization's assets are now more recognized as both tangible and intangible. Creation of intangible assets can occur through human capital and cultural capital. Sequeira *et al.* (2009) described intangible resources as "...interrelated and synergic, that have the capacity to create value."

During the second half of the 20th century the concept of the imagination was reconceptualized as part of wider human experience (Roos, 2006; Kearney 1988; White 1990; Thomas 2001). The descriptive, creative and destructive forms of imagination have been discussed by Kearney (1988) and extended by Roos and Victor (1999) exemplify this attempt. Albert Einstein's famous utterance that imagination is more important than knowledge illustrates this idea very well. While the relationship among the concepts of imagination, image, imagery and mental processes are still being debated, a whole current of cognitive science is mapping out how tightly interconnected they are (Roos, 2006, p. 44).

There have been exciting convergences between philosophy and cognitive science that further illustrate the contemporary understanding of what "the imagination" is. Thomas (2001) for instance, points out that the folk and romantic understanding of 'imagination' sees it as a 'capacity to comprehend the meaningless welter of incoming sensation, synthesizing it into a coherent, meaningful whole: the secret ingredient that turns mere mechanical receptivity into mental apprehension' (1999, p. 236). For him imagination is the capacity to 'see as', that is, a fundamental cognitive faculty through which complex reality is made understandable. Deacon (1997), the unique aspect of the human mind is its propensity and capability to collect from

experiences the potential patterns and correlation that can compose a robust representation of the world.

Humans have a distinctive ability not only to label and sort events in the world as experienced, but also to analyze these relationships into a general conceptual fabric or reality. This capability of imagining the world, interacting with the cycle of experience and analysis, is the unique character of human thinking.

Imagination is practiced in three primary dimensions: (1) in what we do (behavior), (2) in what we use (materials), and (3) in how we think (concepts). Imagination, by definition, comes from within us. The conceptual behavioral and material dimensions help us classify and better understand the intrinsically human practice of imagining. To ‘imagine’ implies all three dimensions as follows:

The conceptual dimension: Roos (p. 45)

The conceptual dimension of imagination consists of using abstract ideas to interpret reality. Although ideas are experiences in many ways, we often share them as stories or as highly emblematic images. The conceptual dimension of imagination can shape the way we look at the world—and even how we behave...The images, stories and concepts we create and deploy to frame and reframe and make sense of our actions is this conceptual dimension of imagination. To become aware of new patterns and ways of interpreting what goes on in organization life is imaginative in and of itself, but it is a new story, metaphor or image that integrates the new information in a way that makes it socially accessible, or even compelling.

The behavioral dimension: Roos (p.46)

“The behavioral dimensions consist of behaviors that help us interpret reality... Imagination is more than acting imaginatively. We are all imaginative, to some degree, almost all the time this capacity to be imaginative inheres in everyone’s behaviors as well.”

The material dimension: Roos (p.47)

“The material dimension concerns the deployment of objects and physical effects, which produce an interpretation of reality. The way in which material shapes our interpretation of the world is perhaps the

best seen in architecture and, of all the things, in doors and rooms.”

The three dimensions of imagination are summarized in Table 2.

Table 2 The Three Dimensions of Imagination

	Behavioral	Material	Conceptual
Description	Behaviors to interpret and create our reality	Use of objects and physical effects to interpret and create our reality	Shaping how we perceive and create our worlds
Arts Analogue	Performance art, dance, theatre	Sculpture and painting	Literature, stories, poetry
In context of strategy	What we do when we practice strategy	What we use when we practice strategy	How we think and what we think of when we practicing strategy
Organizational literature	Mintzberg's (1987) 'Crafting'	Doyle and Sim's (2002) 'Modeling'	Morgan's (1997) Images of organizations

2.4.1 Prosperity Capital

Prosperity is the ability of an individual, group or nation to provide shelter, nutrition and other material goods that enable people to live a good life, according to their own definition. Prosperity helps to create the space in peoples' hearts and minds so that, unfettered by the everyday concern of material goods they require to survive, they might develop a healthy emotional and spiritual life, according to their preferences. We can think of prosperity as a flow and a stock. Many economists view it as a flow of income; the ability of a person to purchase a set of goods, or capture value created by someone else. We use an improved notion of income called purchasing power. Prosperity is also the enabling environment that improves productivity.

There are seven kinds of stock, or seven forms of capital, the last four of which constitute social capital. In this conceptualization, we see all forms of prosperity falling into the following categories (see Figure 9):

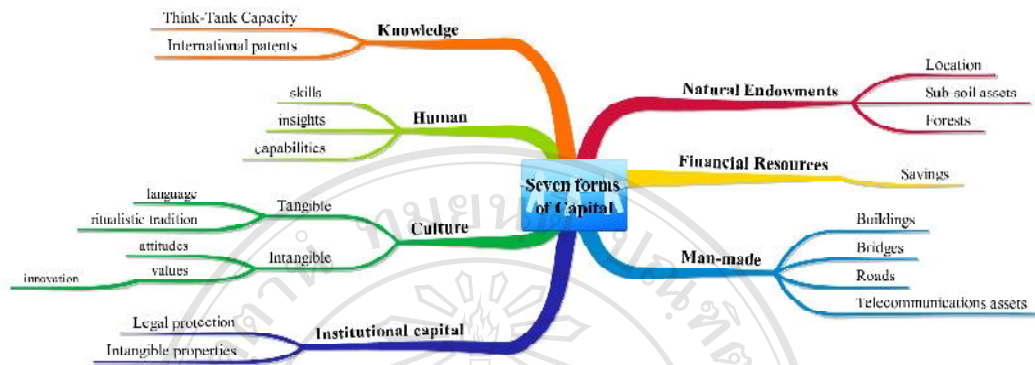


Figure 9 Seven Forms of Capital

The importance of prosperity. We know that individuals around the world have vastly different purchasing powers. Each country needs to process stocks of wealth in different proportions. According to Thomas Sowell (1999), “we need to confront the most blatant fact that has persisted across centuries of social history – vast differences in productivity among peoples, and the economic and other consequences of such differences. Recent reports by the World Bank indicate that the standard of living in many regions in Africa, Latin America and Asia are being threatened because of declining productivity. There are intimate connections between poverty and malnutrition: muscle wastage, stunting of growth, increased susceptibility to infections, and more importantly, the destruction of cognitive capacity in children; but poverty is more insidious than statistics can indicate. Poverty destroys aspiration, hope and happiness. This is the poverty you can’t measure, but you can feel.

There is a rich literature on the correlation between incomes and such progressive human values as: productive attitudes toward authority, tolerance of others and support of civil liberties, openness toward foreigners, positive relation with subordinates, self-esteem, and sense of personal competence, interpersonal trust and satisfaction of one’s own life.

Nations that don't create wealth for its citizen share much in common. When nations are over-reliant on natural resources including cheap labor; and that they believe in the simple advantage of climate, location and tangible resources. Because of this they often do not build capacity to produce differentiated goods and services that co-create greater value for demands of customers who are willing to pay more money for these goods. By focusing on these easily imitated advantages, on these lower forms of capital, they compete solely on the basis of price, tend to suppress wages. Keeping wages low is what to see “which country can stay the poorest, the longest.” It is exports based on poverty, not exports based on wealth creation; and the only competition they are in it to see which country can stay the poorest the longest until its society disintegrates. A nation's ability to create both price and non-price value for consumers inside and outside the country is what determines its productivity and, therefore, its prosperity (Sowell, 1999).

In order to fulfill the aspiration of rising prosperity for all there is a need to not only capitalize on the intellectual property of the nation but also certain national characteristics. These unique, and marketable, traits can be summarized as “Thainess Capital” Initiatives.

2.5 Thainess Capital

Thainess is a multidimensional construct that is derived from Thai collective cultural values. There are six core collective values, according to Ovatsatit (2007), which are: confrontation avoidance, face saving, *kreng jai*, *men pen rai*, belief in democracy, and collectivism value. The essence of ‘Thainess’ can be expressed through three cultural mores that are inherent throughout Thai society. These are:

- 1) **Religious:** Theravada (literally meaning ‘the teaching of elders’) Buddhism is the Thai national religion and, unlike other religions, or indeed other strands of Buddhism itself, it requires a deference to older, wiser people. Other religions rely on religious texts but in Theravada living people are consulted giving unequivocal answers to vexing questions, expressed in everyday language, and not an interpretation.

- 2) **Deference:** partly due to the religion and the wisdom of the Kings Thais have a natural tendency to defer to who they see as their cultural or educational superiors.
- 3) **Duty:** the central strand of Thai culture is duty to their family, the King and their fellows. This extremely strong characteristic is quite unlike western cultures where duty to self is the defining characteristic. This duty will also carry across to other group members so that collectiveness in both understanding and action are key elements in the Thai make up.

These three cultural strengths are what give Thais their unique cultural underpinnings and which make them ideal candidates for industries and services where teamwork, natural deference and caring for others are essential.

There are two primary perspectives from which a culture can be understood, namely through 'emic' and 'etic' classifications. Etic is a description of typical global value, attitude, and the manner of a typical behavior that can be applied to other cultures. Many cultural behavioral dimensions of Thai culture can be viewed by "looking from the outside in" within the international business frameworks. By integrating this model into the most influential models of culture, namely, Hofstede (1980), Hall (1976), and Trompenaars, (1997), summarized Thailand as primarily being characterized by collectivism, hierarchy, relation-based, and a high-context.

An emic account is a description of behavior or belief in terms of a specific culture, by looking at it from inside out. For Thailand, the indigenous cultural mental language is based on the cognitive constructs of *kreng jai*, *bhun khun*, *nam jai*, *hen jai* and *sum ruam*. Structurally, from the global perspective, the Thai culture can be classified based on the etic perspective as possessing a high degree of first impression management, especially exemplified by the impressive Thai smile, making it known as the "Land of Smiles".

Thai cultural values have had several influences. Buddhism from India and Confucisim from China are the basis in which most Thai values come from. The promotion of having a good time and getting along with one another is of the greatest importance.

The avoidance of conflict is a fundamental trait of Thai culture. Acts of aggression are deeply frowned upon. "Overt expression of conflict either through

speech or behavior are considered undesirable, negative, inappropriate, and immature acts in Thai society to the extent that these behaviors can seldom be tolerated and often lead to social sanction (Gao et al. 1996; Traindis 1995; Westwood 1997). In past research, Thai and outside sources have noted this preference for conflict resolution rather than confrontation (Coughl 1960; Homes and Tangtongtavy, 1996). The two primary impacts on Thai culture are that of Buddhism and Confucianism (Mole 1973; Redding 1993).

In Buddhism, spiritual harmony is taught to be of the utmost importance. When people come to conflict with each other it is seen as a deterioration of one's internal peace (Ovatsatit 2007). Conflict with others breaks specific rules which include mental self improvement (Ovatsatit 2007).

Confucianism, part of the Chinese culture traits, have embedded themselves into Thai culture. These teachings decidedly favor social harmony instead of selfish individualistic pursuits. The usage of emotions is discouraged, and a clear social hierarchy all so dictate how juniors respect their superiors (Ovatsatit 2007).

Conflict avoidance is a major attribute of collectivist cultures. In contrast, individualistic cultures do not discourage competition among rivals (Morris et al, 1998). The issue of avoidance will be the main focus, and have been adapted from Morris et al.

Face has many facets which include a person's ego and reputation, and their outward projection. Specifically two Chinese words describe these aspects: Firstly, *lian* which means "face" and *mianzi* which means "image" (Gao et al, 1996). In comparison to Chinese, Thais focus on their honor, and how they are viewed by their peers. A study of Chinese found that it was difficult to elicit any negative feelings in their responses (O'Hair 1990, Wang and Chao (1990). Researchers have reserved a term for this behavior, *dysphoria*, which is the fear of bringing shame to one's self and family (Kleinman and Good (1985).

Finally, face saving also takes on the guise of keeping up with one's neighbors. If a neighbor should buy an object of status it will lessen face for the neighbors around her. To bring back the level of face, neighbors will purchase similar items, to reestablish equilibrium (Ovatsatit 2007). Moreover, Thais would think negatively if someone was to verbally attack an adversary in a public place. So, while Thais

would not think necessarily think negatively of a neighbor gaining face, the use of negative face is condemned.

The Thais believe that it is proper to be “self-effacing respectful, humble, and considerate of others to avoiding troubling or upsetting others” (Holmes & Tangtongtavy, 1996). This is called being *kreng jai*. This could come in the form of declining an offer or a favor. One might implore another to accept the offer by saying, “Please don’t *kreng jai*, and please accept my offer.” This feeling not to trouble others with one’s own problems comes from a Buddhist teaching which encourages “self-help”, and not to distract from the harmony of friendship. Confucius teaches concerning the proper social hierarchical order (Cooper and Cooper, 1990). Also, the Thai notion of the subordinate-superior relationships takes the role of hierarchy adds another dimension in the *kreng jai* exchange (Neher, 1990).

Mai pen rai is the removal of concern from a predicament in life by justifying the notion that it is of no consequence (Jacobs, 1981; Mulder, 1992; Phillips, 1974). A situation might not have turned out as one would have liked, and a friend would give a pat on the back and say, “*mai pen rai*”, as a way of consoling a friend (Ovatsatit, 2007). Again, Buddhism plays an important role in this Thai value.

Lord Buddha taught that “all forms of life ultimately fade away and follow the *samsara* cycle (Ovatsatit, 2007). *Mai pen rai* is a way of removing the personal attachment to a poor outcome in life (Ovatsatit, 2007). When a person lets go of unhappiness *mai pen rai* is a way of following the cycle, and allowing oneself to break away from “the state of existence” (Ovatsatit, 2007).

Additionally, it is also the law of karma which plays a role. A person in the past, or a past life, might have done actions which are negative. *Mai pen rai* allows a person to deal away some personal responsibility when unfortunate outcomes occur. Therefore, *Mai pen rai* helps a person cope with the struggles of life by removing importance, and by removing oneself from a poor result in life.

Sanuk value is living each day with a certain amount of leisure, and with a care free attitude. *Sanuk* can take form in several different ways. Firstly, it could be a work activity in which a task is completed. In some communities use rice harvesting is a form of *sanuk* (Ovatsatit 2007). Secondly, it could mean taking a break from work, and enjoying a game with workmates. Buddha taught that one must find the

middle ground in life. Thai children experience this value from an early age (Ovatsatit, 2007). Home is the first introduction to the value. A family will take time out of a busy activity in order to lighten the day's work load. Secondly, *sanuk* is put into practice with friends in the neighborhood or school (Ovatsatit, 2007). Anytime can be a chance for a fun and enjoyment when friends join together (Ovatsatit, 2007). Therefore, *sanuk* helps the Thai people lighten the load of life, and brings the enjoyment of group activities which would otherwise be mundane.

In conclusion, Thai values come from several different sources, but two primary schools of thought pervade. Buddhism has easily had the greatest impact on the Thai values. This philosophy (religion) teaches social harmony, and finding a middle ground in the different avenues of life. Confucism, which has had a penultimate impact, and which came from China, emphasizes social relations of a more collectivist nature. Together these teachings of life have had a cohesive influence. It has also taught not to take life too seriously in difficult situations. This is also a society in which a person knows their place within the hierarchy.

2.5.1 The Shared Visions of an Asian Collective Cognitive Platform

Asian collective cultures are as “we” conscious as Americans are “I” conscious. This characteristic has many implications for Asian core values. For example, helping one's counterpart to “save face” and recognizing the importance of group consensus are important aids in business communication, negotiation, and teamwork. Social stratification over the centuries and the influence of the Confucian ethic have crafted proper social relationships and made them extremely important. These relationships form the basis for such social traditions as rituals of courtesy, formality in behavior, excessive politeness, loyalty to and identification within the group, deference to the elderly, avoidance of direct conflicts, being highly family oriented and extreme modesty when speaking of one's status.

In Asia, there are strong elements of Buddhism, Confucianism, and Taoism, which have created collective patterns in communication values such as humility, silence, and harmony. Verbal communication in Asia is generally quite indirect. In high-context cultures such as Japan and China, people expect the person to whom they are speaking to know what is on their mind. They give the other person all the

necessary information except the crucial piece. This can be illustrated in the way negotiators say “no.” Instead of saying it directly, as would be the case with most Western negotiators, this message may be conveyed by saying “we will study the matter” or “we want to get more opinions on your idea.” This communication pattern makes it imperative that you listen carefully. Body language is generally more reserved than in most parts of the world. Expressive gestures are seldom seen, and eye contact is brief. However, personal space is a little closer than in most of the Western countries.

2.5.2 The role of cultural context

Edward Hall (1976) presented the highly influential concept of high and low context as a way of distinguishing between and understanding different cultural norms. A high-context communication behavior can be defined as one in which most of information is already in the person while low-context culture communication is from the quantity of the information in the explicit code (Samavor and Porter, 1995, p.101).

Thailand has repeatedly ranked as one of the strongest high-context cultures (Meal & Andrews, 2009; Hollesen, 2004; Keegan, 1999). Thai people carry within them highly developed and refined notions of how most interactions will unfold, of how they and the other people will behave in a particular manner. Thais have more indirect behavioral style of communication: less explicit, with high emphasis upon nonverbal communication. In Thailand, people are more likely to convey the message by manipulating the context because of the collectivist culture. This is because one of the most important goals of communication is to maintain harmony and face saving. Saying ‘no’ is difficult because it is impolite. The relationship building is important.

Hofstede’s (1980) cultural differences model is based on a huge data collection project known as “the Values Survey Module,” collected from a questionnaire of 116,000 employees in branches and affiliates of IBM in fifty countries and three world regions. The summarization of the results reflects the national cultural characteristics dimension of each country (Hofstede, 1980, 1997).

According to Hofstede's model of work values, Thailand's culture is relatively hierarchical, collective, feminine, and more likely to avoid uncertainty.

2.5.3 Culture defined

A definition by Terpstra and David (1985) serves to delineate what is meant by culture in this context:

Culture is learned, shared, compelling, interrelated set of symbols whose meaning provides a set of orientations for members of a society. These orientations, taken together, provide solutions to problems that all societies must solve if they are to remain viable.

To sum up the above definitions, culture can be described as the collection of values, beliefs, behaviors, customs, and attitudes that distinguish a society. A society's culture provides its members with solutions to problems of external adaptation and internal integration. Culture can be studied at different levels from organizational, business, regional, national, to the international level. However, in this study a national culture will be focused on since it is best embodied in the values Thai people hold. Thai culture shapes people's beliefs and attitudes and guides normative behavior to perform in everyday life.

Values have been described as enduring beliefs that specific modes of conduct or states of existence are socially preferable to their opposites (Rokeach, 1973). A value system is seen as a relatively permanent perceptual framework that influences an individual's behavior (England, 1978). Cultural values establish the norms or standards by which everything in a society is judged. Not all members of a cultural group will hold exactly the same values (Hofstede, 1984). A value system represents what is expected or hoped in a society, not necessarily what actually occurs. In the past 20 years, researchers have attempted to develop a composite picture of culture by studying the differences among cultural values. This has been done in two ways. Some studies have looked at the cultural dimensions that reflect similarities and differences among cultures (e. g., Hofstede, 1980). Others have used these findings to group countries into clusters of nations with similar cultures (Ronen & Shenkar, 1985).

2.5.4 A Classification study of Chinese Culture.

Part of Thai culture is embedded with Chinese's values and beliefs. In part, this is because many of the Thai population have Chinese ancestry. Therefore, it is important to understand Chinese classification and its influence on Thai culture.

Two of the most widely used models are Kluckhohn and Strodtbeck's (1961) five dimensions and Hofstede's (1984) Value Survey Model (VSM). However, the problem with these models is that the scope is too narrow or simplistic with only four or five variables. Both models could not be used as a true representation of the complexity of a national culture, particularly in the case of Hofstede's VSM that is mainly concerned with business culture rather than national culture.

An alternative method is the one used in an earlier study by the Chinese Culture Collection (1987). After consulting a number of Chinese social scientists, the survey developed a list of 40 key values. These 40 cultural values have been reexamined and fully amended to produce a new list of Chinese Culture Values (CCVs). After an extensive review of literature on Chinese culture and management, the author believes that these following values are equally important but missing from the original list. They are: bearing hardship, governing by leaders instead of by law, equality/egalitarianism, *li*/propriety, people being primarily good, kinship, veneration for the old, deference to authority, conformity/group orientation, a sense of belonging, reaching consensus or compromise, avoiding confrontation, collectivism, not guided by profit, *guanxi* (personal connection or networking), attaching importance to long-lasting relationship not gains, morality, *Te* (virtue, moral standard), wisdom/resourcefulness, being gentleman anytime, obligation to one's family and nation, pragmatic/to suit a situation, contented with one's position in life, orientation to the past, continuity/being part of the history, taking a long range view, the way (Tao), fatalism/Karma (believing in one's own fate), *Yuarn*, harmony between man and nature, and the unity of Yin and Yang.

These core values can be summarized into eight categories, namely national traits, interpersonal relations, family (social) orientation, work attitude, business philosophy, personal traits, time orientation and relationship with nature.

2.5.5 The development of Thainess

When Thailand had to face Western culture that came with superior power, Thailand's ruling class chose to accept Western-style material progress and maintain most parts of "Thainess" in culture by assigning new definitions to various constituent parts of "Thainess" to prevent it from being seen as uncivilized. In the post-modern Thai society, the knowledge or discourse on "Thainess" as established by government-supported intellectuals and propagated through the media and government-regulated school system remains highly influential, and is "highly respected" by teachers and students as well as "reproducers" and "consumers," despite the occurrence of several fragmented societies. This discourse is able to enjoy the mainstream status largely because the Thai media and education system have not been truly reformed, although recent decades have seen new meanings and "anti-establishment" thoughts on "Thainess" being formed by academics, social entrepreneurs, and residents of rural communities.

According to Nakharin (1999), King Rama VI faced the concept of "Thai nation" that means nation of the people. This concept was popularized by journalists, a few aristocrats, several civil servant groups, and Chinese people in Siam.

Because this concept could easily provide the ideological base for movements to change the political regime, King Rama VI accelerated the efforts to define "Thai nation" and "Thainess" to reign supreme over all other definitions. He defined "Thai nation" as a nation that comprises people whose livelihood was intricately linked with Thai culture and who were loyal to the heart of "Thainess," which consists of the royal institution and Buddhism. He stressed that Thai culture was "truly Thai" in that it was continually inherited from the olden days. But he suggested that this "Thainess" has a core that is no less universal than European civilizations, because it is based on Buddhism which was "superior" to all other religions, both in terms of rational dogma and Buddha's royal lineage. At the same time, King Rama VI created the concept of "the other" which he focused on the Chinese people in Siam who was increasing both in numbers and

economic influence, and who brought the political ideal of a republic as well as Chinese nationalist sentiment into Siam. (Saichol,2002)

Defining “Thai nation” and “Thainess” therefore became an urgent matter, both to counter the threat to absolute monarchy from Western and Chinese influence, as well as to realign power relationships in the modern state. King Rama VI’s definition of “Thai nation” and “Thainess” therefore was focused on building a political unity in which the “king” who was the heart of “Thai nation” wielded supreme power because he was the focal point of Thai people’s loyalty. His intent was to reaffirm the importance of “king” as patron and chief architect of Thai civilization, and squeezed out the Chinese, who refused to “become Thai,” from membership of the “Thai nation.” At the same time, his definition also countered the idea that “the nation and its sovereignty belongs to the people.”

We can say that the construction of a king-centered ideology of “Thai nation” had made “Thais” all over the country aware of the nation’s totality, with the king the focal point of their loyalty and unity. At the same time, King Rama VI tried to make Siam part of the civilized countries, but since he had to preserve “Thainess” because it was the cultural root that supported the power structure of absolute monarchy, he stressed that “Thainess” that was preserved and inherited by kings throughout the ages was “civilized,” i.e. having a universal essence that was no different from Western civilizations. This was to allow “Thais” to feel proud of their “Thai nation,” and to feel grateful of the king’s magnanimity which helped make “Thai nation” civilized, free, and able to see eye-to-eye with Western nations. (Saichol, 2002)

Prince Damrong Rajanubhap constructed a Thai identity without focusing on cultural aspects of “genuine Thainess.” Instead, he placed the emphasis of Thainess on the three “characters” or “virtues” of Thai race: “fealty to the nation’s

independence, absence of spite, and wisdom in reconciliation of interests.” He showed that these three virtues were unique characteristics of Thais that enabled them to maintain dominance in their country. He stressed that although Thais were dominant in “*Muang Thai*,” they never exploited other ethnic groups because the Thais’ virtues of “absence of spite” and “wisdom in reconciliation of interests” allowed every ethnic group to coexist peacefully under “Thai-style governance.”

Meanwhile, Thais’ “wisdom in reconciliation of interests” allowed them to choose only desirable aspects of other nations to mix with existing culture, resulting in a vibrant and prosperous Thai art and culture that perpetuated from one generation to the next. In addition to that, Prince Damrong Rajanubhap also constructed identities for different social classes in Thailand, to inform members of each class of their identity, place, and responsibilities in the Thai state.

According to Saichol (2002), one intellectual who played a significant role in the construction of “Thainess” after the 1932 revolution was Luang Wichitwathakan. A set of guidelines called “Thai nationalism,” which already changed the outlook or character, of “Thais.” Although the ideas proposed by intellectuals differed in details, their essence did not conflict. In addition, the majority of these ideas helped accentuate existing definitions of “Thai nation” and “Thainess” that were created by past intellectuals, making them appear clearer and more powerful.

2.6 Thai values and behaviors.

Komin (1990) researched about the psychology of Thai people, their values and behavioral patterns. She demonstrated that there have been serious attempts to describe and analyze Thai behaviors and social systems, mostly conducted by foreign scholars in the fields of anthropology, sociology, and political science. These studies have somehow triggered off a number of unresolved controversial issues, which are largely due to the different levels of analysis as well as theoretical frameworks, and unproved speculations. Despite their conflicting interpretations, they are somehow in one way or another concerning with the values and behaviors of the same Thai people. From the discipline of social and cross-cultural psychology, the present study presents an analysis of Thai behaviors and social systems from the human value

perspective, as a result of a number of large scale research data which have provided some highly consistent and culturally meaningful data. It is the first systematic study of value systems ever conducted in Thailand.

She summarized in her research study that the Thai value system represents the collective “cognitive blueprint or the mental programming.” Most Thai people possess their value through socialization, to guide their lives as desirable members of Thai society. The high consistency of the value rankings not only substantiates the relative stability nature of values, but also constitutes to the relative stable patterns of culture and personality as a national characteristic or national character. In this research, the list of 20 terminal values and 23 instrumental values were studied. The value study was measured from 6 different age groups.

Her findings of the Thai instrumental values are most illuminating as stated in the following paragraph.

The cognitive world of the Thai people with regard to their perception of their social world, is invariably characterized by the highest ego value of being Independent, the interpersonal-moral values that of being honest-sincere, and being Grateful (an important interpersonal root value that does not exist in the American value list), the competence value of being responsible, followed by a group of culturally characteristic Thai interpersonal social relation related values of being Caring and Considerate, Kind and Helpful, and being responsive to situations and opportunities—which as a group reflects the Thai “social smoothing” values. Two of these values caring and considerate (which is the closest trait of the concept of *kreng jai* in Thai), and responsive to situations and opportunities (which is the root value of being adaptive and flexible)—do not emerge in the American value list. And in order to keep the self function and balancing in such an interpersonally oriented social context, some degree of Self control, tolerance, and self restraint, is important. Therefore, from just the top important values that emerged in the Thai national samples and the American national samples, it is clearly evident that what is perceived as salient important elements in the cognitive worlds of American and

Thai is totally different. While the Americans put self assertiveness and achievement task oriented values their most important concern, the Thai give the highest priority to ego, grateful relation, and a host of “social smoothing” values essential to maintain good social relations. The Thai care less for self assertiveness values, and achievement tasks oriented values, such as courageous in speaking out one’s mind, Broadminded, ambitious, and hardworking, by ranking them in the lowest important positions.

These are the results of the Thai value systems representing as the collective “cognitive blueprints” or the “mental programming”, that the general Thai have acquired through socialization, to guide their lives as effective members of Thai society. Komin (1990) emphasized that “...higher order of the importance, the more likely that value will be activated into action—behavior. The high consistency of the value rankings not only substantiates the relative stability nature of the value, but also as fairly stable structure of a culture, constitutes the relative stable patterns of culture and personality—national characteristics or national character.”

2.6.1 National Culture

Hofstede (1980) offers a framework for analyzing national culture, which can be summarized by four key cultural dimensions as follows: (1) Individualism vs. collectionism, (2) Power distance, (3) Uncertainty avoidance, (4) Masculinity vs. Femininity. According to his study of national culture in four dimensions as mentioned earlier (Kolb, et.al., 1984) has shown that the American culture is characterized by (1) extremely high score on “individualism”, (2) relatively high on “masculinity”, (3) small “power distance”, and (4) medium to weak “uncertainty avoidance”, which are contrary to Thai national culture.

- 1) When characterizing a national culture we are referring to the common characteristic elements within the Thai culture, the national norms, or cluster norms in case of explaining the particular group. Komin (1990) described that by nature instrumental values as modes on behaviors serving means, instrumental to the attainment of the goals, reflected effective social interface and relations’ pattern of a culture. Different cultures will be more likely to have subtlety

different means to attain goals. Therefore, identifying “First Impression Service Intellectual Capital” in Thai society should be based on finding of Thainess Instrumental values and beliefs for illuminating the culturally learned patterns, whereby Thai people learn to use them to perform service function effectively in Thai society. Komin (1990) summarized Thai value systems reflecting national character representing the dimensions whereby characteristics of individuals (group) and national character can be meaningfully described as follows

- Ego Orientation
- Grateful relationship orientation
- Smooth Interpersonal relationship orientation
- Flexibility and adjustment orientation
- Religio-psychical orientation
- Education and competence orientation
- Interdependence orientation
- Fun-pleasure orientation
- Achievement-task orientation

2.6.2 Collective values in Thai culture

Hofstede’s cultural differences model is based on data collection known as ‘the Values Survey Module’, collecting from a questionnaire of 116,000 employees in branches and affiliates of IBM in fifty countries and three regions. The summarization of results reflects the national cultural characteristics dimension of a country (Hofstede, 1980, 1997). According to Hofstede’s model of work value, Thailand’s culture is relatively hierarchical, collective, feminine and with moderately more likely to avoid uncertainty. The word *culture* apparently originates with the Latin culture, which is related to cultures, which can be translated as “cult” or “worship.” This meaning is helpful in understanding the use of the term. Members of a cult believe in specific ways of doing things, and thus develop a culture that enshrines those beliefs. A definition by Terpstra and David (1985) serves to delineate what is meant by culture in this context: Culture is learned, shared, compelling, interrelated set of symbols whose meaning provides a set of orientations for members of a society. These

orientations, taken together, provide solutions to problems that all societies must solve if they are to remain viable. To sum up the above definitions, culture can be described as the collection of values, beliefs, behaviors, customs, and attitudes that distinguish a society. A society's culture provides its members with solutions to problems of external adaptation and internal integration. Culture can be studied at different levels from organizational, business, regional, national, to international level. However, in this study a national culture will be focused since it is best embodied in the values Thai people hold.

Thailand has repeatedly ranked as one of the strongest high-context culture (Meal and Andrews, 2009; Hollesen, 2004; Keegan, 1999). Thai people carry within them highly developed and refined notions of how most interaction will unfold, of how they and the other personal will behave in a particular manner. Thais have more indirect behavioral style of communication: less explicit with highly nonverbal communicate. In Thailand, people are more likely to convey the message by manipulating the context because of the collectivist culture. One of the most important goals of communication is to maintain harmony and face saving. Saying 'no' is difficult because it is impolite. The relationship building is important. The following table demonstrates the comparative characteristics of high-context and low-context cultures. Hall (1976) explained the terms low and high context cultures by noting that "low-context culture occurs when the mass of information is vested in the explicit code" (p. 70). High-context culture occurs when "most of the information is either in the physical context or internalized in the person, and very little in the coded, explicit, and transmitted part of the message" (Hall, 1976, p. 79). Gudykunst and Ting-Toomey (1988) indicated that people in individualistic cultures are likely to represent low-context culture, due to the use of direct communication with a focus on verbal communication. People in collectivistic cultures, on the other hand, are more likely to display a high-context culture by virtue of their use of indirect communication and emphasis on nonverbal communication. According to Rokeach, values serve as "standard" (Williams, 1951) as a guidelines to form the presentations of self to others (Goffman, 1959), and impression management (Tedeschi, Schlenker, & Bonama, 1971); to evaluate and judge ourselves and others. In addition, the

ultimate function of Thainess values is to provide a platform of standards that direct thought and action, to guide us in our efforts to satisfy our needs and at the same time maintain and enhance self-esteem to make it possible to regard ourselves and to be regarded by others as having satisfied socially and institutionally to achieve the best possible morality and competency. Rokeach defines values as “abstract ideals, positive and negative, not tied to any specific objects or situation, representing a person’s beliefs about modes of conduct and ideal terminal goals” (Rokeach, 1968, p. 124). Therefore, a person’s definite value system is like a cognitive blueprint, which when activated, leads to actions and personalities. According to Buzan (2008), he states that “ Only about 10% of communication is verbal...Ninety percent of what we communicate is not what we say but the way we say it, including our gesture and facial expressions.”

Therefore, the behavioral patterns of Thai people can be represented through both verbal and nonverbal communication expressions in Thai self-presentation. However, the nonverbal communication in Thai society in this study are more credible and should be objectively investigated.

2.6.3 Collective values in Chinese culture

Since a number of people living in Thailand are Chinese. It is important to understand Chinese systems thinking. In Chinese reasoning, there is a greater concern for harmony, intuition thinking and balance making (Lin, 1977, p. 86; Nakamura, 1964; Northrop, 1946, p. 375). Much concern is given to learning “how to accommodate the nuance of influence of many forces” (Redding, 1993, p. 77). Bond (1991), in his review of Chinese psychology, concludes that “Chinese tend to perceive on the basis of the overall pattern uniting objects, Americans on the basis of a characteristic shared by the objects.” Such reasoning may be viewed as a matter of connectedness, as one tries to understand the interplay between the large array of forces that impact a decision (Needham, 1956). This pattern in reasoning and perception has been linked to the collectivist nature of Chinese culture (Bond and Hwang, 1987; Hofstede, 1980). Living in a culture that enforces strong in-group allegiance (Triandis et al., 1988), the Chinese have historically needed to balance

personal desires with group demands. The authoritarian decision-making strategies of groups (Tse et al., 1988b) necessitates that an individual balance the demands of the leader with personal desires. This normative force thus blunts personal affective desires in the formation of intention. In contrast with these elements of Chinese thought, Western thought has been characterized as abstract (Levi-Strauss, 1962), hypothetical-deductive (Luria, 1976), context independent (Greenfield and Bruner, 1966), and theoretic (Scribner, 1979). In addition, consumer researchers have noted the hedonic aspects of consumption on the part of Americans (Hirshman and Holbrook, 1982). Given that US culture is individualistic (Hofstede, 1980), Americans are more likely to express their affective states as opposed to suppressing them for group consideration (Triandis et al., 1988). De Tocqueville (1965) attributes this tendency to egalitarianism: "Equality begets in man the desire for judging everything for himself." As a result, respect for tradition and authority is muted and the expression of every thought and impulse is encouraged. The normative forces that govern US behavior represent a utilitarian consideration in the light of self-interest or a desire on the part of self to express values consistent with an admired group (Oliver and Bearden, 1985). Thus, the normative forces reflect an individualistic bias that may not be characteristic of collectivist cultures.

2.7 Nonverbal communication

Nonverbal communication is communication without words (Mehrabian (1969). This includes gestures, hairstyle, facial expressions, eye contact, and different modes of voice (Mehrabian (1969). Body language is more specifically the use of the body, so types of nonverbal communication such as the use of clothing, or even interior design would not be included.

Mehrabian (1969) first introduced the term immediacy cues, which includes eye contact, interpersonal distance, body lean, and body orientation, and defines immediacy as "communicative behaviors which enhance closeness to another" (Mehrabian, 1969, p. 203). According to Mehrabian (1971), nonverbal immediate behaviors are actually abbreviated forms of approach and avoidance. For example, the lifting of a hand to greet someone at a distance is an abbreviated reach to touch, while pushing back in a chair when one wants to end a conversation may be considered an

abbreviated movement of departure. Variations of these behaviors create the closeness associated with immediacy and contribute to the verbal messages of the sender. Mehrabian also stated that individuals' behaviors could contribute to feelings of like or dislike and could make the interactional partner feel either good or bad about self.

Rifkind and Harper (1993) found that nonverbal immediacy behaviors include (a) eye contact, (b) relaxed body posture and positioning, (c) gestures, (d) smiling, (e) facial and vocal expressiveness, (f) appropriate touching, and (g) physical proximity. During a communicative encounter, nonverbal affect was both encoded and decoded within the interaction. Along with the verbal message, receivers based their opinion of the message sender on the basis of these nonverbal cues. Regardless of the verbal message presented, individuals relied heavily on the information sent through nonverbal channels to ensure that the perceived actions matched the words of the message sender, indicating that verbal messages were less important than nonverbal immediacy behaviors. Mehrabian (1971) stated that individuals could generally establish an impression in terms of the immediacy principle: "People are drawn toward persons and things they like, evaluate highly, and prefer; and they avoid or move away from things they dislike, evaluate negatively, or do not prefer" (p. 1). Behaviors contribute to this feeling of like or dislike; through a series of immediate behaviors, one is able to make a conversational partner feel either good or bad.

Using nonverbal behavior in an immediate manner may ensure the positive effect of a message and establish a positive relationship among communicators. Mehrabian (1971) indicated that to create a sense of attraction and liking within others, individuals may use nonverbal immediacy. Studies on immediacy found that nonverbal messages may be used strategically for the benefit of both partners during an interaction. As a result, employing nonverbal communication in an immediate manner tends to ensure the positive effect of a message and establish a positive relationship among encounters (Mehrabian, 1971). Rifkind and Harper (1993) indicated that during a conversation the face, especially around the eyes, communicates the most immediacy. Eye contact and gaze are considered to be affirmative messages that increase liking. Even the positioning of the body when conversing affected immediacy. Also, reducing distance between individuals to achieve opportunities for more direct eye contact increases immediacy. An example

that supports this point of view is when an individual stands with arms crossed in front of the chest and leans backwards, which may be interpreted as a lack of care and unresponsiveness; this action depends, however, on the context of the conversation and its interpretation by the individual. Another example is that when an individual increases speaking rate, pitch variation, and vocal expressiveness, the vocal actions convey a higher level of immediacy. Further, when an individual uses a slower rate of speech, speaks in a monotone voice, and pauses numerous times, there is a decrease in the immediacy experience. Rifkind and Harper (1993) indicated that touching behaviors on the hand, forearm, shoulder, and back also increases perceptions of immediacy. As has been previously noted, using nonverbal immediacy behaviors may have a positive outcome in communication. Many researchers confirm the notion that immediacy behaviors increase liking in teacher-student relationships in the classroom. According to Imada and Hakel (1997), greater immediacy is attributed to greater liking. In a situation where liking is essential for communication effectiveness or persuasion, the use of nonverbal immediacy may be advantageous for the participant. Researchers noted that those who exhibit immediate behaviors are better liked and seen as more motivated and more competent (Buhr, Clifton, & Pryor, 1994; Mehrabian, 1971). Positive characteristics associated with immediate behavior encourage those around the individual to follow directions. Through a series of immediate behavior actions, one may make a conversational partner experience either positive or negative feelings about self. Using nonverbal immediacy ensures the positive effect of a message, and thereby establishes a positive relationship between communicators. Although there are certain situations in which nonverbal immediacy may not prove appropriate, the research indicates that high levels of compliance may be achieved through immediacy. This compliance is most beneficial in communicative situations as well. In addition, studies on immediacy found that this nonverbal behavior may be used strategically for the benefit of both partners in a conversation, as well as for others who encountered immediacy.

2.8 Culture and Communication

According to Hall (1990), "culture is a technical term used by anthropologists to refer to a system for creating, sending, storing, and processing information developed by human beings, which differentiates them from other life forms" (p. 183). Gudykunst and Kim (1984) defined culture as a theory "for interpreting the world and knowing how to behave" (p. 13). Keesing (1974) defined culture "as a system of competence shared in its broad design and deeper principles, and varying between individuals in its specificities" (p. 89). From all these definitions, culture may be viewed as part of an intercultural communication process. Intercultural communication reflects communication between two individuals from two different cultures through an exchange of interacting, sharing, and interpreting information. The best outcome for intercultural communication may be when people encounter cultural differences between one another and interact favorably despite these differences.

Chen and Starosta (1998) defined intercultural communication as "the communication between people from two different cultures" (p. 28). One consistent factor that distinguishes intercultural communication from other forms or types of communication is the relatively high degree of difference in the cultural and experiential backgrounds of individuals. Kim (2001) explained that intercultural communication employs the concept of stranger to integrate various types of intercultural situations into a continuum of inter-culturalness, with differing degrees of cultural difference, unfamiliarity, and psychological distance involved in specific communication encounters (p. 140).

Condon and Yousef (1975) asserted that we "cannot separate culture from communication, for as soon as we start to talk about one we are almost inevitably talking about the other too" (p. 34). Thus, intercultural communication includes cultural communication, which focuses on understanding communication within a particular culture. Hall (1976) identified two dimensions of culture that influence intercultural communication: individualism-collectivism and high and low context. These were factors that varied across cultures.

2.8.1 Individualism-Collectivism.

In individualistic cultures, individuals focus on personal self and goals. Persons in the individualistic cultures emphasize a need for privacy, voice personal opinions, and are accustomed to freedom in speech through verbal self-expression. In collectivistic cultures, however, the focus rests on group goals and group harmony. Persons in these cultures emphasize community, shared interests, and maintaining face. Additionally, in collectivistic cultures, "people belong to in-groups or collectivities which are supposed to look after them in exchange for loyalty" (p. 419), especially those groups which are important to all members and those groups for which individuals will make sacrifices (Triandis, 1988). Inversely, Hofstede and Bond (1984) stated that in individualistic cultures, "People are supposed to look after themselves and their immediate family only" (p. 419).

Andersen (1985) asserted that individualism and collectivism determine how individuals live together—for example, whether they live alone, with family, or in tribes. People in individualistic cultures emphasize their own space or regulated access to privacy. Gudykunst and colleagues (1996) asserted that individualism and collectivism affect multiple aspects of nonverbal communication. As mentioned earlier, individualistic people prefer more space than those in collectivistic cultures, whereas people in collectivistic cultures tend to have close proximity due to an interdependent life style. In addition, Andersen (1988) indicated that people in individualistic cultures are responsible for their own happiness while collectivists focus on group happiness rather than personal happiness. This may lead to persons from an individualistic culture tending to smile more than persons in a collectivist culture (Tomkins, 1984).

2.8.2 Low-High Context Cultures.

Hall (1976) explained the terms low and high context cultures by noting that "low-context culture occurs when the mass of information is vested in the explicit code" (p. 70). High-context culture occurs when "most of the information is either in the physical context or internalized in the person, and very little in the coded, explicit, and transmitted part of the message" (Hall, 1976, p. 79). Gudykunst and Ting-Toomey (1988) indicated that people in individualistic cultures are likely to represent

low-context culture, due to the use of direct communication with a focus on verbal communication. People in collectivistic cultures, on the other hand, are more likely to display a high-context culture by virtue of their use of indirect communication and emphasis on nonverbal communication.

Neuliep (1997) explained high-context cultures generally have a restricted code system. A restricted code system relies more on the contextual elements of the communication setting for information than on the actual language code. Within a high-context transaction, the interactant will look to the physical, social, and psychological environment for information. Because interactants in a high-context culture know and understand each other and their appropriate role, words are not necessary to convey meaning. (Neuliep, 1997, p. 435) As mentioned above, a high-context culture relies more on physical context and has little explicit encoding, whereas a low-context culture focuses more on the meaning of behaviors in the messages and should be explicitly coded (Hall, 1976; Lustig & Koester, 1999). This is because verbal messages in a low-context culture must be clear descriptions with specific meanings. In contrast, a high-context culture tends to emphasize nonverbal meanings. As a result, people from a low-context culture may perceive those from a high-context culture as unattractive, due to the differing emphasis of high-context culture on verbal communication. Generally, people from a low-context culture are perceived as being more talkative than people from a high-context culture, who are less verbally communicative.

Service employees' nonverbal behavior remains virtually unexplored despite its importance with respect to the outcome of service encounters. There are still few studies of research focusing on the investigation of the role of nonverbal communication on customers' evaluations of luxury service consumption experiences in Thai society. The main contribution of the present paper is to develop an integrated conceptual framework of Thainess luxury service language for value creation perception. However, what is relatively unclear is the nature of the effect of service employees' socio-cognitive behavior to utilize their nonverbal behaviors for impression management on customers' perceptions of service satisfaction. Thainess service characteristics for excellence service language delivery will be identified and captured especially mainly as nonverbal communication ways. This lack of clarity is

unfortunate because research in the communication field reveals that the nonverbal components are at least as important as the verbal components of interpersonal communication in shaping the outcome of employee-customer interactions (e.g. Barnum and Wolniansky, 1989; Burgoon et al., 1990). In fact, nearly half of the variations in response to interpersonal communication can be attributed to nonverbal factors (Mehrabian, 1981). It is even suggested that nonverbal communication, the form of communicating thoughts and emotions without using words, accounts for nearly 70 percent of all communication (Barnum and Wolniansky, 1989).

Past research in sociology and communication indicates that individuals learn from early childhood how to use nonverbal behavioral signals as a communication vehicle (Palmer and Simmons, 1995). In fact, the manner in which individuals learn to communicate nonverbally is similar to how they learn a vocal language. Once having learned to communicate nonverbally, individuals consciously and unconsciously integrate nonverbal cues into conversations, using them to convey specific social meanings such as intimacy, immediacy, involvement, and dominance (Burgoon, 1991).

2.9 First Impression Management

Successful selling depends upon the customer's positive perception of the salesperson's personality, motivation, honesty, and affect. Person perception research has consistently shown that people make consistent and accurate assessments of these traits, and can make them on very brief, "thin slice" observations. Social perceivers are able to pick up a great deal of information about others through only short exposure to their expressive behavior (Albright, Kenny, & Malloy, 1988). The display and management of emotions and feelings through non-verbal channels play a major role in conveying impressions (Sommers, Greeno, & Boag, 1989). Cues from facial expressions, gestures, voice, and body movements can reveal emotions, personality, and behavioral intentions (Ambady, Bernieri, & Richeson, 2000).

First impression management can be accomplished by voice and vocal quality. In a study by Ambady, Krabbenhoft and Hogan (2006) of the predictive validity of observers of sales managers, 12 university undergraduates were used to rate 36 audio clips of 12 regional sales managers, by listening to 20-second audio clips. These sales

managers had previously been rated as either “outstanding” or “average” by upper management. Sales managers with “outstanding” nominations were rated as significantly higher on interpersonally based traits by these naïve judges. The highly evaluated sales managers were also rated higher on anxiety based on the judges’ ratings of their tone of voice, than the lower evaluated sales managers. Thus it appears that thin slices of the vocal channel can be used to accurately assess sales effectiveness as well as anxiety.

First impressions can be formed on judgments on qualities of the face. The face is unquestionably unique in its importance in forming first impressions. Evidence for this comes from a vast literature of research studies that show that individual’s faces influence our impressions and dispositions toward them (Zebrowitz, 1997). It is also clear from studies in cognitive science that faces are get important, specialized processing in the brain not accorded to other parts of the body (Kanwisher, 2000).

In a recent study, Rule & Ambady (2010) asked American perceivers to judge the faces of candidates from the 2004 election of the Canadian parliament, people they were completely unfamiliar with. 45 university undergraduates rated the faces of 38 candidates on five traits (competence, dominance, facial maturity, likeability, and trustworthiness). The first three ratings were combined into a factor score of power, and the last two ratings formed the second factor of warmth. They then correlated each perceiver’s power and warmth scores for each candidate with whether they won ($n = 20$) or lost ($n = 18$) the election, coded 1 for won and 0 for lost. The mean correlation between power and electoral outcome was low ($r = 0.08$) but significant. The mean correlation between warmth and electoral outcome was also low, significant, and negative ($r = -0.15$). Thus, the data show that American impressions of a sense of power among Canadian political candidates’ faces positively predicted their success—the more powerful they looked, the more likely they were to win the election. Similarly, the more warm they looked, the less likely they were to win.

First impressions of faces also seem to affect accurate judgments of leadership ability. Rule & Ambady (2010) also looked at judgments of the faces of 100 Chief Executive Officers (CEOs) of the 100 best American companies in 2007. They asked 30 university undergraduates to rate each face for how successful they believed the individual would be in leading a major corporation. They tended to compare the

ratings with the net profits that the companies made that year. The mean correlation was 0.06, which was significant and indicates that the perceivers' impressions of leadership success did actually correspond with actual performance. The effect remained even after accounting for the CEO's age, their facial expression in the photographs, and their facial attractiveness.

Rule and Ambady (2010) conclude that impressions based on facial appearance is widespread and consistently shared among all of us. We generally agree across cultures in the ways we perceive each other. Sometimes these judgments can be confirmed as accurate, and other times they must stand on their own as merely shared opinions. Whether accurate or not, however, these impressions are consequential. They lead us to assume and attribute characteristics in others "that affect their successes and opportunities and can predict large-scale outcomes, such as electoral decisions, that ultimately affect us all" (Rule & Ambady, 2010, p. 514).

The challenge now is in how to map these cognitive processes and to do that we must turn to the use of cognitive tools. The following section covers two such tools.

2.10 Metacognition Sciences

Most accounts of metacognition make a basic distinction between metacognitive knowledge (i.e., what one knows about cognition) and metacognitive control processes (i.e., how one uses that knowledge to regulate cognition). Brown (1987) and Baker (1991), for example, distinguish knowledge of cognition from regulation of cognition. In this section, we elaborate on the distinction between metacognitive knowledge and regulation and consider subprocesses involved in each.

Knowledge of Cognition. Knowledge of cognition refers to what individuals know about their own cognition or about cognition in general. It usually includes three different kinds of metacognitive awareness: declarative, procedural, and conditional knowledge (Brown, 1987; Jacobs and Paris, 1987).

Declarative Knowledge. Declarative knowledge refers to knowing "about" things. Procedural knowledge refers to knowing "how" to do things. Conditional

knowledge refers to knowing the “why” and “when” aspects of cognition. Declarative knowledge includes knowledge about oneself as a learner and about what factors influence one’s performance.

Procedural Knowledge. Procedural knowledge refers to knowledge about the execution of procedural skills. Individuals with a high degree of procedural knowledge use skills more automatically (Stanovich, 1990), are more likely to sequence strategies effectively (Pressley, Borkowski, and Schneider, 1987), and use qualitatively different strategies to solve problems (Glaser and Chi, 1988).

Conditional Knowledge. Conditional knowledge refers to knowing when and why to apply various cognitive actions (Garner, 1990; Lorch, Lorch, and Klusewitz, 1993). It may be thought of as declarative knowledge about the relative utility of cognitive procedures. Miller (1985) found that although kindergarten students showed conditional knowledge about their own learning, they showed less knowledge than older children. Many studies support the claim that skilled learners possess declarative, procedural, and conditional knowledge about cognition. This knowledge usually improves performance. Many theorists believe that metacognitive knowledge appears early and continues to develop at least throughout adolescence (Brown, 1987; Garner and Alexander, 1989; Flavell, 1987).

Adults tend to have more knowledge about their own cognition than do young children and are better able to describe that knowledge (Baker, 1989). Even adults experience great difficulty providing explicit descriptions of their own expert cognition (Bereiter and Scardamalia, 1993; Chi, Glaser, and Farr, 1988). Although metacognitive knowledge need not be storable to be useful, conscious access to such information nevertheless may facilitate thinking and self-regulation.

Characteristics and types of Metacognitive Theories. Metacognitive theories integrate one’s knowledge about cognition and regulation of cognition. Metacognitive theories provide a relatively systematic structure of knowledge that can be used to explain and predict a broad range of empirical phenomena. By a “metacognitive theory” we mean a relatively systematic structure of knowledge that can be used to

explain and predict a broad range of cognitive and metacognitive phenomena. Within the specific domain of metacognition, many theorists have suggested that knowledge about cognition often is codified in some systematic frameworks. For example, the term metacognitive knowledge often is used to refer to a systematic body of knowledge about one's cognition. In some cases, individuals use this systematic knowledge to construct theories. These theories serve both social and cognitive functions (Flavell, 1992; Moore and Frye, 1991).

Metacognitive Theories. By a metacognitive theory we mean a theory of cognition. Metacognitive theories are a subset of theories of mind in that the class of all theories of mind includes, but is not limited to, theories of cognition. Theories of mind address mental phenomena such as emotion, personality. (Astington, 1993; Flavell, 1992; Moore and Frye, 1991). Metacognitive theories are those theories of mind that focus on cognitive aspects of the mind.

In theorizing about cognition, individuals create and synthesize metacognitive knowledge. It is crucial, however, to distinguish between (a) the structured knowledge that comprises a theory from (b) the phenomena the theory is about. All theories are cognitive in that they are structures of knowledge, but not all theories are about cognition. Metacognitive theories are theories about cognition. As such, they comprise metacognitive knowledge but they are not necessarily about such knowledge. Rather, theories about metacognition would constitute meta-metacognitive knowledge.

Characteristics of Metacognitive Theories. There are two primary characteristics of metacognitive theories that justify classifying them as a distinct and important subset of metacognitive knowledge. Specifically, metacognitive theories (a) integrate a wide range of metacognitive knowledge and experiences, and (b) permit explanation and prediction of cognitive behavior.

One primary characteristic of a metacognitive theory is that it allows an individual to integrate diverse aspects of metacognition within a single framework (cf. Kuhn, 1989). For example, research indicates that young children often find it difficult to use their knowledge about memory and learning strategies to regulate their

cognition (Flavell *et al.*, 1993). Second, metacognitive theories coordinate beliefs or postulates that allow individuals to predict, control, and explain their cognition, the cognition of theirs, or cognition in general (Flavell, 1992; Montgomery, 1992).

To the extent that such understanding is sufficiently coordinated to enhance control of one's learning, it constitutes a theory of what it means to be an effective learner. Of course, the degree to which a metacognitive theory possesses each of these properties, and the degree to which an individual is aware of these properties, varies from person to person. We believe metacognitive theories change gradually over time given self-reflection on personal experience.

Types of Metacognitive Theories. This study proposes three different kinds of metacognitive theories: (a) tacit, (b) explicit but informal, and (c) explicit and formal.

Tacit Theories. Tacit theories are those acquired or constructed without any explicit awareness that one possesses a theory (McCutcheon, 1992). Consider the work of Dweck and Leggett (1988), who have argued that young children hold "implicit" theories about the nature of intelligence that, in turn, affect their behavior in the classroom. An **incremental theory** in this framework is one in which the child believes that intelligence is malleable and subject to change through other- or self-directed processes. Given the two criteria proposed above, one could argue that a child's implicit beliefs about intelligence constitute a theory because they allow the child to synthesize observations about the nature of intelligence and make predictions based on those observations. It is tacit in the sense that many children do not spontaneously support holding a "theory of intelligence" even though they systematically express beliefs consistent with such a theory.

Tacit theories about one's own cognition or about the epistemic nature of the world also affect the way adults perform (Sternberg and Caruso, 1985). We view tacit metacognitive theories as gradually constructed, implicit organizational frameworks that systematize one's metacognitive knowledge.

Some of the beliefs about cognition that form the core of one's metacognitive theory may be acquired from peers, teachers, or one's culture. In the realms of scientific and informal reasoning, Kuhn (1989, 1991) has referred to these as "reasoning scripts." Other aspects of one's metacognitive theory may be constructed tacitly based on personal experience or adaptations from others (Paris and Byrnes, 1989).

Informal Theories. Informal theories often are fragmentary in that individuals are aware of some of their beliefs and assumptions regarding a phenomenon, but have not yet constructed an explicit theoretical structure that integrates and justifies these beliefs. Informal theorists may have only a rudimentary awareness of their own metacognitive knowledge. Informal theories develop slowly and are affected by a number of social and personal influences (Kuhn, 1989; Paris and Byrnes, 1989).

One important difference between tacit and informal theorists is that the latter possess some degree of explicit metacognition. It seems likely that simple informal theories begin as domain-specific entities (Kuhn *et al.*, 1992; Paris and Byrnes, 1989) and gradually are generalized to other domains. Increasing the depth and breadth of metacognitive theories over time may allow informal theorists to better understand and direct constructive processes (Flavell *et al.*, 1993; Montgomery, 1992).

We view emerging recognition and control of constructive processes as an essential feature of informal metacognitive theories that is not found among tacit theorists. Awareness of the constructive nature of knowledge and theories is important because, without it, individuals are unable to strategically modify their theories, and as a consequence, should be less able to regulate their cognition and learning. With such an awareness, individuals can begin to (a) purposefully formalize informal aspects of their theory, and (b) evaluate the adequacy of their metacognitive theory as it becomes increasingly formalized.

One distinct advantage of an informal metacognitive theory compared to a tacit one is that it enables individuals to reflect purposefully and systematically on their performance and, in turn, to use this information to modify or redirect their future performance and thinking (Kuhn *et al.*, 1992).

One explanation is that individuals adopting a “theory-driven” approach are better able to think about their performance and understand it as an integrated system of actions. A second advantage of explicit theories is that individuals can begin to distinguish *formal* from *empirical* aspects, where the formal aspect refers to the structure and contents of the theory, and the empirical aspect refers to data that the theory attempts to explain (Hergenhahn and Olson, 1993).

Formal Theories. Formal theories consist of highly systematized accounts of a phenomenon involving explicit theoretical structures such as those encountered in university classes in physics, music, or statistics. An example in the cognitive domain is Sternberg’s (1986) triarchic theory of intelligence.

Presently, it is unclear what constitutes a formal metacognitive theory of one’s cognition. One possible example of a formal metacognitive theorist is the Good Strategy User as described by Pressley *et al.* (1987). The metacognitive knowledge of the Good Strategy User is not only integrated and explicit, but in some individuals (e.g., professional educators) may constitute a formalized theoretical structure involving a set of postulates that can be used to test and evaluate one’s metacognitive knowledge. In addition, it is likely that formal theorists possess some explicit awareness of the constructive nature of theorizing and engage in purposeful efforts to construct and modify metacognitive theories (Kuhn *et al.*, 1992; Paris and Byrnes, 1989). One potential advantage of a formal metacognitive theory is that it allows the individual to make informed choices about self-regulatory behaviors.

Kuhn (1989) has described two skills that may be necessary for the construction of a formal theory. One is the ability to clearly distinguish and coordinate the formal and empirical aspects of a theory. Formal theorists understand that the formal and empirical aspects of a theory are conceptually independent of each other even though each can be used to evaluate the adequacy of the other.

A second skill is the ability to evaluate and interpret the meaning of empirical evidence apart from the formal aspects of one’s theory. Kuhn reports strong developmental changes in this regard in which children and some adolescents appear unable to evaluate the adequacy of empirical data. In contrast, professional scientists evaluate evidence with a far greater degree of accuracy. It appears likely that the

ability to use evidence to test the formal aspects of a theory is a late developing skill associated with formal theorizing.

2.10.1 Culture and metacognition.

Cultural Learning. One possibility is that metacognitive theories are internalized from one's culture via social learning. Socially shared conceptions about the nature of cognition are transmitted to children via informal experience and formal education. The most obvious sort of cultural learning is direct instruction in which students are taught to use a specified set of cognitive skills and are shown how to coordinate the use of these skills (Pressley, Harris, & Marks, 1992). Considerable evidence in social psychology indicates that psychological processes are culturally contingent (Fiske, Kitayama, Markus, & Nisbett 1998).

Previous research in psychology suggests that the relationship between self and others is among the most significant sources of cultural differences (Markus & Kitayama 1991). The concept of 'self' is important because it drives people's evaluations and behaviors (e.g., Triandis, 1989). Service encounters, including failed ones, are social behaviors that are regulated by the person's notion of self (Solomon, Surprenant, Czepiel, & Gutman, 1985). In this study we use the contrast between independence and interdependence to better understand the major differences between East Asian and American customers' evaluations of failed service encounters. The independent cultural model dominant in North America assumes that the person is a stable entity who is largely in control of his/her behavior (Fiske et al., 1998). Conversely, the Asian model stresses the principle of holism (Peng & Nisbett, 1999) where social conceptions are more situation centered. We propose that the person versus situation-centered theories of social reality will moderate consumers' attributional processes of service failures, and thereby influence their reactions to the effectiveness of service recovery efforts. In the following section, we review literature from service recovery, cross-cultural psychology, social psychology, and consumer behavior that advances the importance of culture in understanding products and service encounters creating aesthetic experiences through sensory communication channels. 'Aesthetics' comes from the Greek word *aesthesis*, referring to sensory perception and understanding or sensuous knowledge. Creative works are produced to

gratify senses. The impression management has been applied to collaborate with experience value creation of art, such as aesthetic judgment, aesthetic attitude, aesthetic understanding, aesthetic emotion, and aesthetic value.

With respect to the attachment of meaning, many cognitive processes play a role, such as interpretation, retrieval from memory, and associations. These processes allow us to recognize metaphors, attribute personality or other expressive characteristics, and assess the personal or symbolic significance of products (Csikszentmihalyi & Rochberg-Halton, 1981).

2.11 Quality of Experience (QoE)

A new kind of economy – the experience economy – is emerging in which increasing numbers of industrial practitioners realize the importance of capitalizing on the customer experience (Carbone, 1999; Pine & Gilmore, 1999). Pine and Gilmore (1999) conceptualized the customer experience by entertainment, education, escape, and estheticism. These four categories differ according to the distinct level of their absorption into and participation in the products and services on offer. Capturing the theme of experiential value, Schmitt (1999; 2003) suggested that industry pursue experiential marketing management in an effort to manage the customer's entire experience of a product and a brand. He disassembled experience into five types: sense, feel, think, act and relate. Sense experiences enable customers to satisfy their need for estheticism. Feel experiences refer to customers' perceptions of fun and pleasure. Think experiences satisfy customers' desire to seek opportunities to broaden their knowledge and learn new things. Act experiences reflect their personal ties with a brand and company, which helps them to develop individual actions and lifestyles. Finally, relate experiences involve the social networks and interrelationships among customers, which then produce a feeling of belonging to the community and to society. Cai and Hobson (2004) adapted and extended the experience economy and experiential marketing concepts to the lodging industry. They provided a four-state continuum of the lodging marketplace by equating the state of experience as the fourth economic progression along with that of brand. In a similar vein, in the experience economy, a successful hotel brand aims to ensure positive and

multidimensional experiences for its guests so as to win a differentiated position in their minds. On their websites, Langham Hotels are promoted as creating new hospitality experiences that exude graceful and timeless elegance and blend a sense of the past with the contemporary. The Marco Polo Hotels' website states that guests are warmly welcomed to their "home" and offered an authentic hospitality experience.

In order to represent and disseminate the ideas and concepts that we develop as part of expression of the creative economy, and our part in it, we need a set of cognitive tools. The first of which is the 'mind map'.

2.12 Mind Mapping

Mind mapping is a technique, created by British psychologist Tony Buzan, used for linking words, thoughts, ideas, tasks and other information in order to create an easily disseminated pictorial representation of a central theme. The central theme is literally in the center of the page and is linked to sub-ideas of expressions that radiate out to show the cognitive progression. Because everything is represented pictorially it allows for an easy visualization of ideas and the interlinking of those ideas with other ideas, thoughts and actions, either planned or already undertaken. It also provides an easy way to set out the ideas created by group brainstorming.

The methodology deliberately does not follow a linear progression (unlike say flow charts) so each branch of the map can be viewed as carrying equal weight so no ideas are overlooked or relegated and priorities are not inherent as they would be in a linear representation. Tony Buzan states that the intention was to harness the power of brain and mind to create mental literacy to maximize humankind intelligence by originating multi-facet layers of mind or mental literacy as the sources of what he calls 'multiple intelligences' (Buzan 1976). These multiple intelligences include creative intelligence, personal intelligence, social intelligence, spiritual intelligence, physical intelligence and sensual intelligence, as well as the 'traditional' intelligence of numerical intelligence, spatial intelligence and verbal intelligence. Each form of intelligence has its own champions. For example, social intelligence is regarded by Howard Gardner as the most important because it is thought to be the one that correlates to general human success. Hans Eysenck, on the other hand, thought that the standard IQ – the ability to solve problems or see patterns - was more important.

Leonardo da Vinci- although he did not call them ‘intelligences’- said that the area of your skills that is most important to develop is your sensual capacity- that is your sensual intelligence (Buzan, p. 31).

Despite our brain’s amazing complexity, only seven principles govern are prevalent (Buzan & Dottino, 2005). Each of these principles is a part of the underlying operating system of an analogous ‘bio-computer’ that is key to thinking and learning, and these can be represented pictorially as shown in Figure 10.

- Using Buzan’s logic (and terminology) these principles can be broken down as follows: Brain Principle 1: the brain synergies information, so that 1 plus 1 is two or more
- Brain Principle 2: The brain is a success-driven mechanism
- Brain Principle 3: The Brain has the ability to mimic actions perfectly
- Brain Principle 4: The brain craves completeness-it needs to fill in the blanks

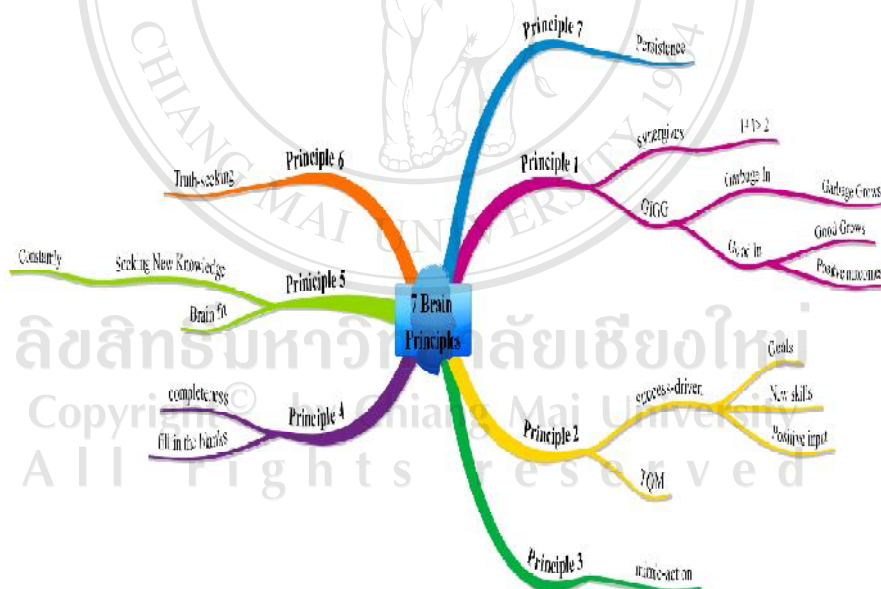


Figure 10 Seven brain principles

- Brain Principle 5: The brain constantly seeks new knowledge and information
- Brain Principle 6: The brain is truth-seeking
- Brain Principle 7: The brain is persistent.

Mind mapping is a direct development of Buzan's thoughts on intelligence and links very closely to what we are trying to achieve in using Thainess in the Thai creative economy. It isn't, however, the only tool we have at our disposal; another tool that can be considered is Neuro linguistic programming or NLP.

2.13 Neuro Linguistic Programming (NLP)

NLP can be described as an approach to communication and personal development, created in the 1970's by Richard Bandler, then a student, and John Grinder, an associate professor of linguistics, at the University of California, Santa Cruz (Bostic St.Clair & Grinder 2001). NLP embodies a discourse of self-improvement. It is described as generative rather than remedial (Bandler & Andreas 1985:158) and, like 'positive psychology' (Linley et al. 2006), attends to healthy functioning instead of pathology. The founders' motives were described as 'sharing the resources of all those who are involved in finding ways to help people have better, fuller and richer lives' (Bandler & Grinder 1975b). While applied also to business (McMaster & Grinder 1980), most early publications have a psychotherapeutic emphasis because its original studies were of Fritz Perls, the founder of Gestalt therapy, Virginia Satir, the family therapist, and Milton Erickson, the hypnotherapist. NLP has also since become a recognized mode of psychotherapy in the UK.

NLP has proven difficult to define. Its promotional literature emphasizes applications and tends to portray NLP as a technology of (for example) 'communication excellence'. It has been criticised (Craft 2001) for being a collection of tools and strategies with no cohering theoretical foundation. Originally, however, NLP was described as a methodology (Bandler & Grinder, 1975b, p. 6), the purpose of which was to investigate exemplary communication, not to create a body of practice.

Sensory Preference Profiles: Visual, Auditory or Kinesthetic. Humanity displays subtle differences in physical and mental makeup. These are definitely simple indicators. Visuals, Auditories and Kinesthetics can come in all shapes and sizes. As human capital are unique to the individual with limited beliefs and values,

with different opinions and talents. Although each one one is uniquely different; however, there are some fundamental similarities as shown in Table 3.

Table 3 The Sensory Preference Modalities

Sensory Preferences	Words	Visual talks
Visuals	angle, aspect, blind, bright, brilliant, clarity, clear, colorful, dark, enlighten, envision, examine, focus, foresee, glance, glow, illuminate, illusion, imagine, inspect, looks great, mental picture, mind's eye, observe, outlook, notice, perception, picture, reflect, see, show, sketch, survey, view, vision, watch	<ul style="list-style-type: none"> - How do you see yourself? - I see what you are saying. - We are company with a vision. - See you later. - Let me make this clear. - We have a bright future. - You have a colorful idea.
Auditories	Announce, call, boom, click, debate, discuss, hear, harmonize, hidden message, listen, loud, mention, manner of speaking, outspoken, listen, quiet, remark, question, report, rumor, say, shout, speak, silence, state, talk, tell, tome, tune in-out, vocal, well-informed	<ul style="list-style-type: none"> - Sound familiar. - Tell me more. - Let me tell you. - In a manner of speaking... - I want everybody to voice opinion - It is very clear. - This tone of voice...

Table 3 (continued)

Sensory Preferences	Words	Visual talks
Kinesthetics	Break, connect, concrete, cold, dig, emotional, explore, feel, firm, flow, foundation, freeze, grasp, hand-in-hand, handle, hard, heated, hold, hurt, intuition, make contact, motion, mail, pressure, push, rush, sensitive, shallow, sharp, shift, softly, stress, structured, tap into, tension, touch, warm	<ul style="list-style-type: none"> - How do you feel about...? - I'll get in touch with... - Get over it. - I can handle the pressure. - Stay in touch. - Hang in there. - Start from scratch. - I felt calm and cool. - Let's explore the possibilities.

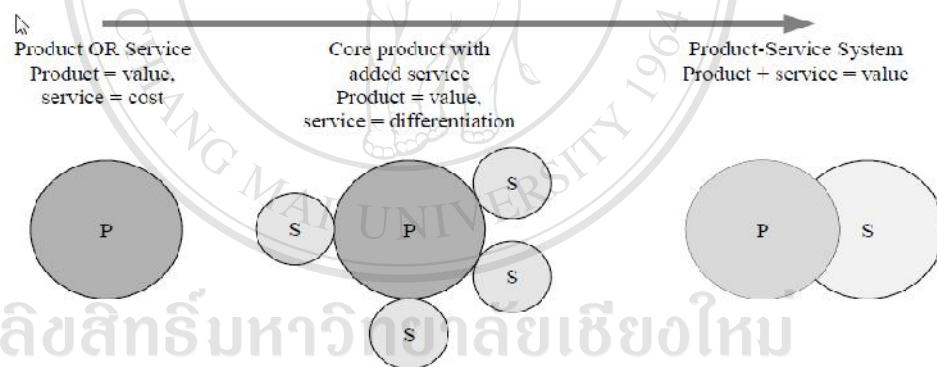
The implication of verbal and eye cues are vitally important to everyone who want to make connection with other human beings and establish rapport by design. It is important to learn and recognize which type of sensory preference for each customer, in order to be able to communicate at his or her wavelength and easily be in tune, be it visual, auditory, or kinesthetic.

2.14 Service sciences

The respective roles of products and services in delivering satisfaction to customers has become an increasingly knowledge management paradigm in this study. A distinction has traditionally been made between products and services. It is, however, increasingly recognized that the lines between them and the companies that produce them are blurred or blurring (Wise and Baumgartner, 1999; Correa et al., 2007; Ward and Graves, 2007). Therefore, there has currently been a growing interest

by IBM in the promotion of “services science” (Chesbrough and Spohrer, 2006). Kotler et al. (2006) defined service as “Any activity that one party can offer to another which is essentially intangible and does not result in the ownership of anything”. This is in agreement with Gronroos’s (1990) perspective who was more explicit, stating that a service is an activity (or a series of activities) of more or less intangible nature; that normally, but not necessarily, take place in interactions between a customer and service employees and/or systems of the service provider, and which are provided as solutions to customer problems.

Servitization. A new approach is termed “servitization”, and is defined as the trend towards bundles of customer-focused combinations, dominated by service (Vandermerweel al, 1989). This transition is described in three stages of development, as represented in Figure 11.



Source: Based on Vandermerwe and Rada (1988)

Figure 11 The Servitization Approach

The emerging notions of “servitization” (Vandermerwe et al, 1989; Neely, 2007) and product-service systems (Baines et al., 2007) have become a topic of interest in this creative economy as “service offering” (Gronroos, 2000), “bundles of benefits” (Davis & Heineke, 2005) and “value packages” (Correa et al., 2007). Levitt (1972, p. 42) insisted that “everyone is in service” regardless of whether their firms are classed as manufacturers or service providers. In marketing, the strenuous activities, or at least voluminous writings, of Vargo and Lusch (2004a, b, 2008a, b), Lusch et al.

(2006, 2007) and Michel et al. (2008) have proposed the so-called “service dominant logic” as shown in Figure 12.

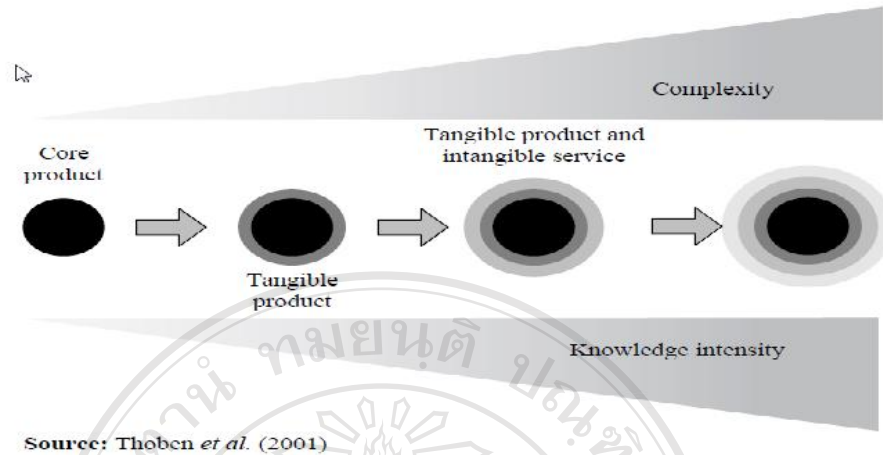


Figure 12 Service Dominant Logic

2.14.1 Service Quality

Many of previous research focus on macro service issues, such as the antecedents of services quality (e.g. Bolton and Drew, 1991), the relationship between service quality and business profitability (e.g. Rust et al., 1995), and service recovery efforts (e.g. Webster and Sundaram, 1998). The first customer satisfaction research is occurred in the early 1980s. Works by Oliver (1980), Churchill and Surprenant (1982), and Bearden and Teel (1983) tended to focus on the operationalization of customer satisfaction and its antecedents. By the mid-1980s, the focus of the research had shifted to construct refinement and the implementation of strategies designed to optimized customer satisfaction, according to Zeithaml, Berry and Parasuraman (1996, p.31).

2.14.2 SERVQUAL

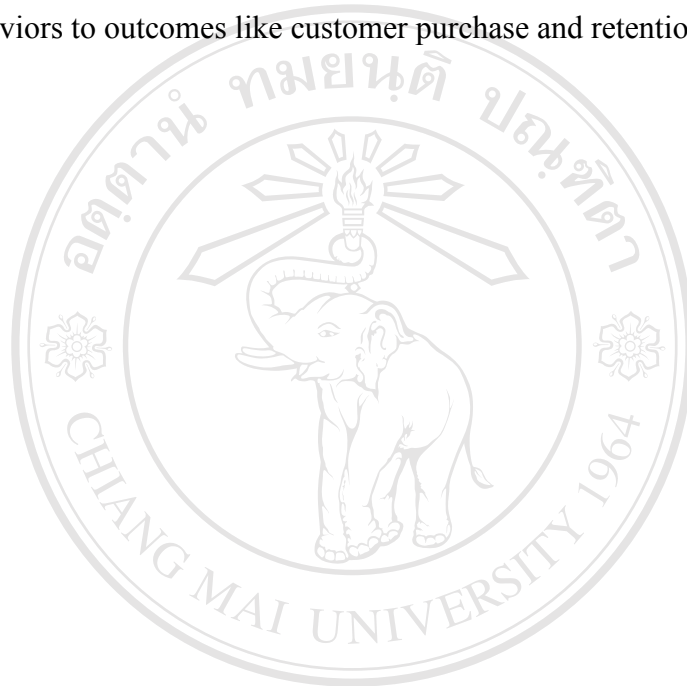
Particular scientific inquiry and the development of a general service quality theory can be accredited to Parasuraman, Berry and Zeithaml (1985). They proposed the ration of perceived performance to customer expectations was critical to maintaining satisfied customers. Their multi-item SERVQUAL scale is considered one of the first attempts to operationalize the customer satisfaction construct. The

battery of items used in the SERVQUAL multi-item scale is still used today as a foundation for instrumental service development. The primary service quality measurement factors considered in the scale involved tangibles, reliability, responsiveness, assurance, and empathy. The primary research question involved which of the five areas was the most important to customer satisfaction. However, maximizing customer satisfaction does not necessarily reflect the corporate altruism, or direct to tangible benefit. The underlining premise, especially before the early 1990s, was that satisfied customers yield greater profitability and lead to be more success. However, there is only limited empirical evidence to support this notion.

Buzzle and Gale (1987) yield evidence to support the link between market share growth and service quality; nevertheless, they are short of enough substantive evidence supporting the contention that customer satisfaction was instrumental in ensuring the corporate profitability led to Council on Financial Competition to the following reflection in 1987: “Service quality as an issue is seriously overrated; service certainly is not as important as the mythic proportions it has taken on in industry trade publications and conferences.” This typical skepticism likely precipitated a flurry of previous academic and industry research focus on linking customer satisfaction to corporate profitability and market share.

Rust and Zahorik (1993) focused on the financial banking industry, and their research related customer satisfaction to retention and profitability. The authors confirmed that retention rate has driven market share, and customer satisfaction is a primary determinant of retention. Their model permitted Rust and Zahorik to determine the spending levels of each satisfaction element which will maximize profitability, subject to the assumptions of the model and accuracy of parameter estimation (1993, p. 212). Furthermore, Rust and Zahorik (1993, p. 211) suggested a number of ways companies could improve customer satisfaction and thereby increase intention rates that create creative financial benefit. Among these were “training programs to help personnel to be more responsive to customers, upgrade facilities, better data handling systems, customer surveys and newsletters.” Zeithaml et al. (1996) refined the linkage between customer satisfaction and profitability by focusing on an intervening variable: retention. The author represented four objectives related to the study:

- A synthesis of existing research that links service quality and behavior outcomes.
- A hypothetical model that relates service quality to certain behaviors that precede defection.
- Presentation of empirical evidence connecting service quality and behavioral intentions.
- Development of a fundamental research agenda that will link individual-level behaviors to outcomes like customer purchase and retention.



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