

Innovative Drivers for New Business Value Creation

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Abstract—The service industry has generated a significant economic contribution to the Thai economy (approximately 50% of GDP). In particular, the tourism industry and supporting industries have demonstrated impressive growth in business performance over the past decade. Cultivating the endowments of nature, people and physical infrastructure have been the driving forces and determinants for national competitive advantage. Since natural resources have long been over-exploited in Thailand, whilst new competition from neighbouring countries with fresh and unexploited environments have become formidable threats to the industry and Thai competitiveness. Furthermore, innovation approaches, conventionally focusing on the tangible resources: advanced technology, IT control, process improvement and physical environments, have become less competitive and make it difficult for customers to be able to distinguish new value propositions. Consequently, Thailand is striving to find a unique and competitive market position under intensified competition. The purpose of this study is to examine and conceptualize the driving factors for new business value creation approach through Thai Government Initiatives in tourism, hospitality and related industries. This paper investigates specific examples in southern Thailand where the legends and ancient wisdom have become rooted over decades and constitute significant constructive and creative cultural capital. The paper elaborates various areas of study, from expert opinions (16), literature review, field observations and personal participation in developing the working process (8 cases as pilot service providers). Characteristics of these determinants include (1) knowledge based service (2) creativity (3) market demand creation and these contribute to (4) new business value propositions. The findings show that the contents of 780 years of locally-produced ritual ceremony and legend, ways of life for people living on the river, ancient remedies, cultural identity and indigenous wisdom which all create strong and appealing stories to tell for the prospective market. From local dyed fabric, folk ritual events, typical types of accommodation and so forth become value added services and enhance their new service proposition and authenticity. This draws up the notion that intangible resources or cultural capital become

a driving force behind innovation. Hence, it creates a new business model for small and medium enterprises with highly added economic value to their own enterprises and national competitiveness. The result of the study provides an insightful framework for government as catalyst and policy maker and industry as the ultimate beneficiary to fine tune their cooperative effort and to develop participative competitive strategies for a long term sustainable industry.

Keywords: *value creation; competitive service advantage; service strategy; creative industry; Thailand*

I. INTRODUCTION

Thailand's economy has long been dominated by labour-intensive manufacturing and the service base; consequently the nation's competitiveness' has depended on commoditized products and services trapped by price sensitivity. After the Thai Rak Thai Party took the government office in 2001, the economic direction had shifted toward the new economy development model where the creative industries are driven by knowledge, creativity and technology. The new economy is regarded as a foundation for the nation's new value creation and leverages country competitiveness. Following the 10th National Economic and Social Development Plan, Thailand has attempted to improve its role in international trade to be more competitive and has shifted its focus to the knowledge and creativity-based production with the aim of adding more value to Thai products (NESDB 2007-2011). In 2008, the Democrat Party took office and has maintained the economic growth policy model through the creative industry base. In particular, Thailand as one of the leading-hospitality service providers in the Asia-Pacific, is currently attempting to transform its conventional tourism industry into a creative industry, capitalizing on how knowledge and creativity can be marketed by merging skilled arts, talented people and new business model. The government's initiative has presently focused on the implementation of the Southern Creative Building Program and this research will investigate and address the critical factors of the new business value creation model in this context.

II. LITERATURE REVIEW

A. Thainess

The term "Thainess" has been used in many and various contexts. Thainess generally refers to the Thai political body, language, Buddhism, culture and the people themselves. To enhance Thai competitiveness based on Thainess in practical business terms requires a clear-cut definition of scope concerning the meaning and understanding by foreigners rather than the perceptions of Thai people.

Thainess has been defined as "being Buddhist and able to speak Thai and basically was based on a myth of homogeneity - as opposed to one of plurality and diversity - that was constructed seven decades ago to create a sense of

community among the people.” The Thai identity is also expressed through names, language, costumes and the Thai way of life or characteristics of Thai identity.

B. Cultural & Creative Industries: New Economies

While conventional economic growth models rely on comparative advantages such as low labour costs, abundant national endowments, higher productivity or economy of scale in production, marketing and logistics, this thinking has recently been challenged by a new economic paradigm: cultural & creative industry. In this new economy, competitive advantage rests on such qualities as creativity and initiative, design and technical skills, advanced conceptualizing and the ability to respond to rapid change. UNCTAD (2005) proposes the scope of the cultural economy and creative economy as “Cultural industries are regarded as those industries that combine the creation, production and commercialization of contents which are intangible and cultural in nature” while “creative industries” can be defined as the cycle of creation, production and distribution of goods and services that use creativity and intellectual capital as primary inputs” The term “creative economy” appeared first in 2001 in John Howkin’s book about the relationship between creativity and economics. Howkins’ use of the term “creative economy” is broad, covering fifteen creative industries extending from arts to the wider fields of science and technology (Howkins, 2001).

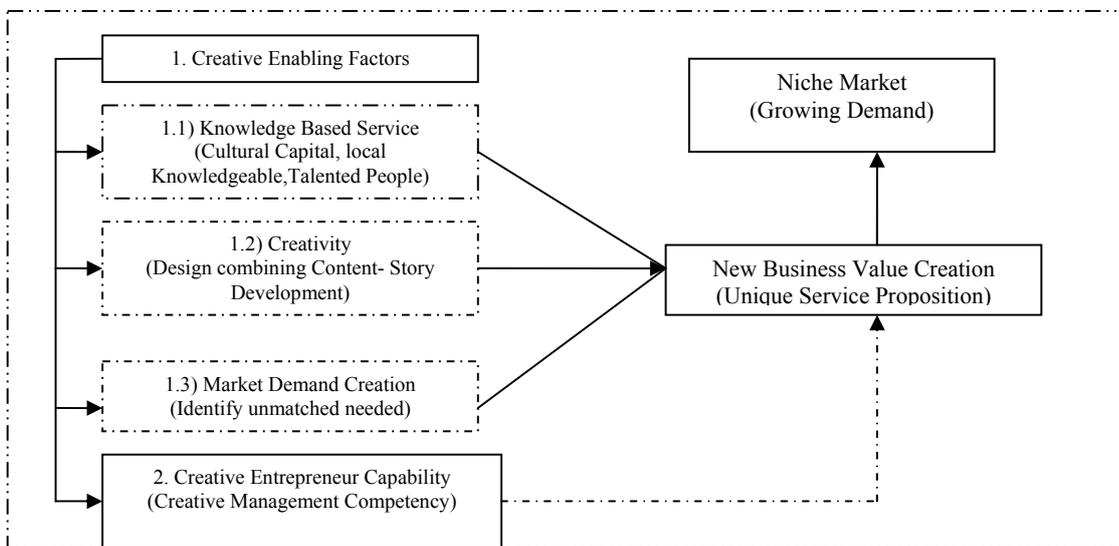
C. Business Ecosystems

Apart from the well known geographically based concentration theories concerning clusters, the business ecosystem presents wider and profound insights in term of interlinks and interactions among stakeholders in particular industry, thus enhancing broader understanding and perspective for analytical framework. Business ecosystems are well described by Moore (2001) that “more and more, companies are realizing that they cannot innovate alone. Business ecosystems ... are made up of customer, suppliers, lead producers, and other stakeholders- even competitors – interacting with one another to produce complementary goods and services in a particular market segment space.” Business ecosystems ... are made up of customer, suppliers, lead producers, and other stakeholders- even competitors – interacting with one another to produce complementary goods and services in a particular market segment space.”

D. Conceptual Framework

There are key innovative drivers demonstrated in the Southern Creative Building Model for service hospitality industry and this is the fundamental platform for innovative services based on indigenous wisdom and ritual stories. These constitute the authentic experiences and create new value propositions, thus securing unique Southern Thailand positioning in the market.

Creative Business Ecology System



III. RESEARCH METHODOLOGY

Eight empirical case studies have been examined for this paper in conjunction with the Southern Creative Building Program; the Creative Initiatives by government. The purpose of the study was to investigate the correlation among variables such as creative enabling factors and the creative entrepreneur capability associated with the new service value creation for southern Thailand- service hospitality industry.

Secondary research and scholarly review explored relevant management issues associated with the factors that establish creative capability. In addition to expert opinions, a conceptual framework was created and this was then examined through in-depth personal interviews. The 16 interviews were conducted through purposive qualitative research. The respondents are representing the owners from small and medium business and related, local culture experts, ancient Thai healing experts, marketing consultants, architect,

designers, academic institution and government SME officials.

IV. RESEARCH FINDINGS

Thailand’s innovative model for development in the new economy proposes value creation based on ideas and knowledge and is an essential instrument for government development of creativity rather than conventional physical capital. Landry & Bianchini (1995) advocated as a new economic driver the concept that industries of the twenty-first century would depend largely on the generation of knowledge through creativity and innovation. In this context, the research has investigated a set of practices and processes capitalizing on local knowledge, talented people, creativity and market orientation as follows:

- The findings included the observation that the local cultural values factor is an imperative intangible asset. To create such distinct values in the marketplace, local cultural capital provides the foundation in creating a unique cultural identity. For example, the legend of the 780-year old ritual ceremony in Nakorn Sri Thammarat Province has been researched through in depth study and the involvement of the story telling development to develop a unique value proposition for loyal Buddhists to participate in this sacred annual event.
- Our research findings revealed that accumulated local knowledge and talented people become valuable intangible assets that appeal to the attention of tourist prospects looking for authentic experiences and folkloric ways of life. A local dyed fabric from Kiriwong village located among the mountains is a one of a kind fabric-design that incorporates local wisdom in adopting, adapting and living in a friendly fashion with the natural environment for centuries.
- Respondents stated that creativity building is one of the major processes in creating a new business value proposition. One new small hotel project with 50 rooms in Hat Yai has transformed the usual low end pricing into new blue ocean territory with higher margins. Inspiration and creativity for new designs and styles, unique ancient remedy treatment programs and experiential, participative tour programs are important creative experiential

landscapes. By achieving this goal, a joint working team involving cultural experts, entrepreneurs, marketing consultants and state officials is mandatory and its input essential for a successful creative economy.

- From the observation and expert opinions, one of the critical driving factors is SMEs themselves. Most SMEs have the characteristic that by nature they suffer deficiencies in management competency, including effective business decision making, practical business vision and market exposure. It has been strongly observed that the degree of success in creativity building is largely associated with the entrepreneur’s capability.
- According to cost-benefit review, benefits include a government strategy to conserve the cultural heritage value, minority recognition, upgrade local talent and skilled labour and sustain long-term employment. Ultimately, this has leveraged SMEs’ competitiveness through new business value creation. The cost will have an impact on the huge amount of funding spent on a small number of SMEs. In addition, in some areas, local wisdom becomes commercialized in a wider spectrum which potentially leads to sensitive issues concerning minority identities and long run social impact.

V. CONCLUSION AND POLICY IMPLICATIONS

As proposed earlier in the conceptual framework, the relationship between the creative enabling factor and creative entrepreneurial capability significantly contributes to the Creativity Building Model. The Southern case study provides strong evidence that enabling factors including cultural capital, local knowledge, talented people, creativity (design combining content and story development) and market orientation are key innovative drivers for New Business Value Creation (creative value added and economic value) under the Thailand Creative Building Model.

<i>Creative Industry</i>	<i>Creative Resource</i>	<i>Creative Value Added</i>	<i>Economic Value</i>
Cultural Boutique resort-Hat Yai	Story of historical Thai House	Living culturally in boutique experience	Room rate up by 30% (command price premium over existing competition)
Pilgrimage Tour Program – Nakorn Sri-Thammarat	Century of local ritual ceremony	Journey: experience dates back a century	Becoming international event: drawing more 100,000 Buddhists: creating revenue for local tourism and related industries

River View Tour Program – Trang	Way of life on river bank	Unique retro traveling experience	Creates year-round tourist destination and sustains local employment
Cultural Spa-Phuket	Ancient healing remedy	- Expertise in healing for office syndrome - Surroundings of Thai Architecture	New segment: from low end pricing (pampering) to wellbeing service (valued added up by 30%)
Hot Spring – Krabi	An escape in the midst of nature, combined with ancient healing remedy	- One of a kind hot spring escape experience in Thailand offering hydrotherapy treatment	Value creation from traditional hot spring service to become health retreat destination (value added by 25%)
Traditional Thai spa – Krabi	Sea Gypsy healing remedy	Krabi unique senses	Upgrade existing health service to cater unserved needs, tourist’s syndrome (value added by 30 %) and create income and job for minority in Krabi
Destination Spa Wellness - Samui	Ancient southern-healing remedy combining unique healing herbs	Holistic healing experience	Create Thai authentic wellbeing program (value added by 30 %)
Naturally Dyed Fabric	Local dyed and processed fabric combining new and distinctive designs	Sacred ancient dyed cloth: to worship lord Buddha (story to tell)	Price up by 300% and create income and job for local community

A. Government as a Creative Enabling Factor Catalyst

The crucial enabling factors for creative infrastructure and environment largely derive from the national policy maker, the Government, which simultaneously acts as promoter and regulator. Asia Model (Delios and Singh, 2005) presented research finding that governments in Asia have significantly played major driving roles in enhancing business competitiveness and economic growth more than those in North America and Europe. The study indicates that the Thai Government, whilst in the midst of the current economy downturn, is choosing to jump start the economic engine through the SME creative building program. Consequently, the ultimate outcome is foreseen to sustain continuing business growth, a high level of employment and long term competitive sustainability.

B. Creative Business Ecology

The creative industry requires a great deal of collective effort within the creative cluster. To drive viable creative value chain development, a business ecology system will be aligned with all related stakeholders, including skilled human resources, cultural capital, minority participation, social value maintainers and so forth. Although the Southern Creative Building Model capitalizes on only some of the above determinants, the findings from expert opinions do agree that successful business value creation is an ultimate product of participating and collaborative business ecology system. Hearn and Pace (2006) state that a viable paradigm shift under the value ecology system is an act of transition from customer to co-

creator, from product value to network value and from simple cooperation or competition to co-opetition. For instance, the wellness business in the south does share common knowledge of ancient traditional healing technique, together with exchange of views on client information, technical know-how and integrating creativity into new service design.

C. Creative Entrepreneur Capability

Although an entrepreneur capability building program is absent from this experimental model as one of the key drivers, due to government’s limited funds and time constraint, this study finds that it would be a significant key success factor for entrepreneur in adopting and innovating successful new services. Many case studies under the previous Government Initiative Program indicate that major business failures caused by incompetent and inadequate entrepreneurial capability include effective decision-making, practical business vision and creativity in management.

D. Creative Business Model

According to the less for more approach, this Creative Building Model transforms the conventional business model originally depending on cost control, productivity improvement, lean production, expensive technology and existing market focus to a innovative business model which proposes “distinctive value added” rather than “traditional sale-volume.” In particular, all eight of these creative projects have featured new value propositions which highlight their

competitive edge over existing competition by offering unique identity, values and authenticity. As such, SMEs will leverage their competitiveness through intangible capital rather than traditional tangible resources. This outcome is justified by the new competitive Thai strategy that leads economic growth and sustainability.

Last but not least, this study finds that key innovative drivers which are experimented in this model include cultural capital, local knowledge, talented people, creativity (e.g. design integrating storytelling), market orientation and entrepreneurial capability. We recommend this creative building model to proceed through planting creativity seeds throughout the realm of creative industry and in conjunction with the creative ecology system under the strong collaborative and participatory effort involving the Public Private Partnership framework. Further research on entrepreneurial capability and capacity building under the multidisciplinary creative managerial context will strengthen academic perspectives and contribute to developing economic sustainability.

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