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# CAUSAL FACTOR AND OUTCOMES OF CREATING COMPETITIVE ADVANTAGES IN THE DIGITAL AGE OF LMG INSURANCE CO., LTD.

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## Abstract

The study aims to investigate the relationship of causal factors and outcomes of competitive advantages in the digital age of an insurance company. Multiple regression analysis results of organization management towards organizational competitive advantages in the digital age were used, found that organization management, strategies, system, management style and value had positive effects on organizational competitive advantages in the digital age with the statistical significance level of 0.05. But organizational structure, staff, and skills did not affect organizational competitive advantages in the digital age. Thus, hypothesis 1d was rejected. All 7 elements of organization management independent variables were efficient to mutually predict and describe organizational competitive advantage dependent variable by 52.2%. Multiple regression analysis results of competitive advantages in the digital age consisting of data-driven strategy, quick response, differentiation, and focus point towards organizational performance were used, found competitive advantages in the digital with regard to data-driven strategy, quick response, and focus point had positive effects on organizational performance with the statistical significance level of 0.05. While differentiation did not affect organizational performance. All 4 elements of competitive advantages in the digital age were efficient to mutually predict and describe organizational performance dependent variable by 51.1%.

**Keywords:** Organization Management, Competitive Advantages in the Digital, Performance

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## Introduction

Today, non-life insurance industry is highly competitive, domestically and internationally. Therefore, insurance companies need to push their organizations to be accepted among consumers under economic, social, and technological changes. Meanwhile, they need to adapt themselves for being able to compete with foreign insurance companies or foreign investments in insurance industry. Consequently, business strategy development is the key, especially the McKinsey 7S model in organization management that consists of 7 key elements: structure, strategy, system, staff, style, skill, and shared values (Peters & Waterman, 1982). Khunchuen (2016) conducted a study on the relations of the McKinsey's 7s management to the performance of drinking water business in Maha Sarakham and found that McKinsey's 7s management was related to the performance of drinking water business in Maha Sarakham at a moderate level ( $p = 0.403$ ). Good organization management results in organizational competitive advantages. Creating organizational competitive advantages at present requires technologies that change ways of life, consumer behavior, and how business is conducting. In this regard, 5 types of competitive strategies that every business should adopt to compete its competitor in the digital age (Porter, 1998; Laohasiri, 2016) consist of 1) data-driven strategy, 2) first mover advantage (quick response), 3) differentiation strategy, 4) focus point and 5) cost-based advantage. Besides, Pongwirithton & Utama-ang (2011) conducted a research study on the management of small and medium enterprises (SMEs) to achieve competitive advantages in the north region of Thailand and found that competitive advantages in terms of differentiation, leadership, quick response, and focus point were associated and had positive effects on the success of overall organizational performance. These factors lead to efficient organizational performance. Organizational performance can be measured by the four perspectives of balanced scorecard in transforming strategies into practice (Kaplan & Norton, 1996), consisting of 1) finance, 2) internal business process, 3) customers, and 4) learning and growth. According to the importance mentioned above, the researcher would like to study "causal factors and outcomes of creating competitive advantages in the digital age of an insurance company" in order to obtain causal factors of organization management affecting the creation of competitive advantages in the digital age and outcomes of the creation of competitive advantages in the digital age affecting organizational performance. The objectives of this research are 1) to study effects of organization management on the creation of competitive advantages in the digital age of an insurance company, 2) to study effects of the creation of competitive advantages in the digital age of an insurance company. The study results shall be used as information for organizational development to create competitive advantages that lead to efficient organizational performance, and shall be information provided for those interested accordingly.

## Literature Review

The researcher employed 2 theories as the research conceptual framework to describe the relationship between causal factors and outcomes of creating competitive advantages in the digital age of the insurance company, namely, 1) dynamic capability theory in which emphasis is placed on adaptability, resources development and expanding new capability in an organization. In this research this theory is associated with organization management (7's'McKinsey) (Peters & Waterman, 1982), a dynamic capability to develop and improve organizational resources and capability (Roberts & Grover, 2012), leading to efficient outcomes (Griffith et al., 2006) 2) contingency theory which is an organizational theory that collects appropriate concepts between strategies and organizational behavior in decision making, leading to organizational performance (Chandler, 1962). In this research, this theory is associated with creating competitive advantages in the digital age (Porter, 1998; Laohasiri, 2016), a factor affecting organizational performance. Studying the basis of the 2 theories, the

researcher adopted them to develop the research conceptual framework showing the relationship between all variables and connecting to research hypotheses.

### **Organization Management (7s'McKinsky)**

McKinsey's 7S Framework is a guideline for analyzing organizational internal factors. It is a tool used to analyze organization management to ensure higher efficient organizational performance. McKinsey said that the success of organizational performance or results based management depended on at least 7 variables that are correlated, i.e. 1) structure refers to how an organization shall be formed with agencies and a clear chain of command. Organizational structure is shown as an organization chart which is visible and changeable by executive policies, 2) strategy means work plans that an organization prepares to respond to or to be consistent with changing external environment, which help an organization to maintain or strengthen long-term competitive advantages. Efficient strategies should be explicit and consistent with vision, mission, and value of an organization, 3) system is organizational processes and regulations shown in the form of regular activities at work including decision-making methods of different levels of executives in an organization. Normally, when changes occur, importance is more likely given to changes in work system and effects on existing work system, 4) style means skills and capabilities of employees given to an organization. When changes occur in an organization, a question need is what skills can be used to drive strategies or new structure to carry out efficiently and effectively, 5) staff refers to a management model of top executives in an organization including interaction between executives in different levels and symbolic value of a person in the opinion of executives and other persons in the organization, 6) skill refers to employees including knowledge, capabilities, skills, and attitudes of employees. In view of management, it is considered what types and how many of employees an organization needs to enable the organization to gain maximum competitive advantages and 7) shared values are belief and expectation. They are usually developed by the organization's leadership and then adopted by the other members of the organization. The values and shared and followed by all members of the organization as norm and standard when acting on behalf of the organization. Shared values can be noticeable by organizational culture and work ethics.

### **Creating Competitive Advantages in the Digital Age**

The digital age is full of technologies that change a way of life, consumer behavior and business operations. There are 5 strategies for competitive advantages that all businesses should select to overcome business competitors in the digital age (Porter, 1998; Laohasiri, 2016) as follow:

1) Data Driven: Data are important in digital for analysis as they improve marketing. Large customer data can be stored and analyzed to create strategies in response to customer demands at the right point increasingly. Customer data are competitive advantages. The quality process to store customer data, data processing and analysis offer competitive advantages and satisfaction among consumers.

2) Economy of speed: Quick response to market changes offers substantial competitive advantages in the digital world where everything changes rapidly; fast fish eats slow fish. Large scale businesses can make a plan to deliver finished goods, services, products, launch new products and discover innovation required faster than their competitors. Complicated structure, many hierarchical levels, and slow response make businesses unable to adapt to competitions. Therefore, they must be changed to be more concise to create higher competitive advantages as consumers in this era are not willing to wait.

3) Differentiation strategy: Differentiation is the most important in setting strategies, regardless of era. Products or services must be outstandingly different in the opinion of consumers, compared to those of competitors. The key is differentiation must be perceived and valued by consumers. Differentiation must be perceived and valued in terms of prices, products, or services in order to create competitive advantages.

4) Focus point: Focusing on business or services shall make businesses grow rapidly. Specialization helps businesses to differentiate themselves from others, making businesses well known. In the digital age, it is not necessary to build a business in a way that serves everyone but attracts the right ones; the business shall be good and expenses are worth spending.

5) Cost effective: In the digital age, consumers are able to compare product prices immediately or able to read product reviews or opinions about products from other customers. For competitors who can do business with the lowest cost, cost is perhaps not a workable and possible strategy. Consumers probably do not look for the cheapest products but appropriate ones in conjunction with product reliability. If products are more expensive but if they have some advantages that consumers can accept, they are willing to pay, depending on individual's satisfaction. Cost is a factor creating competitive advantages to a business. Having lower cost and better cost management to achieve more efficiency enable a business to have negotiation advantages, such as negotiation with suppliers, negotiation with customers. Therefore, cost reduction strategy is an important factor to create competitive advantages at present.

### **Organization Management and Creating Competitive Advantages in the Digital Age**

7s' McKinsey model can be used for organization management to help an organization achieve more excellence. It is research and development of McKinsey Company, a global management consulting firm in US. Research results indicate that the success of organizational performance or results based management depends on at least 7 variables that are correlated, i.e. 1) strategy, 2) structure, 3) system, 4) style, 5) staff, 6) skill and 7) shared values. The first 3 variables are considered being hard S's, namely, strategy, structure, and system. They look like computer hardware. They are tangible and visible; therefore, most executives always pay special attention to them. As for new variables discovered, in the past executives did not pay attention because they are intangible and invisible. They are considered being soft S's like computer software, i.e. style, staff or employees, skill, and shared values. Later, McKinsey Company improved the definitions of all 7 variables to be more correct and explicit for creating competitive advantages regarding domestic and international pressure, such as capitalism, borderless world trading, e-commerce economy, technological reform like nanotechnology, product customization, etc. Based on such factors, those who are responsible for leading and directing an organization seek a guideline to create immunity and a way in response to challenges. It is necessary to lead an organization in becoming an excellence organization or high-performance organization and having competitive advantages so as to deliver quality services to customers and stand in globalization in a stable and sustainable manner. Sittichai & Pooripakdee (2018). conducted a study on organization management according to McKinsey's 7s Framework that contributes to innovation organization case study: organization awarded an excellent innovation organization with the objectives to study consistency of organization management according to McKinsey's 7s Framework and being an innovation organization and to study opinions of executives in an organization awarded an excellent innovation organization by using qualitative research through documentary research and in-depth interview. Key informants were executives and employees, 9 persons in total, in a factory manufacturing product that is awarded an excellent innovation organization. The study found that based on McKinsey's 7s Framework in organization management, private company operated business and carried out activities that support being an innovation organization in all aspects in terms of hard S's and soft S's. Organization structure (hard S's) is a flat organization structure, contributing to high flexibility at work. Emphasis was placed on giving opinions while commands and approval could be carried out quickly. In terms of soft S's, participatory management style was used to build a sustainable organization, importance was given to building a team as well as creating innovation, being a good example for employees. Khunchuen (2016) conducted a study on the relations of the McKinsey's 7s management to the performance of drinking water business in Maha Sarakham and found that McKinsey's 7s

management was related to the performance of drinking water business in Maha Sarakham at a moderate level ( $p = 0.403$ ). According to the synthesis of literature mentioned above, it led to hypothesis H1a-H1g as follow:

H1a: organization management regarding structure has positive effects on creating competitive advantages in the digital age of the insurance company has positive effects on creating competitive advantages in the digital age of the insurance company

H1b: organization management regarding strategy has positive effects on creating competitive advantages in the digital age of the insurance company

H1c: organization management regarding system has positive effects on creating competitive advantages in the digital age of the insurance company

H1d: organization management regarding staff has positive effects on creating competitive advantages in the digital age of the insurance company

H1e: organization management regarding style has positive effects on creating competitive advantages in the digital age of the insurance company

H1f: organization management regarding skill has positive effects on creating competitive advantages in the digital age of the insurance company

H1g: organization management regarding shared values has positive effects on creating competitive advantages in the digital age of the insurance company

### **Organizational Performance**

Organizational performance means the ability of an organization to choose appropriate goals and reach the goals. Organizational performance is measured whether or not an organization can respond to consumer demands and how well the organization can achieve the attempt (Danthamrongkul, 2018). Balanced scorecard approach (BSC) was used to measure organizational performance. Balanced scorecard is a tool designed to translate mission and strategy of an organization into specific, quantifiable goals and objectives and to monitor the organization's performance through a lens that helps achieve the goals, such as finance, internal business process, and learning and growth (Kaplan & Norton, 1996). The four measurement perspectives in the balanced scorecard consist of financial perspective, customer perspective, internal -business- process perspective, and learning and growth perspective.

### **Creating Competitive Advantages in the Digital Age and Organizational Performance**

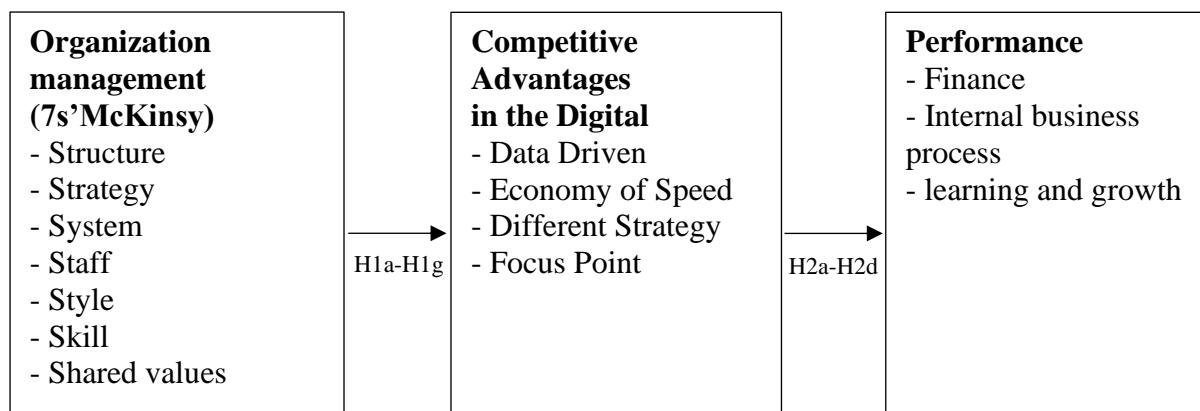
Punyaruang & Pooripakdee (2016) found that marketing mixed strategies were associated with competitive advantage strategies. Medium enterprises focus on product and promotion strategies rather than small enterprises while competitive advantage strategies affect the success of the operation base overall in the same direction. Besides, Pongwiriththon & Utama-ang (2011) conducted a research study on the management of small and medium enterprises (SMEs) to achieve competitive advantages in the north region of Thailand and found that competitive advantages in terms of differentiation, leadership, quick response, and focus point were associated and had positive effects on the success of overall organizational performance. According to the synthesis of the literature mentioned earlier, it led to hypothesis H2a-H2d.

H2a: Competitive advantages regarding data-driven strategy in the digital age have positive effects on organizational performance of the insurance company

H2b: Competitive advantages regarding quick response in the digital age have positive effects on organizational performance of the insurance company

H2c: Competitive advantages regarding differentiation in the digital age have positive effects on organizational performance of the insurance company

H2d: Competitive advantages regarding focus point in the digital age have positive effects on organizational performance of the insurance company



**Figure 1** Conceptual Framework

## Research Methodology

This research focuses on investigating causal factors and outcomes of creating competitive advantages in the digital age of LMG Insurance Co., Ltd. Population in the study is 1,520 employees of LMG Insurance Co., Ltd. located in Thailand (Information about employees of LMG Insurance Co., Ltd. in 2020). Krejcie & Morgan formula was used to calculate the sample size with the error set at 0.05. The sample consisted of 307 persons. A questionnaire was used to as the research instrument, created according to objectives, conceptual framework, and operational definition.

The quality of research instrument was measured using 1) content validity by 3 experts. Index of congruence was measured by IOC (Index of Item-Objective Congruence). The IOC index ranged from 0.67 to 1.00, indicating that the items were congruent and could be used (Rovinelli & Hambleton, 1977) 2) reliability was 0.94; according to a general accepted rule, reliability of 0.70 indicates an acceptable level of reliability (Hair et al., 2010) 3) power of discrimination was measured using a correlation between the question score and the total score of the questionnaire (Item-Total correlation), it ranged from 0.67 to 1.00.

Enter method of multiple regression analysis was used for data analysis, which can be written in the form of an equation as follow:

Equation 1 creating competitive advantages in the digital age

Creating competitive advantages in the digital age =  $\beta_01 + \beta_1$  structure +  $\beta_2$  strategy +  $\beta_3$  system +  $\beta_4$  staff +  $\beta_5$  style +  $\beta_6$  skill +  $\beta_7$  shared values +  $\epsilon$ .

Test of effects of organization management regarding structure, strategy, system, staff, style, skill + shared values on creating competitive advantages in the digital age according to hypothesis 1a-1g.

Equation 2 organizational performance

Organizational performance =  $\beta_02 + \beta_8$  data-driven strategy +  $\beta_9$  quick response +  $\beta_{10}$  differentiation strategy +  $\beta_{11}$  focus point +  $\epsilon$ .

Test of effects of competitive advantages in the digital age regarding data-driven strategy, quick response, differentiation strategy, focus point on organizational performance according to hypothesis 2a-2d.

## Research Results

variables used in research found to be between 0.333 and 0.786, which is less than 0.80 (Cooper & Schindler, 2003). It showed that the independents had no relationship and could be used in prophecy. In addition, the Variance Inflation Factor (VIF) of independent variables was between 1.941-3.893, which did not cause Collinearity problems as shown in Table 1.

**Table 1** Correlation Between Variables Analysis

Variable	Structure	Strategy	System	Staff	Style	Skill	Shared values	Data Driven	Economy of Speed	Different Strategy	Focus Point	VIF
<b>Mean</b>	4.14	4.24	4.18	4.13	4.27	4.19	4.11	4.11	4.12	4.11	4.02	
<b>S.D.</b>	0.527	0.685	0.601	0.627	0.750	0.600	0.750	0.701	0.687	0.662	0.604	
<b>Structure</b>												2.667
<b>Strategy</b>	0.742**											3.125
<b>System</b>	0.624**	0.695**										2.656
<b>Staff</b>	0.639**	0.698**	0.723**									3.450
<b>Style</b>	0.641**	0.634**	0.686**	0.786**								3.893
<b>Skill</b>	0.474**	0.543**	0.581**	0.617**	0.688**							2.060
<b>Shared values</b>	0.635**	0.627**	0.530**	0.578**	0.687**	0.554**						2.295
<b>Data Driven</b>	0.663**	0.671**	0.552**	0.582**	0.660**	0.549**	0.707**					2.920
<b>Economy of Speed</b>	0.613**	0.662**	0.550**	0.557**	0.625**	0.511**	0.723**	0.752**				3.125
<b>Different Strategy</b>	0.447**	0.511**	0.450**	0.373**	0.447**	0.333**	0.542**	0.598**	0.676**			1.941
<b>Focus Point</b>	0.579**	0.638**	0.502**	0.523**	0.668**	0.477**	0.736**	0.755**	0.738**	0.598**		2.805

Note: \*\* statistically significant at .01, \* statistically significant at .05

Multiple regression analysis of organization management consisting of structure, strategy, system, staff, style, skill, and shared values and competitive advantages in the digital age of the organization was used to test hypothesis 1a (H1a)-hypothesis 1g (H1g). It was found that organization management regarding strategy, system, style, and shared values had positive effects on competitive advantages in the digital age of the organization with the statistical significance level of 0.05 ( $\beta = 0.221$ ,  $p < 0.01$ ), ( $\beta = 0.118$ ,  $p < 0.05$ ), ( $\beta = 0.220$ ,  $p < 0.01$ ), ( $\beta = 0.360$ ,  $p < 0.01$ ). Therefore, hypothesis 1b, 1c, 1e and 1g were accepted.

Structure, staff, and skills did not affect competitive advantages in the digital age of the organization ( $\beta = 0.060$ ,  $p > 0.05$ ), ( $\beta = 0.087$ ,  $p > 0.05$ ), ( $\beta = 0.003$ ,  $p > 0.05$ ). Therefore, hypothesis 1d was rejected. All 7 elements of organization management independent variables were efficient to mutually predict and describe organizational competitive advantage dependent variable by 51.1%. Details are shown in Table 1.

**Table 1** Multiple regression analysis of organization management regarding structure, strategy, system, staff, style, skill, and shared values and competitive advantages in the digital age of the organization

<b>Creating competitive advantages in the digital age</b>	
structure	0.060 (0.061)
strategy	0.221** (0.059)
system	0.118* (0.057)
staff	0.087 (0.060)
style	0.220** (0.066)
skill	0.003 (0.043)
shared values	0.360** (0.051)
Adjusted R <sup>2</sup>	0.511
Maximum VIF	3.893

Note: \*\* statistically significant at .01, \* statistically significant at .05

Multiple regression analysis results of competitive advantages in the digital age consisting of data-driven strategy, quick response, differentiation strategy, focus point and organizational performance to test hypothesis 2a-2d found competitive advantages in the digital age regarding data-driven strategy, quick response, and focus point had positive effects on organizational performance with the statistical significance level of 0.05 ( $\beta = 0.189$ ,  $p < 0.01$ ), ( $\beta = 0.170$ ,  $p < 0.01$ ), ( $\beta = 0.351$ ,  $p < 0.01$ ). Therefore, hypothesis 2a, 2b and 2d were accepted. Differentiation strategy did not affect organizational performance ( $\beta = -0.009$ ,  $p > 0.05$ ). Therefore, hypothesis 2c was rejected. All 4 elements of competitive advantage independent variables were efficient to mutually predict and describe organizational performance dependent variable by 56.4%. Details are shown in Table 2.

**Table 2** Multiple regression analysis of competitive advantages in the digital age regarding data-driven strategy, quick response, differentiation strategy and focus point and organizational performance

	<b>Performance</b>
data-driven	0.018** (0.056)
quick response	0.170** (0.055)
differentiation strategy	-0.009 (0.045)
focus point	0.351** (0.055)
Adjusted R <sup>2</sup>	0.564
Maximum VIF	3.125

Note: \*\* statistically significant at .01, \* statistically significant at .05

## Conclusion and Discussion

Multiple regression analysis of organization management consisting of structure, strategy, system, staff, style, skill, and shared value and competitive advantages in the digital age of the organization to test H1a-H1g found organization management regarding strategy, system, style, and shared values had positive effects on competitive advantages in the digital age of the organization with the statistical significance level of 0.05 ( $\beta = 0.221$ ,  $p < 0.01$ ), ( $\beta = 0.118$ ,  $p < 0.05$ ), ( $\beta = 0.220$ ,  $p < 0.01$ ), ( $\beta = 0.360$ ,  $p < 0.01$ ). Therefore, hypothesis 1b, 1c, 1e and 1g were accepted, consistent with the study conducted by Khunchuen (2016) on the relations of the McKinsey's 7s management to the performance of drinking water business in Maha Sarakham and found that McKinsey's 7s management was related to the performance of drinking water business in Maha Sarakham at a moderate level ( $p = 0.403$ ). It was also consistent with the research study of Sittichai & Pooripakdee (2018). finding that private company operated business and carried out activities that support being an innovation organization in all aspects. Structure, staff and skill did not affect competitive advantages in the digital age of the organization ( $\beta = 0.060$ ,  $p > 0.05$ ), ( $\beta = 0.087$ ,  $p > 0.05$ ), ( $\beta = 0.003$ ,  $p > 0.05$ ). Therefore, hypothesis 1d was rejected. All 7 elements of organization management independent variables were efficient to mutually predict and describe organizational competitive advantage dependent variable by 52.2%.

Multiple regression analysis results of competitive advantages in the digital age consisting of data-driven strategy, quick response, differentiation strategy, focus point and organizational performance to test hypothesis 2a-2d found competitive advantages in the digital age regarding data-driven strategy, quick response, and focus point had positive effects on organizational performance with the statistical significance level of 0.05 ( $\beta = 0.189$ ,  $p < 0.01$ ), ( $\beta = 0.170$ ,  $p < 0.01$ ), ( $\beta = 0.351$ ,  $p < 0.01$ ). Therefore, hypothesis 2a, 2b, and 2d were accepted, consistent with the research conducted by Punyaruang & Pooripakdee (2016) finding that medium enterprises used focus point competitive advantage while competitive advantage strategies affect the success of the operation base overall in the same direction.

Differentiation strategy did not affect organizational performance ( $\beta = -0.009$ ,  $p > 0.05$ ). Therefore, hypothesis 2c was rejected, not consistent with the research conducted by Pongwiriththon & Utama-ang (2011) finding that competitive advantages in terms of differentiation, leadership, quick response, and focus point were associated and had positive effects on the success of overall organizational performance. All 4 elements of competitive

advantage independent variables were efficient to mutually predict and describe organizational performance dependent variable by 51.1%.

According to the findings, organization management regarding strategy, system, style, and shared values has positive effects on competitive advantages in the digital age of the organization. Therefore, the organization should give importance to organization management that leads to competitive advantages in the digital age of the organization as follow:

1) strategy or work plans that an organization prepares to respond to or to be consistent with changing external environment, which help an organization to maintain or strengthen long-term competitive advantages.

2) System is organizational processes and regulations shown in the form of regular activities at work including decision-making methods of different levels of executives in an organization.

3) Style means skills and capabilities of employees given to an organization. When changes occur in an organization, a question need is what skills can be used to drive strategies or new structure to carry out efficiently and effectively.

4) Shared values are belief and expectation. They are usually developed by the organization's leadership and then adopted by the other members of the organization. The values and shared and followed by all members of the organization as norm and standard when acting on behalf of the organization. Shared values can be noticeable by organizational culture and work ethics. According to the findings showing that competitive advantages in the digital age regarding data-driven strategy, quick response, and focus point have positive effects on organizational performance. Therefore, the organization should give importance to creating competitive advantages in the digital age that shall lead to organizational performance as follow:

1) Data-driven strategy since data are important in digital for analysis as they improve marketing. Large customer data can be stored and analyzed to create strategies in response to customer demands at the right point increasingly.

2) Quick response to market changes offers substantial competitive advantages in the digital world where everything changes rapidly.

3) Focus point: Focusing on business or services shall make businesses grow rapidly. Specialization helps businesses to differentiate themselves from others.

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