

สมรรถนะทางธุรกิจและนวัตกรรมใน อุตสาหกรรมโรงแรม: กรณีของวิสาหกิจ ขนาดกลางและขนาดย่อม

BUSINESS PERFORMANCE AND INNOVATION IN THE HOTEL INDUSTRY: A CASE OF SMALL AND MEDIUM ENTERPRISES

นันทสรี สุโขโต*

Nuntasaree Sukato*

จรีอ-ชิง ลิน**

Tzu-Ching Lin**

* ผู้ช่วยศาสตราจารย์ สาขาการตลาด คณะบริหารธุรกิจ มหาวิทยาลัยธุรกิจบัณฑิตย์

* Assistant Professor of Marketing, Faculty of Business Administration, Dhurakij Pundit University

* Email: nuntasaree.suk@dpu.ac.th

** รองศาสตราจารย์ สาขาการท่องเที่ยว วิทยาลัยการท่องเที่ยวและการโรงแรม มหาวิทยาลัยต้าเย

** Associate Professor of Tourism, College of Tourism and Hospitality, Da-Yeh University

** Email: brian@mail.dyu.edu.tw

บทคัดย่อ

การศึกษานี้มีวัตถุประสงค์เพื่อตรวจสอบบทบาทการส่งผ่านของนวัตกรรมที่มีต่อการมุ่งเน้นตลาดและสมรรถนะทางธุรกิจสำหรับวิสาหกิจขนาดกลางและขนาดย่อมในอุตสาหกรรมโรงแรม การมุ่งเน้นตลาดภายใต้บริบทของพฤติกรรมซึ่งประกอบด้วยการเก็บรวบรวมข้อมูลทางการตลาด การเผยแพร่ข้อมูลทางการตลาดภายในองค์กร และการตอบสนองต่อข้อมูลทางการตลาดถูกใช้ในการวิจัยครั้งนี้ โรงแรมขนาดเล็กและขนาดกลางถูกกำหนดให้เป็นหน่วยในการวิเคราะห์และแบบสอบถามได้กระจายไปยังเจ้าของกิจการหรือผู้จัดการที่มีหน้าที่สั่งการด้านการตลาด โมเดลสมการโครงสร้างถูกใช้ในการวิเคราะห์ข้อมูล ผลที่ได้จากการวิจัยสรุปว่าการเก็บรวบรวมข้อมูลทางการตลาด การเผยแพร่ข้อมูลทางการตลาด และการตอบสนองต่อข้อมูลทางการตลาดมีอิทธิพลทางอ้อมต่อสมรรถนะทางธุรกิจโดยการส่งผ่านของนวัตกรรมอย่างมีนัยสำคัญ การนำผลที่ได้จากการวิจัยไปใช้สามารถปรับปรุงวิธีปฏิบัติงานของโรงแรมขนาดเล็กและขนาดกลางได้ถ้าสามารถประยุกต์ให้เข้ากับสภาพแวดล้อมการปฏิบัติงานของโรงแรมเมื่อผู้บริหารจัดเตรียมวางกลยุทธ์ทางการตลาดและนโยบายขององค์กร

คำสำคัญ: สมรรถนะทางธุรกิจ โรงแรม นวัตกรรม วิสาหกิจขนาดกลางและขนาดย่อม

Abstract

The purpose of this study was to investigate a mediating role of innovation on market orientation and business performance for small and medium enterprises in the hotel industry. The market orientation under a behavioral context composed of: market intelligence generation, the dissemination of this intelligence in the organization and responsiveness to intelligence, was used in this research. Small and medium hotels were the unit of analysis and questionnaires were distributed to owners or managers in charge of marketing functions. Structural Equation Modeling was employed for data analysis. The results conclude that market intelligence generation, dissemination and responsiveness have a significant indirect effect on business performance via innovation. The implementation of results can improve the practices of small and medium sized hotels as they apply to their operational environment of hotels when executives are preparing their marketing strategies and organizational policies.

Keywords: Business Performance, Hotel, Innovation, SMEs

Introduction

Market orientation has recently become a popular topic of research (Boso & Cadogan, 2013; Campo, Díaz, & Yagié, 2014; Tsiotsou, 2010), especially for small and medium-sized businesses (Pérez-Luño & Saporito, 2014). Effective market orientation helps firms create superior value for buyers, leading to superior business performance. This study attempts to explicate the effect of market orientation on the performance outcomes of small and medium enterprise (SME) hotels in Thailand. The research was guided by two objectives: (1) to understand the necessity of innovation in SMEs in the hotel industry and (2) to examine the direct and indirect effects of market orientation and innovation on business performance.

Generally speaking, market orientation is about understanding customers' demands through introducing competitive products and services, developing real capability, focusing on lowering costs, and combining inter-departmental efforts to reach the goals of firms (Ames & Hlavacek, 1989). While the marketing department usually manages efforts to achieve market orientation, other departments within the organization are also required to be involved (Kohli & Jaworski, 1990).

There are two widely accepted perspectives of market orientation: market orientation under a behavioral context (Kohli & Jaworski, 1990) and market orientation under a cultural context (Narver & Slater, 1990). This study examines market orientation under a behavioral context as measured from the perspective of the organization itself. Kohli and Jaworski (1990) defined market orientation as consisting of three behavioral activities: market intelligence generation, the dissemination of this intelligence across departments in the organization and responsiveness to intelligence. This conception of behavioural market orientation has been used in previous SME studies (e.g. Kara, Spillan, & DeShields, 2005; Verhees & Meulenbergh, 2004) and the questionnaire used in this study was designed to be completed by managers found in small to medium businesses.

Small and medium businesses in the hotel industry were selected as the unit of analysis in this study owing to following reasons: First, the Thai government has developed a strategic policy for SMEs entering the ASEAN Economic Community (AEC) in 2015. Second, according to the Office of Small and Medium Enterprise Promotion, in 2013 more than 80 percent of the hotels and resorts in Thailand were SMEs. It is important to note that hotel industry is a major player in Thai tourism, which generates a good portion of the income for the overall economy of Thailand that is approximately 10-17 percent (TAT Intelligence Center, 2015). As reported by the Kasikorn Research Center (2013), Thailand's tourism industry generated an income valued at 35.6 billion US dollars in 2013. This number is actually higher than the goal of 33.1 billion US dollars as set by the Ministry of Tourism and Sports.

SMEs in Thailand's hotel industry must continually improve business performance in order to compete not only with the larger companies from their home municipality but also with those in foreign markets.

Literature Review

It has been posited that an effective understanding of market orientation improves firm performance; this assertion has since been well supported by many researchers (Kumar, Subramanian, & Yauger, 2011; Lee et al., 2015; Narver & Slater, 1990; Tsiotsou, 2010); however, some studies have reported inconsistent findings regarding the relationship between market orientation

and organizational performance. Langerak, Hultink, and Robben (2007) states that several studies reported a direct positive effect whereas there have also been research results indicating that market orientation does not exert a significant effect on business performance. Baker and Sinkula (1999) discuss a possible mediated relationship between market orientation and organizational performance. An extensive review of related literature reveals that the majority of studies (68%) report a direct, positive relationship between these two construct whereas 30% found no effects and a small number 2% indicated negative effects (Langerak, Hultinuk, & Robben, 2007).

Business performance is a multidimensional construct, comprising two broad measures: judgmental performance (e.g. customer service loyalty) and objective performance (e.g. profit, return on assets: ROA) (Agarwal, Erramilli, & Chekitan, 2003). A substantial volume of the literature reveals that market orientation is associated with objective measures of performance such as gross operating profit, market share, and capacity utilization (Narver & Slater, 1990). Effective market orientation can help a firm keep existing customers satisfied and loyal, attract new customers, accomplish the desired level of growth and market share and, consequently, achieve desirable levels of business performance (Homburg & Pflesser, 2000). Scholars have noted that both measures provide the link to profitability in service organizations (Javalgi et al., 2005).

Innovation also plays a vital role in a company's success. Deshpandé (1993) suggests that innovation is related to better objective performance in market-oriented firms while later research (Deshpandé, 1999) notes that market orientation creates a solid foundation for innovation in a company. Considerable research supports the notion that innovation leads to superior organizational performance (Damanpour, Szabat, & Evan, 1989), especially when considering the mediating role of innovation (Langerak, Hultinuk, & Robben, 2007). Innovation refers to the process of generating, developing, and adopting a new item, idea, or behavior (Zaltman, Duncan, & Holbeck, 1973). At the organizational level, research has focused on differences in organizational structure, culture, and management to explain differences in innovative success (Zaltman, Duncan, & Holbeck, 1973). Innovation in service firms has received widespread attention in the literature (Sanchez-Hernandez & Miranda, 2011) because service firms are likely to encounter difficulties in protecting their products and services through patents and copyrights. Therefore, service firms need to continually innovate in order to enjoy a solid competitive advantage.

Prior studies have offered empirical examination of the associations among market orientation, innovation and performance. A study by Lado and Maydeu-Olivares (2001) assessed the European and US insurance markets and found that the effectiveness of innovation can be enhanced through following market orientation principles within the organizations. Companies that are less market-oriented are less likely to consider innovation (Agarwal, Erramilli, & Chekitan, 2003). Agarwal, Erramilli, and Chekitan (2003) investigated the role of innovation and its associations with market orientation and performance with data from 201 international hotels, with results suggesting that innovation has a significant, positive relationship with objective performance. Results also indicated that innovation mediates the relationship between market orientation and objective performance. Pelham and Wilson (1995) proposed that employees who exhibit market-oriented behaviors achieve greater innovation thereby delivering greater value to the firm's customers. This appears to be particularly true for the employees of small-sized firms. Horng and Chen (1998) found that marketing training programs are effective at improving a manager's level of market

orientation, which in turn contributes to better business performance as evaluated by the most frequent measures of performances: profit, sales, market share, and cash flow.

This study hypothesizes that a high level of market orientation in, SME hotels, when accompanied by the high market orientation behaviors of intelligence generation, intelligence dissemination, and responsiveness (as defined by Kohli and Jaworski in 1990), will exert a positive impact on business performance (i.e., costs, revenue, and profit), and that this relationship is mediated by innovation. Our hypothesis can be stated as follows:

Innovation mediates the relationship between market orientation and business performance.

Methodology

Sample and data collection

In aspect of sampling method, stratified random sampling was used in this study. Stratified sampling is a probability sampling technique wherein the researcher divides the entire population into different subgroups, then randomly selects the final subjects proportionally from the different strata (Groebner et al., 2005). SME hotels are classified into two groups according to the number of rooms which can represent the size of the hotel. Small-sized hotels have fewer than 80 rooms whereas medium-sized hotels have 80-200 rooms as reported by the Office of Small and Medium Enterprise Promotion (TAT Intelligence Center, 2015)

Data were gathered from SME hotels located in the Bangkok metropolitan region and provinces in the east of Thailand. We chose these areas owing to their potential growth in revenue structure and quantity. Thailand's office of Small and Medium Enterprise Promotion provided a database containing a list of emails, websites, and contact persons. The target respondents were owners or managers in charge of marketing functions as these individuals make decisions based on their perceptions of market conditions.

A total of 400 self-administered questionnaires were mailed to either the owners or managers of hotels. A postage-paid return envelope was enclosed in order to improve the response rate. Of the 400 questionnaires, 372 completed questionnaires were returned. Eighteen of the 372 were excluded owing to incomplete data, leaving 354 eligible for data analysis. This represents a response rate of 88.5%.

The sample size has to be large enough to provide statistical testing on the theoretical model. Sample size, as in any other statistical method, provides a basis for estimation of sampling error. The statistical method employed in this research was maximum likelihood (ML) estimation as contained in the AMOS computer software. Review of the literature indicated that there are no generally accepted criteria for determining a specific sample size using maximum likelihood estimation or similar structural modelling techniques. It is generally regarded, however, that 100 is the practical minimum for ensuring the appropriateness of maximum likelihood estimation. Moreover, a rule of thumb is that the ratio of sample size to the number of model parameters should be at least 5:1 (Hair et al., 2010). Sample sizes for SEM should exceed 100 to 150 to ensure accurate parameter estimates (Lei & Lomax, 2005). The achieved sample sizes of 354 were thus considered sufficient for the analysis of the proposed model in this study.

Among the SMEs sampled, nearly 60% were small-sized hotels. A hotel is considered small-sized when it has fewer than 80 rooms. The majority of hotels in the sample had been in operation for approximately 10 years.

Measurements

The survey was made up of multi-item measurements that were developed from the extant literature and informal discussion with practitioners in the hotel industry. This study adopted the scale used by Kara, Spillan, and DeShields (2005) and Kohli and Jaworski (1990) for the measure of market orientation. Market orientation was measured using a second-order scale including intelligence generation (five items), intelligence dissemination (five items), and responsiveness (five items).

Intelligence generation (MG). Respondents were asked to rate five items on a five-point Likert scale ("1 = strongly disagree to 5 = strongly agree"). A sample statement used for the measure was "In this hotel, individuals from our service department interact directly with customers to learn how to better serve their needs." The next sample was "In our hotel, we do in-house market research." Another sample was "We are slow to detect changes in our customers' product/service performance."

Intelligence dissemination (MD). Respondents were asked to rate five items on a five-point Likert scale ("1 = strongly disagree to 5 = strongly agree"). A sample statement used for this measure was "Marketing personnel in our business unit spend time discussing customers' future needs with other functional departments." The next sample was "Our business unit periodically circulates documents that provide information on our customers." Another sample measure was "When something important happens to our major customer market, the whole business unit knows about it within a short period."

Responsiveness (MR). Respondents were asked to rate five items on a five-point Likert scale ("1 = strongly disagree to 5 = strongly agree"). The first sample statement was "We are quick to respond to significant changes in our competitors' pricing structures." The next measure was "When we find out that customers are unhappy with quality of our service, we take corrective action immediately." Another sample statement was "Data on customer satisfaction are disseminated at all levels in this business unit on a regular basis."

The Cronbach's alpha ratings for the scale reliability of each construct were 0.905, 0.905, 0.896, 0.932 respectively (Table 1), indicating that the internal consistency among each the constructs was acceptable and above the lower limit of 0.7 recommended by Hair et al. (2010) and Nunnally (1978). The third item (MG3) regarding intelligence generation was reverse coded in order to minimize the response set bias.

Table 1 Construct Reliability and Average Variance Extracted (AVE)

Measure	Item	Standardized loading	Construct Reliability	AVE
Intelligence Generation (MG)	MG1	0.82	0.905	0.655
	MG2	0.81		
	MG3	0.79		
	MG4	0.79		
	MG5	0.84		
Intelligence Dissemination (MD)	MD1	0.77	0.905	0.654
	MD2	0.81		
	MD3	0.80		
	MD4	0.82		
	MD5	0.84		
Responsiveness (MR)	MR1	0.80	0.896	0.632
	MR2	0.80		
	MR3	0.77		
	MR4	0.82		
	MR5	0.78		
Innovation (IV)	IV1	0.84	0.932	0.696
	IV2	0.85		
	IV3	0.87		
	IV4	0.82		
	IV5	0.80		
Business Performance (BP)	BP1	0.77	0.886	0.728
	BP2	0.89		
	BP3	0.89		

The scale measuring innovation (five items) was derived from Appiah-Adu and Singh (1998) and Verhees and Meulenberg (2004). This measurement scale considered the perceptions of managerial practitioners in the SME hotel industry rather than those of their customers. Respondents were asked to rate all question items dealing with market orientation and innovation on a five-point Likert scale (1 = "strongly disagree" to 5 = "strongly agree"). A sample statement used for this measure was "We place emphasis on new business development." The next sample measure was "We are innovative in our service process." Another sample statement was "We accept a challenge more often than other hotels and accommodation." The Cronbach's alpha is 0.932 (Table 1), suggesting that the internal consistency among the construct is higher than the recommended value.

A three-item scale of business performance, in which respondents were asked to rate three items on a five-point Likert scale (1= "decreased more than 10%" to 5 = "increased more than 10%"), was adapted from the research of Kumar, Subramanian, and Yauger (1998) and Moorman and Rust (1999). The statement used for the first measure was "Business costs

over the last year.” The second statement was “Business revenue over the last year.” The last statement was “Business profit over the last year.” The Cronbach’s alpha was 0.886 (Table 1). In addition, before estimating a reliability test with the Cronbach’s alpha, the first item was reverse coded in order to minimize response set bias.

To confirm content validity the questionnaire items were reviewed by five academics who are knowledgeable in the marketing field and service industry. A pilot study was then conducted with 30 owners/managers of SME hotels. An English version was translated into Thai and then translated back to ensure semantic conformity. The managers were asked to read and answer each question, then offer comments as to whether the questions could be improved. Adjustments were then made based on their recommendations.

Analysis and results

Measurement model

Structural equation modeling (SEM) was employed to analyze results. SME provides a comprehensive statistical approach to test hypotheses and determine which relationships exist among observed and latent variables. Confirmatory factor analysis (CFA) was used to assess the fit of the single-factor congeneric models to the observed data. Byrne (2010) suggested that CFA is most appropriately applied to measures that have been fully developed and their factor structures validated. The measurement model in this study used AMOS 17.0 with the Maximum Likelihood (ML) estimation. In addition, squared multiple correlation (R^2) was used to evaluate the model and the suggested value exceeded 0.5 which means the observed variable was reliable (Byrne, 2010). Construct reliability was estimated by calculating internal consistency among individual items of the measurement scales for the same construct. The reliability of the tested constructs ranged from 0.886 to 0.905 (Table 1), exceeding 0.7 which is the lower limit generally agreed upon for construct reliability (Hair et al., 2010; Nunnally, 1978).

The following approaches were employed to test content and convergent validity. To achieve content validity, we chose established measurement scales that have been used in previous literature, then consulted with experts in the marketing field by administering a pre-test of the questionnaire. Convergent validity was assessed through factor loading estimations and the means of the average variance extracted (AVE). Bagozzi and Yi (1988) recommended that all measured factor loadings must exceed 0.7 to ensure convergent validity. The factor loadings varied from 0.76 to 0.90 (see Table 1), all of them exceeding the suggested value of 0.7. An AVE estimate of 0.5 or higher indicates acceptable validity for a construct’s measure (Fornell & Larcker, 1981). As illustrated in Table 1, all AVE values were higher than the necessary threshold; hence, convergent validity of all constructs was achieved.

Structural model and hypotheses testing

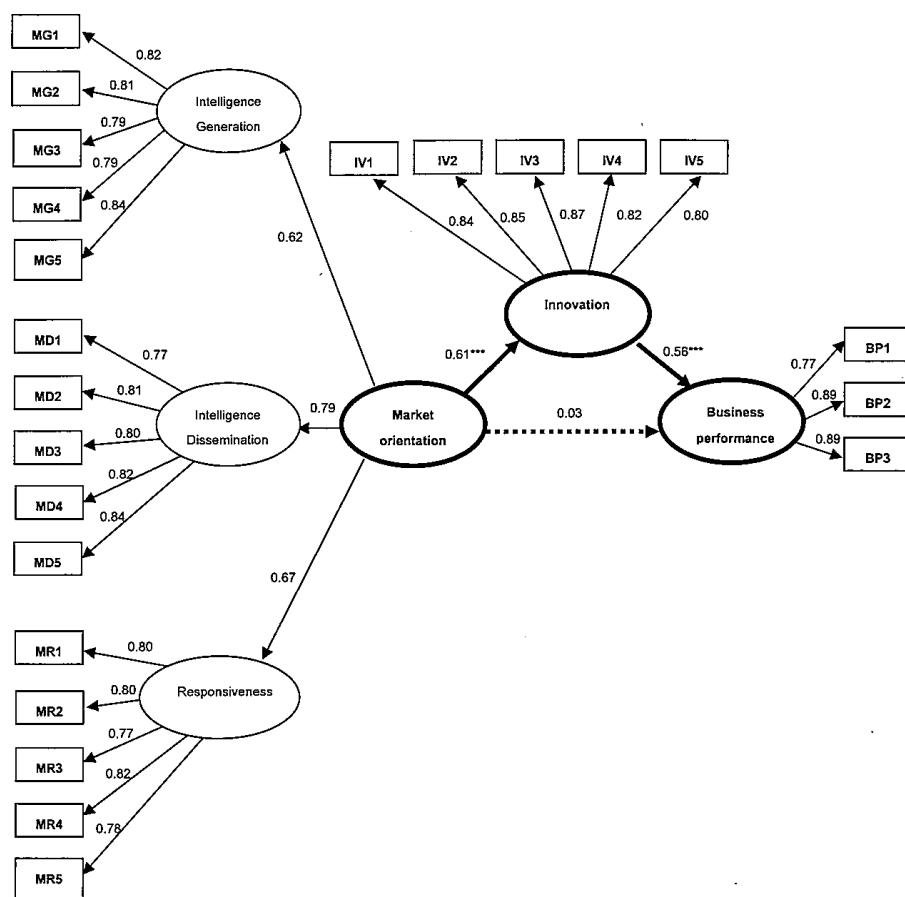
A structural model defines relationships among the unobserved constructs. It specifies which latent constructs directly or indirectly influence changes in the values of other latent constructs in the model. The model provided a satisfactory fit to the data ($CMIN/df = 2.483$, $GFI = 0.865$, $AGFI = 0.836$, $NFI = 0.903$, $TLI = 0.932$, $CFI = 0.939$, $RMSEA = 0.065$). The SEM analysis results of the hypothesized model presented in Figure 1 and Table 2 show that although market

orientation does not have a direct effect on business performance, it does have an indirect effect on business performance via innovation. Hence, the hypothesis is supported.

Table 2 Results of structural equations analysis

Path	Mediation model	
	Standardized regression weights	t-value
Market orientation → Innovation	0.609	7.450***
Innovation → Business performance	0.564	7.440***
Market orientation → Business performance	0.027	0.355

Note: ***p<0.001



Notes: CMIN=610.852, DF=246, CMIN/DF=2.483, GFI=0.865, AGFI=0.836, NFI=0.903, TLI=0.932, CFI=0.939, RMSEA=0.065. ** Significant at P<0.01, *** Significant at P<0.001

Figure 1 SEM analysis result

Discussion

Academics have investigated the relationship between market orientation and various measures of performance across industries and have found that implementing market orientation can be a source of competitive advantage for companies and organizations (Kumar, Subramanian, & Yauger, 2011). The results of such research are often surprising. Relationships between market orientation and performance may originally appear not to be significant; however, the inclusion of additional mediating variables reveals that a significant relationship does in fact exist between the two.

This study hypothesized that innovation might mediate the relationship between market orientation and business performance. The findings show that innovation, as the mediator for the relationship, has a positive influence. This is consistent with the results of Han, Kim, and Srivastava (1998) who did a survey of 134 banks located in a mid-western state in the USA, and found no direct relationship between market orientation and organizational performance unless the effect of innovation is included. In other words, the indirect effect of market orientation on business performance is only detectable after the innovation of the firm is taken into consideration. The results of this study also show that market orientation of SME hotels does not have a direct significant effect on business performance unless the mediating effect of innovation is examined. Moreover, the high value of β indicates that market orientation strongly and positively determines the extent of innovation. Based on these conclusions, it is recommended that market orientation be adopted as part of a company's culture in order to create innovative value throughout the company.

Superior performance in SME hotels requires an optimal fit between the market orientation deployed and the innovative culture present. Innovation exerts a substantial impact; therefore a better understanding of the organizational forces that shape the direction of innovative culture within SME hotels is needed. An innovation culture refers to the degree to which organizations are prompted to learn continuously and to develop knowledge with the intention to detect and fill gaps between what the market wants and what the firm currently offers (Brettel & Cleven, 2011). Due to higher values of factor loadings compared to other items of innovation, establishing service innovation and developing existing offers should be placed priority to enhance SME hotels' business performance. Further, a high degree of emphasis on market orientation tends to be linked with a higher level of innovation because the strong commitment to market-oriented concept forces a firm to become more innovative.

These results are of significance to SME executives. The unique characteristics of the service industry allows these executives to employ innovation more easily than can be done in other industries, permitting the adoption of an innovative culture as a means to achieving a competitive edge. It is easier for such managers to exploit the benefits of flexibility and simplicity inherent in their industry. Business practitioners and executives of SMEs should combine sound market orientation with an emphasis on innovation because such a combination is likely to result in higher levels of business success.

In the findings, SME hotels are likely to focus on intelligence dissemination for market orientation owing to its highest value of β (0.79). Data on customer satisfaction is very important at this stage and it should be distributed at all levels in a SME hotel's unit on a regular basis. Though, β values of intelligence generation (0.79) and responsiveness (0.79) are lower than

intelligence dissemination, two indispensable components of market orientation still take into account. It is suggested that a SME hotel had better periodically review the likely effect of changes in its business environment such as regulations and technology in order to be alert and timely respond to those changes for serving customers more efficiently. SME hotels should adopt market orientation as a business strategy, even when the economy is flourishing. The more SME hotels emphasize market-oriented offerings, the greater the likelihood that innovation will lead to higher business performance which refers to revenue and profit opposed to low cost as indicated by factor loadings of business performance measurement in this study.

Implementation

Given the importance of SMEs as an emerging industry in Thailand, the findings of this study may be of value to government agencies and managerial practitioners in the industry. An understanding of these results can improve the practices of SMEs, particularly as they apply to the operational environment of hotels when executives are preparing their marketing strategies and organizational policies.

First, top management, executives, and managers must recognize that implementing market orientation requires innovation, as it is the key to enhanced business performance. Innovation contributes to a firm's growth, profitability, and long-term survival, and this construct has been empirically found to have a positive effect on a firm's business performance. In this research, innovation had the highest mean score compared to other constructs. Therefore, it is recommended that SME hotels place emphasis on service innovation and new product development in order to assure that their customers experience novelty in their hotel service.

Second, with the introduction of new services or the improvement of existing services, SME hotels should first consider the value that target customers will receive when paying for services. This analysis should take place before the services are created and might best be achieved by conducting focus groups of existing and potential guests. After the new service is launched, relevant management teams must continue to pay special attention to and get involved with the service delivery process. Given the fact that Thai people are highly relationship-oriented, SME hotels should attempt to implement relationship marketing programs that enhance market orientation, which in turn can lead to growth and profitability on a long-term basis. Internal marketing is also required within organizations to encourage all of the departments in the organization to function effectively, which in turn supports market orientation concepts. It is vital for all employees to be aware that the purpose of any business is to create satisfied customers.

Third, managers have a pivotal role in implementing market orientation; therefore, they need to have a comprehensive understanding of market orientation in order to communicate this knowledge to all staff using appropriate methods such as newsletters and workshops. More importantly, managers can use the measurement instruments in this study to evaluate their level of market orientation. The results of these measurements can give firms the insights that are needed to reallocate internal resources, thereby achieving higher business performance. It would be valuable for executives to regularly monitor the extent to which the outcome is being achieved. Moreover, it is recommended that SME hotels regularly survey their guests. Customer preferences can change rapidly and markedly as their expectations shift over time. Hence, it is recommended that SME hotels conduct regular monthly and quarterly guest surveys.

Finally, it is imperative that the government in Thailand play an active role in encouraging the further development of the SME hotels in order to maintain its reputation as an established tourist hub in Asia. This also requires that existing infrastructure be continually upgraded. These tasks are the responsibility of governmental agencies, such as the Ministry of Transport, and the Ministry of Tourism and Sports.

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