The Moderating Effect of Organizational Culture between Proactive Market Orientation and Hotel Business Performance in Thailand

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Abstract: The purpose of this study is to examine the relationship between Proactive Market Orientation and Business Performance of large size hotels in Thailand. With some impact caused as a moderating effect by Organizational Culture. Hypothesis respecting the relationship between Proactive Market Orientation and Business Performance with impact by Organizational Culture will set and test. Data collection uses a mail questionnaire survey approach. This study employ a simple random sampling procedure in selection the large size hotels for inclusion in the sample. A total of 310 director of marketing in large size hotels in Thailand will be participates in this study. Factor Analysis, Correlation analysis, Linear and Hierarchical Regression methods of data analysis will use for hypotheses testing. The research result will provide the in depth knowledge on the nature of proactive market orientation practices in large size hotels in Thailand as well as the moderating effect of the organizational culture towards business performance. This study, hence, will be widely beneficial for hotel executives, business operators, the Thai government, and the academic.

Key words: proactive market orientation; business performance; large size hotels; Thailand

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1. Introduction

In Thailand tourism is considered an important service sector for the country’s economic system; hotel and lodging businesses are directly related to the system. This is aside from their being the chief sources of employment and incomes of the country (Ministry of Tourism and Sports of Thailand, 2011). The Thai government placed importance on these sectors by allocating budget to establish good images of the tourism in order that Thailand would continue to be a tourist destination, especially for foreigners (The Thailand Board of Investment, 2009) However, the competition tendency in the tourism and hotel industry have become more aggressively during these years. What’s more, the change has been made very quickly and effectively, resulting from the unavoidable, negative factors, either internal or external ones (the Eleventh National Economic and Social Development Plan of 2012-2016).

The internal factors are labors (the Office of Small and Medium Enterprises Promotion, 2010). But the
problems caused by the external factors are many; they are, for example, the political restlessness, economy, natural disasters, social and crime problems (the Eleventh National Economic and Social Development Plan of 2012-2016). In particular, political and natural disasters in the previous years had caused a reduction in the numbers of tourists from East Asia, Europe, South Asia, Middle East, the Americas, Oceania and Africa (Office of Tourism Development, 2009).

From the aforementioned circumstances in which the factors, both internal and external ones, had effects upon the organizations, it is needed that, to survive, both the hotels and residences in Thailand had to do some adjustments in their businesses. Each organization must apprehend the importance of its internal resources; initiate its own corporate identity, the type which no other organizations can ever imitate—being inimitable, valuable, and exceptional. The organization then can be comfortably survived because of the sustainable advantages it has in any completion to occur in marketplaces (Barney, 1991).

1.1 Problem Statement

Tourism as the service industry has had an important role in Thailand’s economic system. This is because, apart from its being able to create the country’s highest incomes among all service merchandise, it also generates many other continuity businesses. Among them are restaurants, souvenir shops, transportations, and, especially, hotels and lodging businesses—the direct continual industry (Thammasat University, 2009). However, in the past 7 years, Thailand experienced many a crisis, which became its limitation to maintain the current markets and expand their market opportunities into new territories. In each crisis, particularly the political and natural problems, there had been clear effect to the change of the numbers of the tourists and the hotel guests (National Tourism Development Plan of 2012-2016, 2011)

Moreover, the economic problem, as additional outside impact, had an effect upon Thailand’s hotel businesses and its tourism. The instability of currency values as occurred in many important countries in Europe, United States of America, and Australia, caused direct impact on Thailand’s tourism and hotel businesses in the past 1-2 years. The softness of these monetary classes: 15-25% Euro, 10-15% US dollar, and 10-15% pound sterling, all cast effect upon Thailand’s hotel and tourism businesses, causing the decrease to its performance returns, especially in 2009-2010. Averagely, all hotel performance returns throughout the year were decreased by 15–20% and the occupancy rate was reduced by 15%. During the 2010 second quarter, Thailand’s cross domestic product for hotel and restaurant businesses was 38,099 million Baht, 15.4% decreased from the first quarter, which was 45,052 million Baht (Office of the National Economic and Social Development Board, Office of the Prime Minister).

The key factor was the strong Baht currency which made pound and Euro currencies higher in value following the exchange rate (Thai Ministry of Finance, 2011). The effect was especially felt in the Thai 5-star hotels, resulting from the reduced numbers of the tourists (Prachachart Turakij Newspaper, 2011) and a reduced number of hotel occupancy rates of the European tourists (Office of Tourism Development, 2011).

As regards the internal factors having effects on Thailand’s hotels and accommodations businesses, it was found that, according to the 2009 study conducted by the Office of Small and Medium Enterprises Promotion, the problems occurred as a result of the internal factors were labor; this is as encountered by the hotels and lodging organizations in many years past. The personnel in the organizations lacked language skills and had no workplace loyalty. They cared much only of their own benefits. These factors have effect upon the high turnover rate (Office of Small and Medium Enterprises Promotion, 2010). In the meanwhile, the personnel who possess high
knowledge and skills tended to be attracted by the hotel competitors, where higher salary/benefits were offered. Of course, this stemmed another problem—time and money to spend on looking for and training the new employees to replace the older ones (Managers Magazine, 2011). Under such situations in which hotels and residences in Thailand had to face both the internal and external problems, as mentioned earlier, the organizations need to get adapted to be survived as well as to get advantageous over the business competitors. However, one more resource. This is Market Orientation, as Appiha-Adu and Ranchhod (1998) state in Marketing Science that market orientation is something like “the heart of the theory and practice of marketing management and is believed to be the foundation for a firm’s competitive strategy.”

According to marketing academicians and executives, Kotler (1977), Levitt (1960) and Webster (1988), organizations can potentially upgrade their performance by utilizing the market orientation concept to identify the needs and wants of customers. As a result, those market oriented organizations are more likely to operate their businesses more productively. This is because the organizations have clearer ideas and better guidance to identify and fulfill the customer needs (Jaworski & Kohli, 1993). Moreover, the external and internal elements as well as any involved activities can be more effectively monitored or concentrated when managers make use of the market orientation concept (Tomášková, 2005).

Furthermore, the philosophy of the marketing concept attributes successful business objectives to several ingredients including the integration of market activities and effective ways to identify and satisfy the needs and wants of target markets over their competitors (Kotler, 1997). In order to accomplish their ultimate objectives, organizations are therefore supposed to maintain their competitive advantage by offering special values to customers (Porter, 1985). Recently, competition situation in Thailand hotel business being one of seriously problem (Bank of Thailand, 2012) that facing in this sector, there are many strategies using for competitive advantage. So, paying more intention to the integration of market activities in the effective ways would be positive effect to the successful of Thailand hotel business performance as well.

However, the organizational culture is one group of internal barriers of market orientation since, organizational culture influences system, structure, procedure and communication in a firm so, organizational culture has a great influence on other internal element and direct fall in to the group of important elements connected with internal barriers of developing market orientation in the firms.

In order to attain this objective, therefore, more advance examination in market orientation is to be carried out. In this study, in particular, the proactive market orientation are to serve as independent variables for testing the framework of the study in addition to examining the moderating effect created by organizational culture.

1.2 Research Questions

(1) How does proactive market orientation (The firm’s strategic emphasis, Entrepreneurial culture, Organizational slack, the firm’s strategic Flexibility and Latent Needs Fulfillment) affect organizational performance in a Thai hotel performance context?

(2) How does organizational culture moderate effect between proactive market orientation and organizational performance?

1.3 Research Objectives

The objectives of this research are to investigate the relationships or the influence of two main variables that is, proactive market orientation, organizational culture, and business performance in large size hotels in Thailand. For this
reason, the objectives, which result from the research questions above, intend to search for the following answers:

1) To determine the relationship between proactive market orientation and business performance.
2) To investigate the relationship between proactive market orientation and business performance being moderated by organizational culture attributes.

2. Literature Review

2.1 Business Performance
The business performance measures in the previous study can be categorized into two main groups: financial performance and non-financial performance. The financial performance indicators refer to profitability, return on investment, sales growth and return on asset. Non-financial performance indicators include: customer satisfaction, new product success, customer retention, organization commitment, product quality, productivity, employment levels, market share.

However, the highly competitive business environment and the need to link the organization strategy with performance have led many organizations into adopting the multiple dimensions of business performance, including financial and non-financial performance indicators. With multiple dimensions of performance, a more comprehensive operationalization of organization can be offered (Venkatraman & Ramanujam, 1986). Moreover, financial and non-financial performance measures in the literature also can be categorized into two main groups: subjective and objective measures. However, objective data can be difficult to interpret (Cooper, 1979). Assuming respondents’ reports are accurate financial data, the information, nonetheless, may be interpreted in different ways. For example, the report of low profits or even losses in growth-oriented businesses may not necessarily indicate poor performance, as this could be because of significant spending on product and market development (Covin and Slevin, 1989). Objective performance measures, for example, profitability, may not be a true signal of a company’s health (Dawes, 1999). A business unable to collect payment from customers, for example, may suffer from liquidity problems until written off as a bad debt would not reflected in objective profit measures.

Subjective measures are more likely to better deal with this type of occurrence. Subjective performance assessments permit an easier comparability across different industries and situations (Pelham and Wilson, 1996) while objective measures of performance are influenced by industry-specific factors (Miller and Toulouse, 1986). Hence, directly comparing absolute measures for companies in different industries would be inappropriate. Subjective measures have been shown to be positively correlated with objective measures of performance as they are able to represent a reliable alternative (Dess and Robinson 1984; Slater and Narver, 1994). Venkatraman and Ramanajam (1986) state that subjective measures are “reasonable proxies for often unobtainable secondary-source data.” Most studies making investigation on the effect of market orientation on organizational performance cite Dess and Robinson (1984), who considers subjective performance measures to be viable substitutes for objective measures.

Even though, the both of performance; subjective and objective appropriate to use in marketing research in order to measures business performance but, in this study the type of performance measure that use for measuring hotel business performance is subjective measures, there are the managers perceived business performance on the indicators of sale growth, sale volume, market share, occupancy rate, return on investment, profit, service quality, customer satisfaction and turnover rate by using Likert scale questionnaire.
2.2 Organizational Culture and Market Orientation

Organizations culture can be briefly defined as management style and operational practices. It is a system of shared norms and beliefs, both of which are likely to influence management structures of the organization. On the other hand, Gudlaugsson (2009) noted that company culture can create by management and staff as they as a team create organizational beliefs, values and directions all these internal atmosphere within the company is a very important moderator of market orientation. So, cultural differences and opinion forming in each organization might have effect on the link between market orientation and performance measures (Schalk, 2008) because, the developing market orientation in the organization still found one group of internal barriers that is organizational culture (Tomaskova, 2009). And concerning the relationship between market orientation and organizational culture have not been addressed in marketing literature yet (O’Cass and Viet Ngo, 2005).

Organizational culture, as mentioned in this study, will be measured with four items of the dimension model (2001) namely: involvement, consistency, adaptability, and mission. Organizational culture has become a significant key to the improvement of business performance by acquiring considerable royalty and adjustability from employees (Willmott, 1993).

Involvement as the act of part taking in organizations’ activities and events is an effective strategy created in an organization to proffer authority to its executive staff to stimulate and to drive its employees to progress towards its desired goal (Lawer, 1996; Likert, 1961). Organizations’ personnel at all levels, whichever positions they hold, chief executives, department managers, or ordinary personnel, all are engrossed in the success and all posses the sense of ownership. Of course, this perception will affect the job under their responsibility as well as the organization’s ambition (Katzenbach, 1993; Spreitzer, 1995).

Consistency is one of effective qualities to make a solidified organization culture; gradually, stability, cooperation, and integration all will be established within the organization (Davenport, 1993; Saffold, 1988). As stated by Block (1991), behavioral norms, if firmly embedded, as the key values in both the leaders and followers, any goals desired to reach by an organization can easily be achieved, even if different viewpoints of the staff subsist in some degree in the organization. Consistency is what based on the stability and internal integration deriving from the general attitude (Senge, 1990).

Adaptability is, as mentioned by Kanter (1986), quite paradoxical in that the least responsive organization tends to be a well-integrated one. It is quite evidenced that internal integration and external adaptation do not go together. However, an organization can make appropriate adaptations through its experience with the customers, the mistakes, and its abilities to perceive what should be changed for a better (Nadler, 1998; Senge, 1990; Stalk, 1988).

Mission can assist an organization to instigate effective missions, including the purpose and direction if the mission has already been created in the organization. In addition, if established, mission can help the organization clearly identify its goals and objectives to project into the future (Mintzberg, 1987, 1994; Ohmae, 1982; Hamel & Prahalad, 1994). If an organization’s basic mission changes, other changes in the organization culture take place.

2.3 Organizational Culture and Business Performance

It is known that organizational culture has become a significant key to the improvement of business performance by acquiring considerable royalty and adjustability from employees (Willmott, 1993). In 1990, the connections between organization culture and performance effectiveness was validated by many researchers. Such studies as made by Gordon and Diomaso (1992) and Dension (1990) pointed toward the positive linkage of these
two elements—the connection in which each has its own condition. In particular, as mentioned by these researchers, the culture would actually link to superior performance efficiency only when the culture was able to acclimatize to any changes made as a result of environment changes. What is more; the culture must not just be normally good and be widely made use of, it must have unique qualities. Also, it must be so exceptional good that no other organizations are able to replicate the one being employed by an organization. Recently, however, Hopft et al. (1992), Lewis (1994), Lim, (1995), Ray (1986), Willmot (1993) specified that the relationship between the organization culture and the performance efficiency were quite insignificant. In reality, the deduction about resource-based view of competitive advantage pointed out that the kind of culture being able to form a theory and generate any advantages depends on value, rarity, limitability, and sustainability inhered in the culture (Barney, 1986)

One of the latest quantitative researcher papers on the linkage between organization culture and performance efficiency was conducted by Denison (1984) for 34 American companies. Throughout the successive 5 years, the form of organization culture employed by these businesses as well as their efficiency strategy was followed up and brought into judgment. The researcher collected information about their return on investment and sales volume to assess their overall operation. Also gathering was information on perceptions of work organization and participation in decision making. Even though there existed connection between effectiveness in financial performance and organization culture, some of his effectiveness indicators revealed different strength of the relationship having between the relationship of the culture and performance efficiency while supervisory leadership was linked to the short-term financial performance, decision making; and work design had linkage to long term financial performance.

2.4 Proactive Market Orientation

According to Naver, Slater, and Maclachlan (2000, 2004), the market orientation consists of two viewpoints. They are reactive or responsive orientation emphasizing on expressed needs of customers and proactive orientation emphasizing on latent needs of customers.

In spite of the fact that Naver, Slater, and MacLachlan (2004) are still studying the traditional responsive or reactive market orientation, they all have accepted that proactive market orientation enables organizations to realize the latent needs of customers better (Hurley and Hult, 1998; Patel and Patel and Pavitt, 1995; Griliches 1987; Freeman and Soete, 1997; Cantwell and Hodson, 1991)

Proactive marketing might be understood as the driving capability of businesses (Teece, Pisano and Shuen, 1997). This is done by organizing, managing and planning the use of organizational resources such as marketing plan and investments. This is also involved the adaptation to be relevant with the external changes of organizations such a recessions. Srinvansan, Lilien and Rangaswamy (2002) have categorized proactive market orientation into four key aspects. This includes the marketing strategic emphasis of organizations, its entrepreneurial culture, organizational slack, and the strategic flexibility of organizations. Besides, all related literature of Narver and Slater(1990) is taken into account. It explains about the dimensions of proactive market orientation like that mentioned in Narver et al. (2004) explaining proactive market orientation as the challenges of organizations to discover and satisfy the latent needs of customers. This has become another important variable (Narver et al., 2004)

Latent needs are interpreted as the needs of customers especially when they are unconscious of them (Naver et al., 2004). This kind of need is the key to the fulfillment of customers. According to Oliver (1997), the three
conceptual interpretations for the role of satisfaction and motivation have been suggested. These three include classic need satisfaction model, classic motivation model, and hierarchical motivation model (1997).

When people do not have basic things that they need or want, the needs will become dominant and powerful. This illustrates the classic need satisfaction model. This kind of needs is fundamental and is used a motivation for ordinary individual to fulfill their needs. As for the product or service satisfaction, in general, customers tend to have higher expectation towards the products or services provided by the organizations. They expect to use best products or services, but, in reality, those products or services may not be like what the customers originally expected (Oliver, 1997). Similarly, Slater (2001) pinpoints that organizations are supposed profoundly understand both the expressed and unexpressed needs of customers. Besides, organization must develop market information and evaluation to be relevant to the expectations of customers. In summary, there are five key ingredients of proactive market orientation. They are the firm’s strategic emphasis on marketing, its entrepreneurial culture, organizational slack, the firm’s strategic flexibility and latent needs fulfillment. The measurement of proactive market orientation is resulted by the first empirical test of proactive market orientation (Narver, Slater, and MacLachlan, 2004).

2.5 Conceptual framework

According to the literature review provided, it is cleared that the framework, which is derived from the review on the theories, concepts, and the elements as entailed in the proactive market orientation, organizational culture as well as business performance, has been created to look into proactive market orientation practices of large-sized hotels performance and the moderating effects of organizational culture on business performance. The overall framework shows the relationship between proactive market orientation, organizational culture and business performance. While the independent variable in the framework represents proactive market orientation, the dependent variable is business performance. Organizational culture serves as the moderator variable between proactive market orientation and business performance.

3. Scope of the Study

The study focuses on proactive market orientation, organizational culture and business performance of the large size hotels in Thailand. The main objective requires data collection from questionnaires distribution to the director of sale or managers or senior executive of four stars and five stars hotels in Thailand.

4. Contribution of the Study

This study makes contributions to the field of hospitality. There have been many studies about market orientation, for instance, those that were conducted by Jaworski & Kohli (1993), Narver & Slater (1990), Pelham & Wilson (1996), Srinvasan, Lilien and Rangaswamy (2002), and Narver et al. (2004) it has been proved that there is a close relationship between market orientation and organizational performance. However, the marketing literature has not mentioned the disagreement or controversial thoughts between market orientation and organizational culture yet (O’Cass and Viet Ngo, 2005). And also proactive market orientation that using in this study still be limited empirical testing as noted by Naver, Slater, and MacLachlan (2004), however, noted that proactive market orientation has yet received not enough theoretical attention and extremely limited empirical testing and using proactive market orientation in marketing management can help it better understand the customer.
In addition, organizational culture, particularly a methodical and practical examination to be made in the service sectors is still imperfect (Webster and Sundaram, 2005). Therefore, the second contributions of this study will explain the affect of organizational culture between the relationship of proactive market orientation and business performance in large size hotels in Thailand, as stated by O’Cass and Viet Ngo (2005), the latent tension involving market orientation and organizational culture need to be ravel in the marketing literature. So, the body of knowledge of this study will be explaining the moderating effect of organizational culture on the business performance.

5. Conclusion

The research result will provide the in depth knowledge on the nature of proactive market orientation practices in large size hotels in Thailand as well as the moderating effect of the organizational culture towards business performance. This study, hence, will be widely beneficial for hotel executives, business operators, the Thai government, and the academic. To be more specific, the study will upgrade those people’s knowledge and understanding on planning or market orientation management and the effect of organizational culture towards business performance in hotel businesses in Thailand. What is more, the knowledge gain in this study will help them make better decisions with finer strategies in the business competition for their organization’s survival.

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