The Relationship Between Proactive Market Orientation and Hotel Business Performance in Thailand

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ABSTRACT

The purpose of this study to examine the relationship between proactive market orientation and business performance of large- sized hotels in Thailand. The hypothesis regarding the correlation of customers' need fulfillment, firms' strategies, strategic flexibility and business performance was set and tested. The data collection instrument used in this study was mail questionnaire survey approach. This study employs a simple random sampling procedure in the selection of large- sized hotels. A total of 310 marketing directors of large-sized hotels in Thailand participated in this study. The Linear Regression method of data analysis was used for hypotheses testing. The result of this study provides an in depth knowledge on the nature of proactive market orientation practices in large-sized hotels in Thailand. The results showed positive correlation of hotel customers' need fulfillment, firms' strategies, strategic flexibility and business performance. This findings of this study will be widely beneficial for hotel executives, business operators, the Thai government, and the academe.

Keywords: Proactive Market Orientation, Thailand Tourism, Service Industry, Business Performance, Large- Sized Hotels, Thailand Hotel Business

1. Introduction

Tourism is extremely important to Thailand as it is the most significant part of Thailand's economy. The Thai government places a strong emphasis on tourism and wants Thailand to be an appealing destination for years to come, especially for international clientele or foreigners. As a result, Thailand wants its tourism administration to be unified as to aid the country's economic growth (Office of the Prime Minister, 2011). However, the industry itself is filled with a competitive tendency that causes businesses to be increasingly aggressive towards one another. This results to poorer performance and makes the businesses more vulnerable to internal and external difficulties, which in turn makes the economy more susceptible to crises (Office of the Prime Minister, 2011). This is particularly true in the hotel and lodging sector of the economy hence, the focus of this study.

1.1. Problem Statement

As mentioned in the previous section, tourism is important to Thailand. It creates the highest incomes among service merchandise and also generates continuity of businesses such as souvenir shops, restaurants, and lodgings (Office of Small and Medium Enterprise Promotion, 2012). Foreign tourists are especially important as they bring income to Thailand, allowing foreign currency to be dispersed into Thailand's economy, aiding in its' economic development.

However, the current tourist market is unstable and vulnerable. The last seven years has particularly proven this point as many crises came to Thailand and jeopardized the economy. This case also limited the market's ability to expand and take on newer opportunities. The number of tourists and their

confidence levels have particularly plunged, especially during violent political problems, such as the 2010 military Coup. (Ministry of Tourism and Sports, 2011). The decline in growth rate could be seen through the information bulletin and report provided by the Department of Industrial Promotion (2010). In 2007, the number of foreign tourists was 14,464,228 which was 4.6% up from the prior year. This growth rate slowed in 2008 to a mere 0.8%. The number of tourists fell the following year by 0.3%. In 2010, things looked brighter as the number increased again before plummeting in 2011. Unfortunately, only 9,662,688 tourists came to Thailand in 2011. (Department of Tourism and Sport, 2011). The number of tourists went from more than 14.5 million in 2007 to less than 10 million in 2011, a loss of nearly 5 million customers in Thailand's most important market. External crises are not the only factor causing pain to Thailand's lodging industry though. Labor has been a continual challenge for the hotel administration according to the 2009 study conducted by the Office of Small and Medium Enterprise Promotion. The workforce employed in this sector often lack English and other foreign language skills and workplace loyalty. Without loyalty, workers seek only their own benefit and create a high turnover of staff (Office of Small and Medium Enterprise Promotion, 2010). Hiring and training employees takes time and money (Bersin, 2013) especially when highly skilled employees whom the company has given intensive training are attracted by their   competitors where they can earn higher salaries and more benefits.

With such an unstable workforce and world market, businesses are doing everything they can just to stay alive. In such an environment, what can a business do to gain advantage and increase their performance? They cannot stop political protests, but they can make strategic actions to help them adapt and weather the storms of an unstable world. By fine-tuning their internal environment, they stand a chance at succeeding even during disasters.

2. Literature Review
2.1. Business Performance
Currently, there are two ways to judge the performance of a business, objectively and subjectively. Objective performance is determined by indicators such as finances, capacity utilization, profitability, and market shares. Subjective performance deals with customer and employee based measurements instead. These include service quality, customer satisfaction, and employee satisfaction. However, subjective measurements are becoming increasingly important to businesses. Some scholars state that customers should be satisfied and maintained. (Day and Og Wensley, 1988; Day, 1994; Kotler, 1997). According to Narver and Slater (1990), organizations must form and keep lasting relationships with customers to increase its long term performance.Organizations are required to stay close to customers, give priority to their customers and define the business purpose as the creation and retention of satisfied customers. Consequently, those organizations that lay emphasis on their customers are more inclined to achieve superior long-run competitive advantage and profitability (Day, 1994). Even though, both measurements of performance; subjective and objective are appropriate for use in marketing research in order to measures business performance, but this study will focus primarily on subjective measures.

2.2. Proactive Market Orientation
According to Narver *et al.* (2000;2004), the total 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. The form of responsive market orientation is focus on immediate customer needs and tends to be market driven, on another side the form of proactive market orientation is focus on future market needs and tends to be invention driven (Lamore *et al.*, 2013) organizations that can foresee the needs of their customers can empower themselves in the future. The current development in the market orientation concept requires the profound understanding of being both responsive/reactive and proactive orientations (Atuahene-Gima *et al.*, 2005)

Proactive market orientation might understand as the driving capability of businesses (Teece *et al.*, 1998). This concept is done by organizing, managing and planning the use of organizational resources such as marketing plan and investments. This way is also involved in the adaptation to be relevant with the external changes of organizations such a recessions.Srinivasan *et al.* (2002) have categorized proactive market orientation into four key aspects; includes the marketing strategic emphasis of organizations, its entrepreneurial culture, organizational slack, and the strategic flexibility of organizations. Descriptive statistics such as frequency, percentage, mean, maximum, minimum, variance, and standard deviation were used to analyze data. The exploratory factor analysis used to assess the validity and reliability of measurement scales (Hair *et al.*, 2010). In this study used Pearson correlation

analysis and linear regression to test the relationship between the independent and the dependent variables.

3. Findings
3.1. Reliability
Cronbach's alpha was used to analyse the data in order to test in the reliability of the measurements. The values of Cronbach's alpha for Proactive market orientation is 0.93 including the three dimensions (Customer needs fulfillment, firm's strategies and strategic flexibility) are in the range between 0.86 to 0.93. The Cronbach's alpha for Business performance is 0.94.

3.2. The Result

Table-1. Pearson Correlation Coefficient between Proactive market orientation (Customer needs fulfilment (NCNF), firm's strategies (NFS) and strategic flexibility (NSF)) and business performance (NBP).

	1	2	3	4
NCNF	1			
NFS	.675**	1		
NSF	.500**	.394**	1	
NBP	.571**	.561**	.282**	1

** Correlation of significance at the 0.01 level

From Table 1, it has shown that NCNF is positively related to NBP with a correlation coefficient of 0.571**, NFS is positively related to NBP with a correlation coefficient of 0.561**, and NSF is positively related to NBP with a correlation coefficient of 0.282**.

Table-2. Linear regression analysis between Proactive market orientation (Customer needs fulfilment (NCNF), firm's strategies (NFS) and strategic flexibility (NSF)) and business performance (NBP).

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.619[a]	.383	.376	.63751	.383	54.087	3	261	.000	1.098

a. Predictors: (Constant), NSF, NFS, NCNF

b. Dependent Variable: NBP

Table-3. Linear regression analysis between Proactive market orientation (Customer needs fulfilment (NCNF), Firm's strategies (NFS) and Strategic flexibility (NSF)) and business performance (NBP).

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	65.945	3	21.982	54.087	.000[b]
1	Residual	106.075	261	.406		
	Total	172.020	264			

a. Dependent Variable: NBP
b. Predictors: (Constant), NSF, NFS, NCNF

The results from table 2-3 confirmed that the level of relationship between IV and DV is moderate relationship level (R^2 = 38.3%) and from table 4, the ANOVA table shows significant relationship at p< .001. Moreover, all hypotheses were accepted.

4. Contribution of the Study
This study makes a contribution to the field of hospitality. Many previous studies in term of market orientation conducted by Jaworski and Kohli (1993), Narver and Slater (1990), Pelham and Wilson (1996); (Srinivasan *et al.*, 2002), and Narver *et al.* (2004), proved that there is a close connection between

market orientation and organizational performance. But the proactive market orientation used in this study is still limited to empirical testing. According to (Narver *et al.*, 2004), they noted that proactive market orientation has not yet received enough theoretical attention and has an extremely limited empirical testing. However, using proactive market orientation in marketing management can help businesses to better understand customer.

5. Conclusion

The aim of this study wants to identify the relationship between proactive market orientation and business performance. This study indicated that proactive market orientation affects   business performance of Thai hotels. In this view, all independent variables including customer needs fulfillment, firm's strategies and strategic flexibility, have a positive relationship to business performance.

Based on this study, it is hereby recommended that marketing managers should deeply consider and apply the full use of the independent variables such as customer needs fulfillment and firm's strategies in their hotels to improve business performance.

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