

## **Organizational Innovativeness: The Empirical Study of Hotel Business in Southern Thailand**

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### **Abstract**

*The purpose of the study was to investigate the influence of market orientation, learning orientation, and entrepreneurial orientation on organizational innovativeness in the hotel business in southern Thailand. Practical data were collected from 212 companies by means of a questionnaire. Stratified random sampling was used for the research methods and multiple regression analysis was employed for data analysis. This study identifies three factors that have positive impacts on the innovativeness of hotel businesses in southern Thailand. The result showed that learning orientation contained the most positive influence on organizational innovativeness ( $\beta=.447, p<.001$ ) followed by market orientation ( $\beta=.436, p<.001$ ) and entrepreneurial orientation ( $\beta=.242, p<.001$ ).*

**Keywords:** Organizational Innovativeness, Market Orientation, Learning Orientation, Entrepreneurial Orientation,

### **1. Introduction**

A key component in the success of industrial firms is the extent of their innovativeness (Hult et. al., 2004). Innovativeness relates to the firm's capacity to engage in innovation; that is, the introduction of new processes, products, or ideas in the organization. This capacity to innovate is among the most important factors that impact on business performance (Hurley et al., 1998). It is through innovativeness that industrial managers devise solutions to business problems and challenges, which provide the basis for the survival and success of the firm well into the future. Innovativeness is one of the factors over which the management has considerable control. However, studies on the factors that give rise to innovativeness in the firm have produced mixed results (Henard & Szymanski, 2001). While it is generally agreed that innovation contributes to business performance, relatively little is known about the drivers of innovativeness and how those drivers operate via innovativeness to collectively influence performance. Moreover, little is known about how to drivers of innovativeness operate under varying conditions in the firm's external environment (Hult et. al., 2004).

To address these issues, a sample of hotel business is investigates to determine the effect of three key organizational orientations posited from the literature on innovativeness. Findings can help the management to better understand what types of orientation should be encouraged with a view to increasing the level of innovativeness among hotel business.

### **2. Literature review**

#### **2.1 Innovativeness**

Innovativeness refers to a firm's capacity to engage in innovation: that is, introduction of new processes, products, or ideas in the organization (Hult et al., 2004). In the marketing stream of research, it was referred to as a dynamic capability in initiating and developing new ideas, products, or technologies and the ease with which an organization adopts a new innovation (Becker & Whistler, 1967).

In support of innovativeness as a process, Hovard and Hansen (2004) differentiated innovativeness and innovation. Whereas innovation is typically an outcome-oriented measure, such as “new product success” (Ayers et al., 1997), innovativeness captures the firm-level orientation toward innovation (Hurley & Hult, 1998). In other word, innovativeness measures an organization’s inclination to engage in innovative behavior. Innovativeness has become a pre-requisite for a firm’s competitive advantage and survival. It seems particularly vital to small entrepreneurial firms with limited resources (Van de Vrande et al., 2009).

## **2.2 Market orientation**

Market orientation involves the implementation of the marketing concept. It facilitates a firm’s ability to anticipate, react to, and capitalize on environmental changes, thereby leading to superior outcomes (Shoham et al., 2005). It has been conceptualized from both culture and behavioral perspectives (Homburg & Pflesser, 2000). The vast majority of market orientation studies since 1990 have adopted one of these two market orientation definitions.

One perspective is offered by Narver and Slater (1990) who define market orientation as an organizational culture. This conceptualization and operationalization of market orientation is seen as a composite of an organization’s orientation towards customers, competitors, and the firm. The first component is customer orientation that reflects the necessary activities for acquiring and disseminating information about customers. A competitor orientation implies an effort to gather and disseminate information about competitors of the market orientation firm. In addition, interfunctional coordination involves the business’ coordinated efforts to create superior value for customers on a continual basis. The perspective is provided by Kohli and Jaworski (1990), who consider the stages of generating, disseminating, and responding to market intelligence as the essence of market orientation. Kohli and Jaworski (1990) operationalized market orientation from a behavioral process perspective as an organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of this intelligence across departments, and organization-wide responsiveness to this intelligence. The organization is expected to gather information for the purpose of distributing it across the company for decision-making purpose. The better the match among the three dimensions of market orientation activities, the smaller the waste of resources with different activities performed more efficiently (Sandvik & Sandvik, 2003). From the literature found that, market orientation had a direct positive on organizational innovativeness (Hult et al., 2004; Rhee et al., 2010).

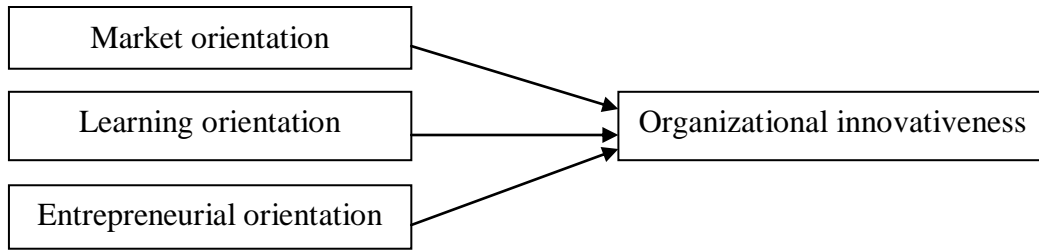
## **2.3 Learning orientation**

Learning orientation has to do with the development of new knowledge in the organization (Crossan et al., 1999). Huber (1991) defines learning orientation broadly as the development of new knowledge or insights that have the potential to influence behavior through its values and beliefs within the culture of the organization. Sinkula (1994) refers to this demonstration or manifestation of learning as augmented knowledge, recognizing that the ability to apply knowledge implies a greater level of learning. Calantone et al. (2002) defines learning orientation as the activities of the organization to adding and using knowledge to enhance competitiveness. From the literature found that learning orientation had a direct positive on organizational innovativeness (Hult et al., 2004; Lee & Tsai, 2005; Rhee et al., 2010).

## **2.4 Entrepreneurial orientation**

Entrepreneurial orientation is regarded as a critical organizational process that contributes to firm survival and performance (Dimitratos & Plakoyiannaki, 2003; Hitt et al., 2001). It also can be seen as involving aspects of new entry, especially how new entry is undertaken (Lumpkin & Dess, 1996), and combining existing resources in new ways to develop and commercialize new products, more into new markets, and/or service new customers (Hitt et al., 2001). The traditional concept of entrepreneurship has been conceived as a one time act that creates a new product or service or even an entirely new business (Bygrave & Hofer, 1991). Today, entrepreneurial orientation is more likely to be viewed as a process, rooted in an organization’s culture, rather than as an event (Hult et al., 2004) to create value by bringing together a unique package of resource to exploit an opportunity (Stevenson et al., 1989). This process itself includes the set of activities necessary to identify an opportunity, define a business concept, assess the needed resources, acquire those resources, and manage and harvest the venture (Morris et al., 2001). From the literature found that, entrepreneurial orientation had a direct positive on organizational innovativeness (Hult et al., 2004; Tajeddini, 2010).

**3. Research Model**



**4. Hypotheses**

- H1 : Market orientation had a direct positive on organizational innovativeness.
- H2 : Learning orientation had a direct positive on organizational innovativeness.
- H3 : Entrepreneurial orientation had a direct positive on organizational innovativeness.

**5. Research Method**

Data for this study were collected from hotel business in southern Thailand. A compound of hotel business in Southern Thailand and a total of 710 businesses. Of approximately 546 questionnaires distributed, 225 were returned, resulting in the response rate of 41.21 %. Of the 225 questionnaires collected, only 212 were used in the final analysis, with those missing significant amounts of data being excluded. All purified measures were five-point Likert scales anchored by “strongly disagree” and “strongly agree.” To measure market orientation, we used the scale adapted from Narver and Slater (1990) that consisted of 11 items and assessed the subfactors of competitor orientation, customer orientation, and interfunctional coordination. Innovativeness was quantified using the 5 items scale from Hurley and his colleagues (1998). The scale for entrepreneurial orientation used 6 items from Hurley and his colleagues (2003) and assessed subfactors of proactiveness and risk-taking. Learning orientation was measured using 11 items from Nasution and his colleagues (2011) and assessed the subfactors of commitment to learning, shared vision and open-mindedness. The scales were refined using the responses to the main survey. Cronbach’s Alpha was used to assess the reliability of each of the measures. The Alpha of all scales exceeded the cut-off 0.60 recommended by Sekaran (2003). Table 1 shows that the Cronbach’s Alpha for the study were between 0.63 and 0.84, which registered acceptable.

**Table 1: Cronbach’s Alpha for research variables**

Variable	Number of items	Alpha
Organizational innovativeness	5	0.63
Market orientation	11	0.84
Learning orientation	11	0.78
Entrepreneurial orientation	6	0.78

The items were then factor analysed to check for their convergent and discriminant validity. All items of a scale should load strongly on a single factor to demonstrate convergent validity and load weakly on other factors to demonstrate discriminant validity. The results of the factor analysis provide evidence of both convergent and discriminant validity.

**6. Research Results**

Results concerning the research samples revealed that 66.0% were hotel businesses with three stars and above, 51.9% were hotel businesses with less than 51 fulltime employees, and 43.9% were hotel businesses with 31-100 rooms. Table 2 contains the means, standard deviations, and correlation coefficient of variables.

**Table 2: Means, Standard Deviations, and Correlation coefficient of variables**

	Mean	Std. Deviation	1	2	3	4
1. Innovativeness	3.60	.656	1.000			
2. Market Orientation	3.97	.508	.650**	1.000		
3. Learning Orientation	3.98	.481	.638**	.641**	1.000	
4. Entrepreneurial orientation	2.96	.766	.515**	.363**	.336**	1.000

\*\*p<.01

According to Table 2, the study found that hotel business sector in Southern Thailand appears to have a high level of innovativeness (Mean=3.60, Std. Deviation=.656), a high level of market orientation (Mean=3.97, Std. Deviation=.508), a high level of learning orientation (Mean=3.98, Std. Deviation=.481) and a medium level of entrepreneurial orientation (Mean=2.96, Std. Deviation=.766). A positive correlation coefficient was found signifying that the relationships were in the same direction. All of the variables related to one another with the statistically significant difference of .01 level and each bivariate correlation coefficient was between .336-.650. Here, it does not cause any problems between bivariates. Based on the Table 2 the bivariates possessing the lowest correlation coefficient were learning orientation and entrepreneurial orientation while the highest correlation coefficient was found in market orientation and innovativeness. With regard to multiple regression analysis on influential factors affecting organizational innovativeness, the results were in Table 3.

**Table 3: Multiple regression analysis results**

	Unstandardized Coefficients	Standard Error
Market orientation	.436***	.078
Learning orientation	.447***	.081
Entrepreneurial orientation	.242***	.042
F-Value=93.154***	R <sup>2</sup> =.573	Adj.R <sup>2</sup> =.567

From Table 3, the multiple coefficient of determination (R<sup>2</sup>) signified that the model could predict the trends of the factor of organizational innovativeness and the prediction's reliability was .573 or 57.3%. As for adjusted R square (Adj. R<sup>2</sup>), it was .567 or 56.7%. In connection with F-statistics, the overall model could account for the factors affecting innovativeness (F-Value= 93.154, p<.001). The study found that learning orientation contained the most positive influence on organizational innovativeness ( $\beta$ =.447, p<.001) leading to the approval of Hypothesis 1, followed by marketing orientation ( $\beta$ =.436, p<.001) causing the approval of Hypothesis 2 and entrepreneurial orientation ( $\beta$ =.242, p<.001) resulting in the approval of Hypothesis 3.

## 7. Conclusions

Our study addresses the impact of marketing orientation, learning orientation and entrepreneurial orientation on innovativeness. We found that learning orientation emerges as the most influential factor, followed by market orientation, and entrepreneurial orientation. We thereby fill a significant gap in understanding innovativeness in service sector, the nature of relationships between innovativeness and key variables that drive it.

## 8. Recommendations

In the light of research results, the following recommendations can be suggested:

1. Empirical findings confirm marketing orientation, learning orientation and entrepreneurial orientation as an important determinant of organizational innovativeness. Accordingly, managers are advised to improve marketing orientation, learning orientation and entrepreneurial orientation of their businesses in their efforts to attain superior organizational innovativeness.
2. Our results indicate that learning orientation contained the most positive influence on organizational innovativeness. Accordingly, firms may leverage the advantage associated with a learning orientation to strengthen their innovative capabilities.
3. Evidence from this study underscores the importance of market orientation on organizational innovativeness. Specifically, market orientation was found to have a significant and positive effect on innovativeness. Given that market orientation helps managers to be more connected to the business environment, such an orientation appears to play a role for allowing the firm to devise innovative solutions to business problems. Having a market orientation may be more important when market composition and preferences are changing rapidly because such conditions may force the firm to modify its products and services.

We suggest that future studies shall examine other variables. Further efforts are calling for to study other regions of this country in order to evaluate the results of this study, as well as to compare both the similarities and differences between regions. In addition, we suggest that future studies shall investigate other business sectors in order to evaluate the results of this study, as well as to compare both the similarities and differences between individual business sectors.

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