

The Qualitative Study of Small-Sized Hotels in Thailand*

การศึกษาเชิงคุณภาพของโรงแรมขนาดเล็กในประเทศไทย

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บทคัดย่อ

การศึกษานี้สำรวจผลกระทบของแนวคิดทางการตลาดและนวัตกรรมในการดำเนินงานของโรงแรมขนาดเล็กในประเทศไทย โดยมีวัตถุประสงค์ (1) เพื่อระบุผลกระทบของแนวคิดทางการตลาดด้านการเก็บรวบรวมข้อมูลข่าวสารทางการตลาด การเผยแพร่ข้อมูลข่าวสารทางการตลาด และการตอบสนองต่อตลาด (2) เพื่อให้เข้าใจว่านวัตกรรมช่วยปรับปรุงผลการดำเนินงานธุรกิจโรงแรมขนาดเล็กอย่างไร การวิจัยเชิงคุณภาพ และการสัมภาษณ์กึ่งโครงสร้างถูกนำมาใช้ โดยการสัมภาษณ์เชิงลึกกับผู้จัดการโรงแรม 22 คน ใช้เทคนิคการสุ่มตัวอย่างแบบลูกโซ่ การวิเคราะห์เนื้อหาถูกใช้ในการวิเคราะห์ข้อมูลจากการสัมภาษณ์ ผลการวิจัยครั้งนี้ระบุว่า โรงแรมขนาดเล็กมีการใช้แนวคิดทางการตลาดและนวัตกรรมเพื่อสร้างความได้เปรียบเชิงการแข่งขัน และรักษาผลการดำเนินงานของธุรกิจ และพบว่าพนักงานเป็นกุญแจสำคัญแห่งความสำเร็จในการนำแนวคิดทางการตลาดไปใช้ในโรงแรมขนาดเล็ก ดังนั้นผู้จัดการโรงแรมขนาดเล็กควรจัดให้พนักงานเข้ารับการฝึกอบรมกระบวนการพัฒนานวัตกรรมและนวัตกรรมทางเทคโนโลยีก็ควรถูกนำมาใช้ด้วยข้อจำกัดของการศึกษา คือ การสรุปอ้างอิงผลการวิจัยต้องกระทำด้วยความระมัดระวังเนื่องจากตัวอย่างที่ศึกษามีจำนวนค่อนข้างน้อย การวิจัยในอนาคตสามารถทำการวิจัยเชิงปริมาณโดยใช้ตัวแปรจากการศึกษาครั้งนี้หรือตัวแปรที่เกี่ยวข้องกับผู้ประกอบการก็จะช่วยเพิ่มข้อมูลเชิงลึกให้แก่ธุรกิจโรงแรมขนาดเล็กได้

คำสำคัญ

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Abstract

This study explored the effect of market orientation and innovation on business performance for small-sized hotels in Thailand. The objectives are (1) to identify the effect of market orientation in terms of intelligence generation, dissemination, and responsiveness on small-sized hotels' business performance; and (2) to understand how innovation improves small-sized hotels' business performance. A qualitative research and a semi-structured interview format were adopted. The in-depth interviews with 22 hotel managers were conducted by using a snowball sampling technique. Content analysis was used in analyzing the interviewed data. Based on these empirical findings, small-sized hotels adopted market orientation and innovation in operating their businesses to achieve competitive advantage and maintain business performance. Staff was found to be a key of success to implement innovation in small-sized hotels. Therefore, it is recommended that small-sized hotel managers should prepare their staff by training about the innovation development process, and technological innovation should be also employed. The limitation of the study is that generalization of the findings should be conducted with caution as the study sample was relatively small. Future research can consider conducting quantitative studies by employing the variables explored in this study or other entrepreneurial variables to provide greater insights into the small-sized hotel business.

Keywords

Market Orientation, Innovation, Business Performance, Hotel, Thailand

Introduction

In the global business, the tourism industry is a fast-growing sector (Mulindi & Katuse, 2014) that generated 10 percent of global GDP and 277 million jobs for the global economy in 2014. International tourist arrivals have also increased, reaching nearly 1.14 billion, and visitors from emerging countries, for example Thailand, now represent a 46 percent share of international arrivals, showing the growth and opportunities in the tourism market (Turner, 2016). In Thailand, the overall tourism sector represented 63.7 billion US dollars or 17.0 percent of GDP in 2015, and it is expected to grow over the next 10 years to generate approximately 120 billion US dollars or 19.6 percent of GDP and create a total of 7.5 million jobs by 2023 (TAT Intelligence Center, 2015) as the economy is progressing towards a more developed economy. This trend is consistent with those of more developed countries. Therefore, the tourism industry is regarded as a key segment of the Thai economy. Furthermore, the Thai government has conducted a strategic policy of preparation for small and medium enterprises (SMEs) in the tourism industry entering the ASEAN Economic Community (AEC) in 2015.



Several differences between small and larger enterprises in terms of characteristics may be noted. For example, small businesses tend to be intrinsically more innovative, especially in the early stages of the industry life cycle (Audretsch, 2002). Smaller firms are also likely to have more customer contact (Coviello, Brodie, & Munro, 2000), a greater propensity for action (Chen & Hambrick, 1995) and more output flexibility than larger firms (Fiegenbaum & Karnani, 1991). Small and larger businesses are also likely to differ with respect to resources (Hult, Ketchen & Slater, 2005) such as assets, capabilities, information and these resources are often the key to sustained competitive advantage and superior performance. It is possible that small enterprises may be quite distinct from larger companies in terms of how they integrate various elements, such as information processing, knowledge, and responsiveness, into a unique strategic resource. While they may not have as many resources as larger firms, this ability to develop unique strategic resources could be a key distinguishing feature of small firms.

In this study, the hotel segment was chosen because it belongs to the tourism industry and is regarded as a significant service sector in the Thai economy. As reported by Kasikorn Research Center (2016), the performance of the hotel industry in Thailand has just rebounded from the decline in tourist arrivals due to anti-government demonstrations occurring the first half of 2014, followed by the declaration of martial law, and civil unrest. Meanwhile, 3-5 star hotels have expanded their businesses in terms of numbers of both operational beds and registered hotel properties. As of September 2014, approximately new 101 hotels, comprising about 18,000 rooms, were introduced into the industry. The new hotels were mainly located in Bangkok and Phuket (Thai Hotels Association, 2015). This situation could lead to intensifying price competition among hotels resulting in the oversupply of hotel rooms. Small-sized hotels tend to suffer more because of limited resources while up-scale hotels are likely to suffer less. Therefore, small-sized hotels in Thailand must continually enhance their business performance in order to survive and achieve sustainability owing to the pressures of a highly competitive environment.

This paper is structured into six sections. This paper presents introduction to the study and follows by a relevant literature review regarding market orientation, innovation and business performance for small hotels. The methodology section explains the qualitative research design that was adopted for data collection and analysis. The results from the in-depth interview with small-sized hotel managers are then discussed, illustrating the information gathering process for implementing market orientation and innovation into their business in order to enhance and sustain their hotel business performance. The discussion of the study is presented together with recommendations for future research.

Objectives

This study extends the body of knowledge in small-sized hotels' business performance. The objectives are twofold: (1) to identify the effect of market orientation in terms of intelligence generation, dissemination and responsiveness on small hotels' business performance; and (2) to understand how innovation improves small-sized hotels' business performance.

Literature Review

1. Market Orientation

Market orientation helps firms adopt the most effective and efficient activities for the creation of superior value for buyers and thus continuous superior performance for the business (Narver & Slater, 1990). The concept of market orientation has been approached from two perspectives: behavioral market orientation (Kohli & Jaworski, 1990) and cultural market orientation (Narver & Slater, 1990). Kohli & 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 study adopts the behavioral concept of market orientation proposed by Kohli & Jaworski (1990) and follows the general trend in the literature from the perspective of the organization itself because this concept has been previously employed in small business studies (Kara, Spillan & Deshields, 2005 ; Verhees & Meulenbergh, 2004). The dimensions of the concept are described as follows.

Intelligence generation refers to the collection and assessment of both customers' current and future needs, together with the impact of government regulation, competitors, technology and other environmental forces.

Intelligence dissemination must be communicated and disseminated throughout an organization in both a formal and an informal way. The firm must have an effective way to disseminate the intelligence generated and thus it is vital that different departments collaborate in such intelligence dissemination efforts.

Responsiveness involves the responsiveness of the firm to the market intelligence generated and disseminated. Responsiveness should involve the selection of target markets, designing and providing products and services to meet customers' current and expected needs, and the distribution and promotion of the products or services.

2. Business Performance

Business Performance is a multidimensional construct, comprising two broad measures: judgmental performance (e.g. customer service loyalty) and objective performance (e.g. ROA) (Sanjeev,



Krishna, & Chekitan, 2003). A substantial volume of literature reveals that market orientation is associated with judgmental performance, and more specifically, with both long-run and short-term profitability, expressed as return on assets (Narver & Slater, 1990), market growth rate and sales growth (Dawes, 2000). However, objective measures of performance such as gross operating profit, market share and capacity utilization have been also found to be related to market orientation. Scholars have noted that while judgmental measures of performance are important to profitability, objective measures of performance provide the link to profitability in service organizations (Javalgi, Whipple, Ghosh, & Young, 2005). By being market oriented, a firm can 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).

Research on the relationship between market orientation and performance outcomes has been largely based on work conducted in the early 1990s. Dawes (2000) noted that a number of studies focused on market orientation and performance relationships, and that for several years, these studies have presumed that market orientation is linked to better firm performance. Wang, Chen & Chen (2012) investigated the relationship between total quality management, market orientation, and business performance by conducting the survey of 588 hotels in Taiwan. From the result of their work, a positive main effect relationship between market orientation and hotels performance was confirmed. Later, Köseoglu, Parnell, & Doyle (2015) examined market orientation, strategy, and revenue growth in with data from 214 Turkish hotels and proposed that hotels were likely to increase their sales (performance outcomes) by engaging market orientation as strategy to build a differentiation position in a hotel industry. Further, Pelham & Wilson (1995) found that small firms cannot compete successfully by duplicating the strategies and practices of large firms, but small firms could achieve sustainable competitive advantage by installing market-oriented behaviors in employees.

3. Innovation

Innovation refers to the process of generating, developing, and adopting a new item, idea, or behavior (Damanpour, 1991; Zaltman, Duncan, & Holbeck, 1973) Innovation also plays an important role in a company's success. Deshpandé (1999) suggested that innovation is related to better objective performance in market-oriented firms, while later research (Deshpandé, Farley & Webster, 1993) noted 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, 1991), especially when considering the mediating role of innovation

(Langerak, Hultink, & Robben, 2007). For example, Sanjeev et al. (2003) studied the mediating role of innovation with data from 201 international hotels in USA and found that market orientation had a significant indirect effect on objective performance through innovation. At the organizational level, research has focused on differences in organizational structure, culture, and management to explain differences in innovative success (Zaltman et al., 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 offers through patents and copyrights. Therefore, service firms need to continually innovate in order to enjoy a solid competitive advantage. Meeus and Oerlemans (2000) found that in a competitive market, a focus on continuous innovation is a better innovation policy than inactivity and gradual innovation. The relevance of innovation orientation to smaller businesses is a reflection of the transformation of modern market environments in which new product development and differentiation have become important aspects of the business development of many firms (Lado & Maydeu-Olivares, 2001). Smaller firms which adopt a low cost strategy are characterized by an internal orientation that focuses on cost effectiveness and production efficiency. On the other hand, smaller businesses which pursue a differentiation strategy introduce new products to better serve customers.

Methodology

A qualitative research approach was adopted in this study because such an approach is suitable for uncovering and understanding a phenomenon about which little is known (Guba & Lincoln, 1994) as is the case in this study. There is a lack of research involving the hospitality management and market orientation (Harrington & Ottenbacher, 2011); and therefore, this approach helps us understand how market orientation and innovation enhance business performance for small hotels as experienced by the hotel managers through their world views.

The small-sized hotel segment was chosen for this study. Firstly, the Thai government has strengthened SMEs in the tourism industry, in which the hotel segment is a key player, to become a mechanism for the sustainable development of economy, society, culture and environment. Secondly, in SME industries, the majority are small-sized hotels at 65 percent as reported by the Office of SMEs Promotion (TAT Intelligence Center, 2015). A small-sized hotel is defined as a hotel operating for profit with less than 80 rooms. The sample of qualitative interviewees was hotel managers in charge of marketing functions. A snowball sampling technique was employed in the data collection phase because there was some resistance to participation due to the inconvenient timing of interviews and their tight schedules.



Semi-structured interviews with 22 small hotel managers were conducted. The semi-structured interview format can yield detailed and rich responses from respondents (Miles & Huberman, 1994). In the interviews, participants were invited to talk about how market orientation and innovation was undertaken in their hotels by asking questions, for example, “Does your hotel collect information about customer’ needs from in-house market research or by having conversations with customers or trade partners?” “How does these activities benefit the hotel?”, and “Has the management ever brought innovation into use in your hotel? Please give examples”. All interviews were recorded on a digital recorder. The recordings were transcribed and the data were analyzed by employing content analysis following the procedures suggested by Busch et al. (2005). Nearly 60% of small-sized hotels were situated in the south of Thailand and the remaining 40% were in Bangkok; 82% of interviewees were male, and the average number of years of operation was 10 years.

Content analysis began by identifying words, sets of words or phrases that were most used by interviewees. The collected data were then examined again in detail by reading through the text, writing down the concepts and classifying them into appropriate categories. Nonetheless, information that seemed to add nothing to the analysis was ignored. Participants’ opinions were coded into categories and the participant identification numbers were also presented in each opinion category (see Table 1). Once the coding was finished, the data were examined. The results are described in the next section. It should be noted that the qualitative data analysis was done manually for the study.

Table 1

In-depth Interview Findings

Theme	Participant ID	Frequency
Market orientation		
- Intelligence Generation	3,10,17,20,21,22	6
- Intelligence Dissemination	9,12,13,17,21,22	6
- Responsiveness	1,2,3,4,5,7,8,9,12,22	11
- Intelligence Dissemination and Responsiveness	1,5,8,17,19	5
Innovation	1,2,3,4,5,6,7,11,12,15,18,19,20,21,22	15
Market orientation and innovation	14,16,17,18,19,21	6

Results

Participants explained how market orientation affected their business performance. The participants' responses focused on the three dimensions of market orientation developed by Kohli & Jaworski (1990), intelligence generation, intelligence dissemination and responsiveness.

1. Market Orientation on Business Performance

1.1 Intelligence Generation

With regards to intelligence generation in small-sized hotels, there were 6 participants supporting this dimension. Some of interviews are described below. Intelligence generation was also evident during the interview with participants 3 and 10: Usually, the marketing department conducts market research, about the new products/offerings of competitors. The marketing department provides feedback on the market information to other departments so that relevant department can create ideas about new and competing offerings and services. Participant 20 stated:

"When the sales department goes to the market to inspect and obtain some information about competitors and feel that our hotel offerings do not meet customer demands, or the pricing strategies, or the promotion programs are not performing well compared to the competitors, information from both formal and informal allows the departments in charge of these programs to think more about designing other relevant programs to respond to competitor attacks. Accordingly, we can defend our market and keep our customers."

1.2 Intelligence Dissemination

Similar to intelligence generation, there were 6 participants supporting the notion that intelligence dissemination is a significant factor into business performance of small-sized hotels in Thailand. The interviewees made the following comments. Participant 9 stated that the information shared by the marketing department mostly includes market demands, market movements, consumer market insights, customer preferences and feedback, and product information. Participant 12 claimed:



“My marketing department, besides providing information to outsiders, supplies internal reports to other departments on a monthly basis. The purpose is to describe market demands, market trends, the size of the market as well as the purchasing power of customers, the partners we have contacted, and the potentiality of future partners. The other purpose of the shared information from the marketing department is to show the department’s potential to other departments, to let them know what we have done, what we have achieved, and how we have succeeded.”

Participant 13 gave an example:

“For example, as a manager of a hotel, I talk about current competitor campaigns and I share my findings in meetings on a regular basis.”

1.3 Responsiveness

The responsiveness to customers’ current and expected needs was highlighted via the qualitative analysis of the in-depth interviews. Nearly half of the participants agreed that responsiveness is an important dimension to be market-oriented for small-sized hotels. However, out of 11 participants who agreed with this concept, only 2 of them gave specific and clear examples. Participant 1 identified how responsiveness was conducted in his hotel as follows.

“For example, as marketing manager of the hotel, I suggested that, by improving our products or services, hotel management can deal with customer complaints to protect and maintain the hotel’s reputation, have more updated market information to understand clients better, and know and understand customer demands to modify offerings.”

Participant 22 discussed the importance of responsiveness to his hotel performance:

“Take an example of one of our tour agent suppliers, who preferred to make reservations online. Their customer needs are sometimes changing and thus our tour agent has to change. Therefore, the responsibility of the marketing department is to understand the needs of our customer as well as our customers’ customers. The purpose is to serve customers better to maintain a steady increase in sales.”

Participants 4 and 8 opposed the idea that products or services adjusted according to individual preferences somehow were difficult to manage by hotel staff; however, once these jobs were achieved, it can help our hotel to serve customers in effective ways.

1.4 Intelligence Dissemination and Responsiveness

In addition, qualitative analysis of the in-depth interviews found a relationship between intelligence dissemination and responsiveness. Five hotel managers pointed out the relationship between the two dimensions. For instance, Participants 17, 1, 5, 8 talked about intelligence dissemination between the marketing department and other departments:

“Usually, the marketing department has to conduct market research about new the products or promotion campaigns of its competitors. They can provide feedback on the market information to relevant departments so that our hotel can create ideas about new and competing campaigns.”

Moreover, Participant 19 stated that:

“The marketing department usually contacts other departments to receive knowledge relevant to its work, such as developing their function rooms. The knowledge received from other departments such as facilities, list menus of food and beverages, the number of on-site mechanic staff, and internet or WIFI availability. Therefore, the marketing department can participate in some bidding programs. The purpose of sharing information is to improve the competitiveness of its pricing schemes in comparison to its competitors.”

Results from the content analysis revealed that small-sized hotel managers place more importance on collecting external sources of information such as customers, competitors, and suppliers to develop campaigns to enhance business performance.

Another consequence that derived from the in-depth interviews was innovation. Participants described how they understand and use innovation to improve small-sized hotels' business performance.

2. Innovation on Business Performance

According to the views of most participants, there is a positive relationship between innovation and small-sized hotels' business performance. Among the major reasons why innovation enhanced organizational performance are cost reduction and market responsiveness. Fifteen participants insisted that innovation was important to their hotel's business performance. Some of views are presented below.



Participant 1, 2, 3, 7 and 18 underlined the importance of innovation: One respondent said: *“Our industry is changing daily. If we do not innovate and do not invest in new products, we just have slow movement and cannot follow the market. If we innovate with a wide range of new products, we can boost our revenue and increase sales growth. In addition, innovation through diverse products or services allows us to satisfy various customer needs, and enhance customer choices”*. Emphasizing the relevance of innovation to small hotels' business performance, Participant 1, 5, 11 expressed similar views, and one stated that:

“The market is continuously changing. Everything is changing. Therefore, you cannot be successful if you are not moving. Thus, innovation surely drives better working outcomes and better performance in terms of the market, customers, as well as the business process, which is run smoothly and correctly”.

In addition, Participants 6 and 22 stated that innovation can improve the image and reputation of our business in terms of serving customers and making them happy. Moreover, new, good ways of serving customers can impress the customers, and they will come back to stay at our hotel and introduce us to their friends or other people.

However, seven participants were relatively uncertain about implementing innovation, which in turn, affected business performance. These participants claimed that employees were somehow unsupportive and reluctant to change. In participants' opinions, the responses of employees to innovation are summarized as follow.

“Implementing new ideas, the main problem is acceptance by staff. Employees don't want to change because it requires more work to do. In general, people are used to things being done a certain way so it is quite common that people are unwilling to change. Probably, the biggest challenge is getting staff to use new things.” One respondent further stated:

“When implementing new things or changes, our staff members don't like changes. At this point, staff training is possibly a right answer to loosen up their resistance. For example, I have a certain group of staff who is unfamiliar with technology. But I think they are quite good so I have to be very patient and diligent on my training.”

2.1 Market Orientation and Innovation on Business Performance

Some participants insisted that innovation could be involved with market orientation to enhance small-sized hotel business performance. The following are participants' opinions. Participants 14, 16, 17, and 19 indicated that:

"Finally, if we innovate with new products, we can attract customers and boost our business performance. Another point is that innovation can help us to lower the cost of running our business. The reason is that innovation in the management process can help us to manage our business effectively as the process from the product-designing phase (Responsiveness) to the product-implementation phase becomes smooth and efficient, of course, with knowledge sharing between different functions (Intelligence dissemination)."

Similarly, Participant 18 expressed the idea that the relationship between innovation and intelligence dissemination has a positive effect on cost reduction.

"Innovation can provide us with better outcomes such as a reduction in operating costs, and improved sales revenue. We will innovate. Otherwise, we will not innovate. If we choose an innovative solution, we should make sure the outcomes of the innovation are positive. Of course, innovation with strong connection and coordination between departments in terms of knowledge sharing (Intelligence dissemination) can make our business run effectively with more effective management systems and lower cost of operation."

Lastly, Participant 21 discussed the relationship between innovation and market responsiveness:

"Many competitors and new entrants also stimulate many new market segments. Thus, the service market is very dynamic. Therefore, if our hotel does not have any innovation capability to adapt to the changes in the business environment or the industry movements, we will surely be behind the times, and then we will lose our market and then the consequences are bad."



Discussion and Conclusion

This study adds the body of knowledge on the business performance of small-sized hotels by exploring the effect of market orientation and innovation. Based on empirical findings, small-sized hotel businesses collected information by formal and informal means from existing customers, competitors and partners. Later, the information was shared by the marketing department with other departments in order to take action with regard to dealing with customer complaints or modifying offerings to meet customer preferences. As a consequence, small-sized hotels are likely to defend their market and retain customer satisfaction so their business performance could be maintained or even improved. Therefore, it is essential that small-sized hotels should develop market orientation in terms of intelligence generation, dissemination, and responsiveness if they prefer superior business performance. This finding is in line with the work of Dawes (2000) who addressed the relationship between market orientation and business performance for organizations. Our evidence proposed that small-sized hotels adopt innovation as a way of reducing operating cost and increasing sales revenues, which is supported by previous research of Damanpour (1999), Langerak et al. (2007) and Sanjeev et al. (2003).

Small-sized hotels reviewed changes in the business environment, particularly technology and learn from what competitors are doing and then adjust their current products and services through incremental innovations. Owing to the importance of innovation and changes in today's business environment as stated in the result, it is strongly recommended by the author that innovation should be implemented in small-sized hotel properties to sustain their business performance. The examples of innovation are namely a digital booking platform and customer loyalty programs via social media (e.g., Facebook, Twitter, mobile applications). Furthermore, considering in the findings with respect to innovation suggested that small-sized hotel employees were found to be a key to success in implementing innovation throughout the hotel and later increase the hotel's business performance, which is confirmed with a previous study of Pelham & Wilson (1995). Importantly, small-sized hotel staff members are strongly recommended to be market-oriented by means of training. Also, small-sized hotel managers could prepare staff for the innovation development process, helping them to realize that innovation is meant to make work more efficient rather than increasing their workload.

To be concluded, the results are useful for small-sized hotels in terms of practical application. Small-sized hotels can utilize the findings in order to develop offerings and services that are much more in line with the Thai market needs. In addition, small-sized hotel managers will be able to prepare short, medium, and long-term planning with regard to innovation for their properties. The results of this study should be assessed while considering some limitations. Generalization of the findings should be conducted with caution as the study sample was relatively small. Nevertheless, this study presents a platform for future research on the effects of market orientation and innovation on the business performance of small-sized hotels. Future research could consider conducting a quantitative study by using variables explored in this study. Examining associations between market orientation, innovation and other important concepts such as entrepreneurial aspects could extend our understanding of business performance in the hotel sector.

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