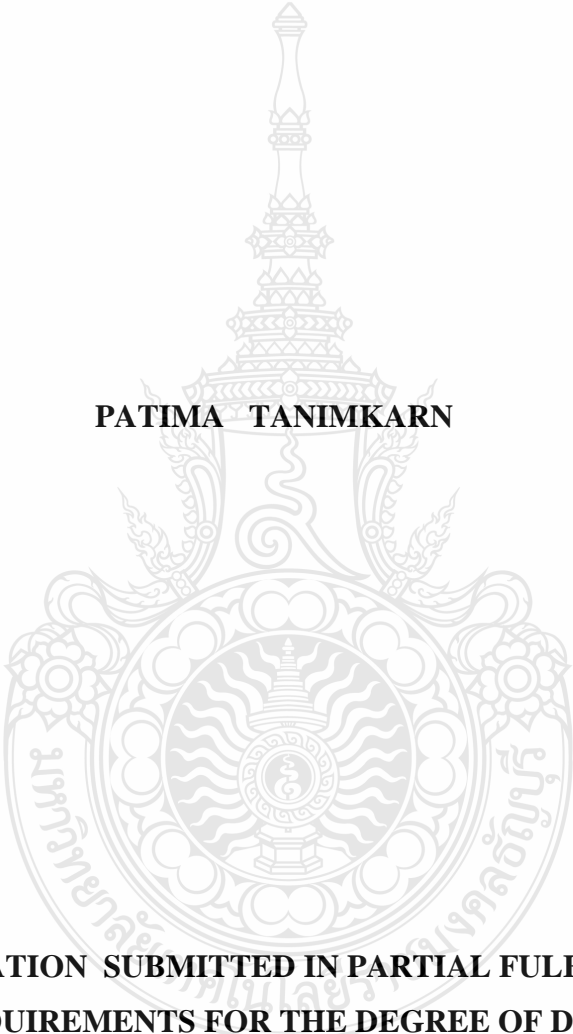


**THE EFFECTS OF ENTREPRENEURIAL ORIENTATION ON  
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DYNAMIC CAPABILITIES IN THE HOTEL INDUSTRY**

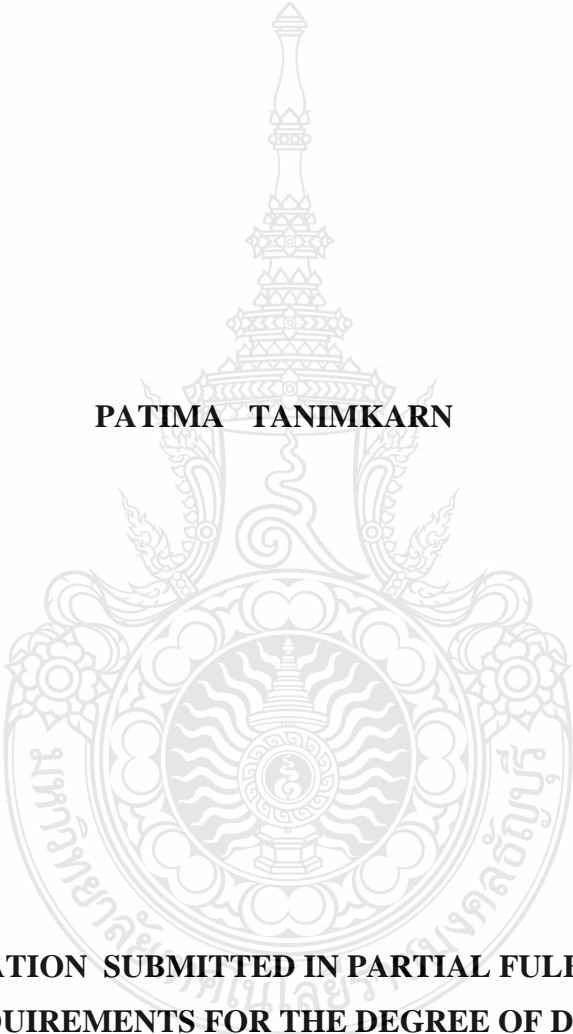
**PATIMA TANIMKARN**



**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT  
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RAJAMANGALA UNIVERSITY OF TECHNOLOGY THANYABURI  
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**Dissertation Title** The Effects of Entrepreneurial Orientation on Firm  
Financial Performance through Dynamic Capabilities in  
the Hotel Industry

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**Program** Business Administration


**Dissertation Advisor** Assistant Professor Khemaree Rugchoochip, Ph.D.


**Dissertation Co-advisor** Associate Professor Chanongkorn Kuntonbutr, D.B.A.


**Academic Year** 2014


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Doctor of Philosophy

  
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February 6, 2015

<b>Dissertation Title</b>	The Effects of Entrepreneurial Orientation on Firm Financial Performance through Dynamic Capabilities in the Hotel Industry
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<b>Program</b>	Business Administration
<b>Dissertation Advisor</b>	Assistant Professor Khemaree Rugchoochip, Ph.D.
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<b>Academic Year</b>	2014

### ABSTRACT

The purpose of this study was to investigate the effects of entrepreneurial orientation on firm financial performance through dynamic capabilities in hotel industry. Entrepreneurial orientation comprised of innovativeness, risk taking, and proactiveness whereas dynamic capabilities consisted of market responsiveness, organizational learning, coordination, and integration. Return on assets (ROA) was obtained from firm financial statement and a set of questions (profitability, market share, sales quantity, and return on asset) and it measured firm financial performance concerning.

The unit of this study was at the firm level which focused on the CEOs or managers of the three to five stars hotels in Thailand. Two hundred and seven samples were obtained based on stratified random sampling and simple random sampling method. The population was divided into groups by region and then the simple random sampling was used. Data was analyzed based on descriptive statistics, Confirmatory Factor Analysis, and Structure Equation Modeling.

Findings revealed 2 results from financial statement and the questionnaires. According to the firm financial performance obtained from financial statement showed that entrepreneurial orientation had no effect on firm financial performance while the performance from the questionnaires indicated that entrepreneurial orientation had positive relationship to firm financial performance. Considering the weight factor of entrepreneurial orientation, proactiveness had the largest factor loading of 0.761 and followed by innovativeness, and risk-taking about 0.744 and 0.501 respectively. In addition, the results indicated positive effects between the entrepreneurial orientation and dynamic capabilities, and presented positive effects between dynamic capabilities and firm financial performance, which supported the findings of the previous studies. Concerning dynamic capabilities, market responsiveness had the largest factor loading of 0.897 and followed by organizational learning, coordination, and integration at 0.841, 0.716, and 0.697 respectively. The results also showed that entrepreneurial orientation had positive relationship with firm financial performance through dynamic capabilities. It could be concluded that dynamic capabilities performed as full mediator between entrepreneurial orientation and firm financial performance.

**Keywords:** entrepreneurial orientation, firm financial performance, dynamic capabilities

## Acknowledgements

I would like to express greatly appreciation to Associate Professor Dr.Wai Chamornmarn, who really supported and gave me valuable inspiration to proceed with this dissertation during hard times till its completion. In addition, I wish to express my appreciation to Associate Professor Dr.Chanongkorn Kuntonbutr, Assistant Professor Dr.Khemaree Rugchoochip, and Dr.Krisada Chienwattanasook for their valuable suggestions. I am extremely grateful for comments and suggestions in statistical analyses from Assistant Professor Dr.Sungworn Ngudgratoke. I wish to express my appreciation to Assistant Professor Dr.Supa Tongkong for her valuable suggestions and encouragement. Besides, I would like to thank the staff members from Faculty of Business Administration, Rajamangala University of Technology Thanyaburi.

I was very fortunate to have many help from colleague at the Faculty of Business Administration at Rajamangala University of Technology Isan at Nakornratchasima. I wish to express my appreciation to Associate Professor Dr.Suwattana Tungsawat, Dr. Mehta Sutheeroj, Assistant Professor Dr.Somjai Boonmunewai, Assistant Professor Dr.Saowaluk Jitnoom, Dr.Usana jangkloy, and Mr.Somkiat Chayprapak for their suggestions and assistance. I also appreciate Assistant Professor Dr.Palanuch Kongka, Assistant Professor Dr.Wanee Trongpanich and Mrs.Sirinart Tongchimplee, not only for English improvement but for constructive guidance in my dissertation as well.

Most importantly, my parents play a huge role in my education, family life, soul, and successful and always have. Nothing in this world will be more valuable than them. My older sister give encourage me. Specially, I would like to express sincere to my husband and my son for the encouragement during critical times, cheerfulness and love.

Finally, I would like to thank for everyone who helped me to complete this dissertation.

Patima Tanimkarn

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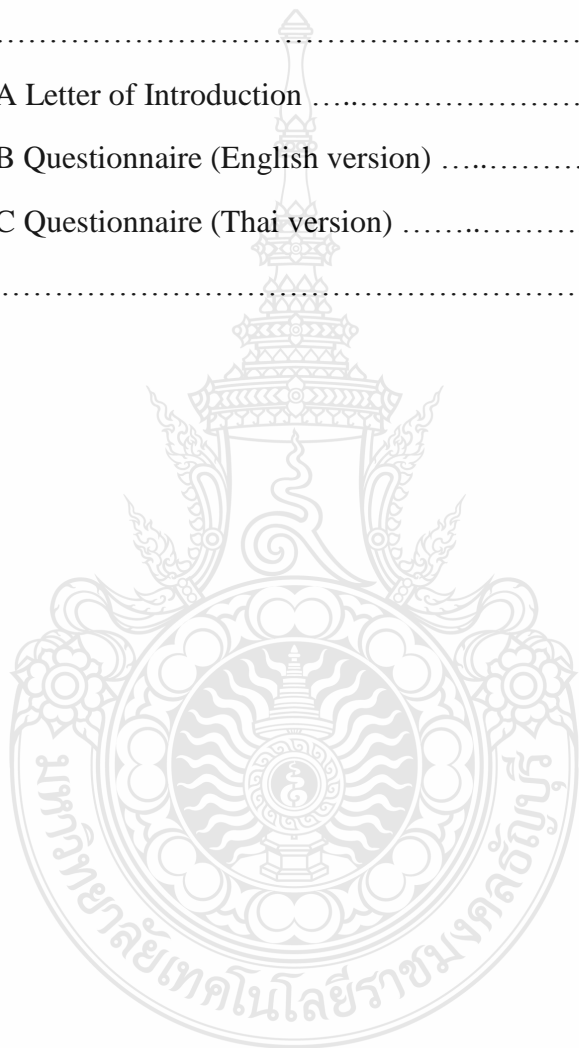
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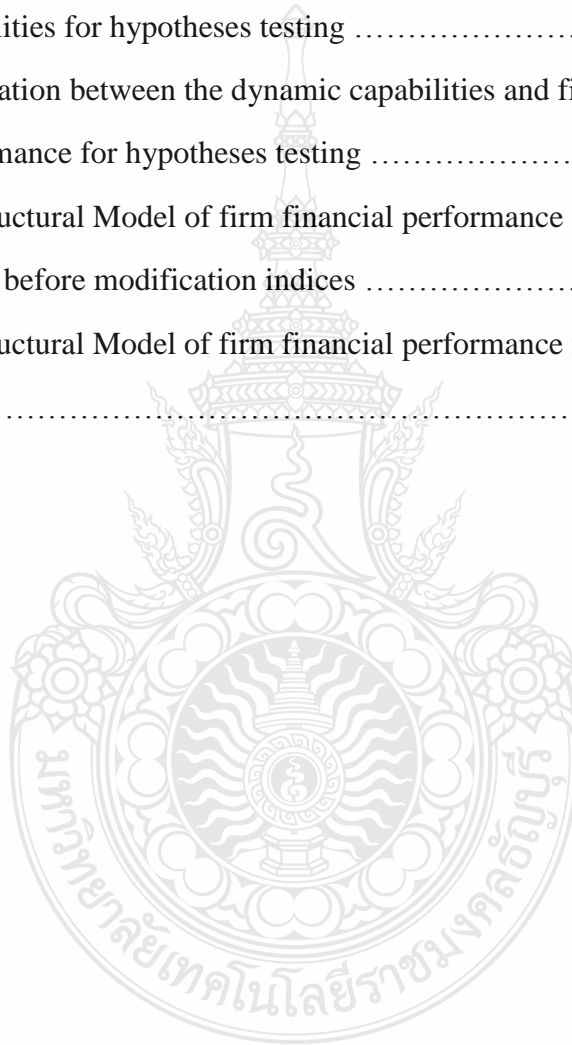
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# **CHAPTER 1**

## **INTRODUCTION**

The dissertation is entitled “The Effect of Entrepreneurial Orientation on Firm Financial Performance through Dynamic Capabilities in the Hotel Industry”. This chapter will give an overview of the research problem in this study. The area of focus in examining the research problem was the hotel industry in Thailand. The chapter includes the background and statement of the problem, purpose of the study, research questions and hypothesis, conceptual framework, definition of terms, and delimitation and limitation of the study.

### **1.1 Background and Statement of the Problem**

Nowadays organizations have become interested in maximizing shareholders' wealth. Over the past years, numerous organizations have faced new challenges arising from the environmental changes both inside and outside organization. Thus, organizations are in great need of changes and moving forward because without development they cannot compete with the other organizations and thus fail to survive. Therefore, organizations should always be ready to alter at any time. From the study, administrators need to formulate strategies to keep up with today's competitive environment in which there are always new competitors trying to enter the market. Moreover, there are many other factors that organizations cannot control including technologies that have been developed all the time.

Amidst the dynamic change of environment and globalization, firms attempt to figure out how they can achieve, survive and prosper during time of change. As environmental changes represent potential threats, each firm needs to develop a competitive advantage in its strategy to enhance its ability to survive and compete with existing rivals as well as new entrants effectively.

To achieve success, CEOs need to thoroughly evaluate external and internal environments. They must consider all factors that affect their operations to establish suitable strategies in order to achieve firms' success, and flexible prominent management is a must in order to make a suitable decision when they confront with challenges such as changes in customer needs and technology (Sakorn, 2009).

To gain sustained success, firms must build organizational capabilities for gaining and sustaining competitive advantages with an ability to formulate, select, implement, and monitor. Therefore, the CEOs strategies are unquestionably critical (Dess, Lumpkin & Eisner, 2007).

The finding that entrepreneurial orientation had a positive effect on firm performance was suggested in several studies such as Covin and Slevin (1991), Smart and Conant (1994), Wiklund and Shepherd (2005), Covin, Green, and Slevin (2006), Boohene, Marfo-Yiadom and Yeboah (2012). Entrepreneurial orientation is a method or a model used by managers for making decision to support their guidelines and to identify varieties of strategic orientation in respect of controlling firms' competitive drift. Dynamic capabilities encourage the increase of both firms' continuing development and new ideas by allowing firms to introduce new product or service faster than competitors due to the changes of customer needs. Moreover, the entrepreneurship

assists firms to respond to challenging actions. For example, under an uncertain situation, the entrepreneur confidently makes decision to negotiate for exchanging resources (Lumpkin & Dess, 1996).

The entrepreneurial nature of organization has blossomed in the entrepreneurship literature. The term entrepreneur means someone who has creative ideas and distinguishes any situations for making decision and business opportunity correctly towards assembling and combining components of resources (Amit, Glosten & Muller, 1993). Based on uncertain environments, this concept concentrates on gaining maximum performances driven from innovation. Kirzner (1985) defined the term entrepreneur as someone who can perceive the way or opportunity for making profit and starts to move for satisfying his or her own needs or practice in order to increase the efficiency of his or her own performance. In the nut shell, an entrepreneur capability is the ability which enables firms to identify and build valuable resources for encouraging marketing opportunity and effectively exploiting the resources to gain sustained competitive advantages (Karra, Phillips & Traccy, 2008). The core capability concept's focus is on the strategic management literature and corporate strategies should be built upon the strengths of a firm's core capability (Lu, 2005).

Distinctive capabilities are considered a bridge to achieve the goal of business. Because of increasing competitive environments, many firms have paid attention to leverage the capabilities belonging to them. The capabilities are also considered intangible assets because it is quite difficult to visually describe what the term means. The important capabilities are skills within individual or group of organizations that interrelate (Grant, 1991). Based on this meaning, the capabilities are organizations'

abilities to manage their human resources, resources and processes for gaining sustained competitive advantages; they can be defined as abilities to utilize available resources for effectively and efficiently achieving outcomes. Additionally, the capabilities demonstrate abilities to manage their operation, production, marketing for rapidly, timely, and effectively respond to all needs of the participants. However, currently those capabilities cannot ensure the gain of sustained competitive advantages especially when the organizations have to confront with constantly changing environments. Teece (1984) argued that an organization must establish “dynamic capabilities” in order to fit with constantly changing environments.

Dynamic capabilities mean abilities that can constantly adapt to changing situations. This concept of dynamic capabilities leads to the process of self-adjustment of an organization (Levinthal, 1991; Miller, 2003). Dynamic capabilities are mentioned in resource based view (RBV) theory that aims to explain how to gain sustained competitive advantages amidst constantly changing environments (Menon & Mohanty, 2008). The capability evaluation may be done generally such as adequacy or size of existing assets, tangible and intangible assets, source or development of assets in each period (Teece, Pisano & Shuen, 1997). In terms of marketing environment to search for opportunity for competitive advantage, firms should discover marketing information regarding customer needs, new product, new market and so on. Such information enables firm to open its mind to accept new information covering information available outside market and consequently relevant information will be applied and will lead to new product or new market. Firm with high dynamic capabilities can adapt itself to survive including resource allocation in consistent with varying environments and



needs. Likewise, a firm will improve and absorb knowledge leading to self-adjustment, utilization of resources, and formulation of innovative strategy containing behavior and process of innovation (Cohen & Levinthal, 1990; Wang & Ahmed, 2007).

Firm performances are derived from organizations' capabilities that potentially leverage resources. The review of their operations results in management of the organizations realizing how firm performances which consist of financials and non-financials are critical (Baross & Santos, 2006; Yu & Lee, 2009). Currently both the emergence of dynamic environments and the intensity of competitions in a hospitality industry have resulted in the organizations' harmonious management between their processes and goals for gaining competitive advantages (Oktemgil & Greenley, 1997; Phillips, 1999). Therefore, management must be prepared to perpetually adapt the processes. Baross and Santos (2006) found that the adaptation was positively related to performances.

In addition, Lumpkin and Dess (1996) found that using sales growth, market share, profitability and stakeholder satisfaction as proxies of firm performances had a positive relationship with entrepreneurial orientation. However, they stated that the level of the relationship depended on other factors such as types of resources, environments, size, structure, process, strategic and decision made by management and cultures. This is confirmed by Kohli and Jaworski (1990) who found that entrepreneurial orientation, a simple structure, and decentralization affected firm performances.

In Thailand, tourism industry is a service business which is one of the factors that stimulate the country's economy more than billions baht. Tourism industry has

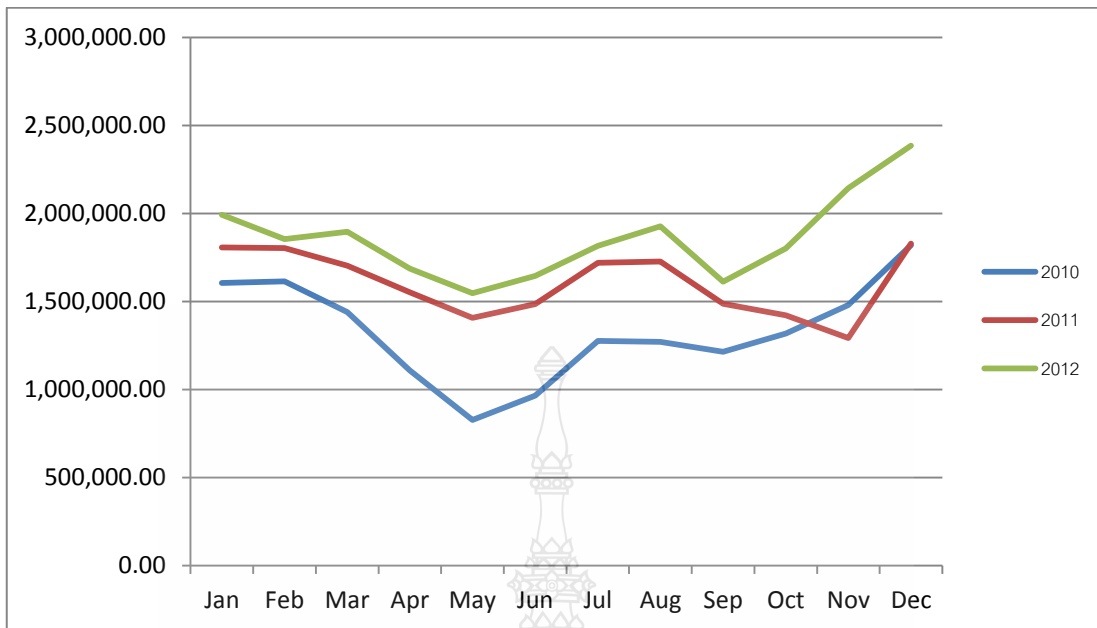
rapidly expanded economy better than any other businesses and has generated good income for the country. However, tourism industry has strong competition tendency and is changeable due to factors of business environment (Summary of the Eleventh National Economic and Social Development Plan 2012-2016, Ministry of Tourism and Sports, August 2013).

Ministry of Tourism & Sports' summary of number of travelers in Thailand, by comparison between 2010-2012

**Table 1.1** International tourist arrivals to Thailand

<b>Month</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
January	1,605,505	1,805,947	1,992,158
February	1,614,844	1,802,476	1,853,736
March	1,439,401	1,702,233	1,895,560
April	1,108,209	1,552,337	1,686,268
May	826,610	1,407,407	1,546,888
June	964,959	1,484,708	1,644,733
July	1,275,766	1,719,538	1,815,714
August	1,270,883	1,726,559	1,926,929
September	1,214,810	1,486,333	1,611,754
October	1,316,806	1,422,210	1,801,148
November	1,478,856	1,291,548	2,143,550
December	1,819,751	1,829,174	2,384,627
<b>Total</b>	<b>15,936,400</b>	<b>19,230,470</b>	<b>22,303,065</b>

**Sources:** Department of Tourism, Ministry of Tourism & Sports (2013)



**Figure 1.1** International tourist arrivals to Thailand

**Source:** Department of Tourism, Ministry of Tourism & Sports (2013)

In addition, tourism industry is subject to the changing environment and entrepreneurs must be ready for such changes. In 2015, the challenges will be from the ASEAN Economic Community (AEC) that allows members of AEC investors to become shareholders of as much as 70% in tourism industry. Consequently, this increases more investment and competition from AEC investors. Entrepreneurs, therefore, must own good quality for competitive advantages in the future.

According to the 2014 trend, world economic forum said the number of travelers will increase on average 7.3% per year and inflate 7%. In 2013, 22.5 million travelers were expected, the hotel industry's revenue reached 2.8 billion which was a large income.

This study selected service business from hotels in Thailand as a sample to study the effect of entrepreneurial orientation and dynamic capabilities on hotel performance.

The reasons of such selection are as follows:

First, hotel business is related to travel and tourism industry. Travel firms are generating billion baht worth of income for Thailand. Hotel business faces the challenge of competing with numerous competitors and the demand for a quick reaction towards dynamic change in the global economy. Therefore, hotel business necessarily needs to adjust firm capabilities to quickly respond to worldwide competition.

Second, hotel businesses are characterized by market dynamic. Service design always changes to meet the trend. It needs to change or develop various firm capabilities to make the service successful. This is fully consistent with the need of firms to strengthen dynamic capabilities to face increasing competitiveness in global markets.

Third, the government encourages Tourism Authority of Thailand to issue the policy with the emphasis on tourism by lengthening the period of travelling season. Therefore, hotel business focuses on operational ability to respond to competitive situation.

Finally, so far there has not been any research in Thailand that is related to the structural equation model of entrepreneurial orientation, dynamic capabilities, and firm financial performance in the hotel business. The reason is because the business has a significant impact upon the country including the pioneer entrepreneurs who are able to enter into new markets in the future and administrators must be able to alter the hotel business.

Numerous theories and related research indicated that the competition can influence entrepreneurial orientation and firm financial performance through dynamic capabilities. The research used structural equation modeling (SEM) to analyze the whole structure including the latent variable models. The research problems can be profound and indicate the nature of either direct or indirect effects in this study. The researcher indicated that firm financial performance is measured by two models. The first model measures the return on assets (ROA) with the information collected from the Business Online Public Company Limited (BOL). The second model measures the answers from a questionnaire.

With the awareness of the importance of the problem, this study focused on the investigation between entrepreneurial orientation and firm financial performance by examining the direct impact of entrepreneurial orientation on performance and indirect impact of entrepreneurial orientation on performance through dynamic capabilities for the hotel industry. The operator must pay attention to all surroundings in order to respond to the environmental changes such as the changes in the staff ability, in the design renovation, in booking or infrastructure and a market change that expands to accommodate new markets all of which need to be taken into account in decision-making and the improvement of the organization process.

Therefore, the researchers were interested in studying variables which led to the link between a theory of entrepreneurial orientation and dynamic capabilities on the hotel business. This study focused on the role of an organization under environmental changes in order to increase resourcefulness and to improve the results of this study so it can be adapted to other business as well.

## **1.2 Purposes of the Study**

The purpose of this study is to investigate the relationship between entrepreneurial orientation and firm financial performance through dynamic capabilities including market responsiveness, organizational learning, coordination and integration. This study set up two model types including a full mediator model (to investigate the relationship between entrepreneurial orientation and firm financial performance through dynamic capabilities) and a partial mediator model (to investigate the effects of entrepreneurial orientation on firm financial performance) to study the relationship between entrepreneurial orientation, dynamic capabilities, and firm financial performance that provide a return on assets (ROA) with the information collected from financial statements, and measure firm financial performance with the data collected from a questionnaire. Finally, the results illustrated how the hotel can apply it to the management style in order to improve their hotel performance from the paradigm.

## **1.3 Research Questions and Hypothesis**

According to the previous studies, entrepreneurial orientation and dynamic capabilities potentially affect firm financial performance. Therefore, these research objectives to answer the research questions are as follows:

1. Are there any effects of entrepreneurial orientation on firm financial performance?
2. Do dynamic capabilities mediate the relationship between entrepreneurial orientation and firm financial performance?

To explore and confirm these two research questions, the following hypotheses were conducted.

H1: Entrepreneurial orientation positively affects firm financial performance.

H2: Entrepreneurial orientation positively affects dynamic capabilities.

H3: Dynamic capabilities positively affect firm financial performance.

H4: Entrepreneurial orientation has an indirect effect on firm financial performance through dynamic capabilities.

#### 1.4 Conceptual Framework

The conceptual framework of this dissertation is shown in the following diagram.

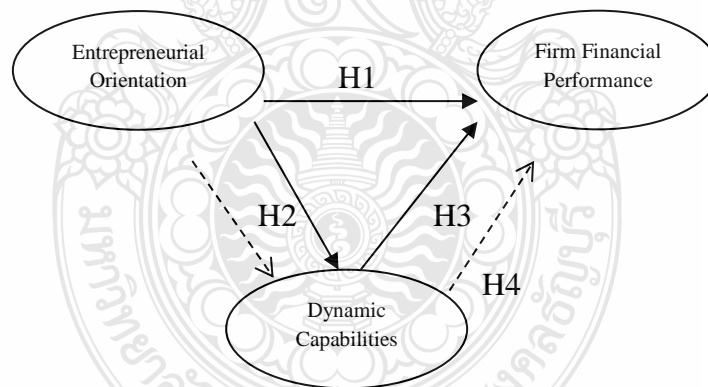


Figure 1.2 Conceptual framework

#### 1.5 Definition of Terms

Entrepreneurial orientation (EO) was defined as “one that engages in product market innovation, undertakes somewhat risk ventures, and is first to come up with ‘proactive’ innovations, beating competitors to the punch.” (Miller, 1983). Dynamic

capabilities (DC) was defined as “The firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environment” Teece et al. (1997).

Firm financial performance focused on return on assets from financial statement, and profitability, market share, and sales volume from a questionnaire.

A hotel is the place established with the business purpose to provide temporary accommodation either for travelers or other people with remuneration. This definition does not include overnight accommodation, places run by the government and other state agencies and places that accommodation is provided for other purposes. The objective is to provide shelter for a fee on a monthly basis or more (The Hotel Act of Thailand, 2004).

### **1.6 Delimitation and Limitation of the Study**

This study focused on entrepreneurial orientation and dynamic capabilities as possible determinants of firm financial performance. First, entrepreneurial orientation and dynamic capabilities acted as independent variables of the research. Innovativeness, proactiveness and risk taking were employed as proxies of entrepreneurial orientation (Miller, 1983; Covin & Slevin, 1989). Dynamic capabilities variable used market responsiveness, organizational learning, coordination and integration as proxies of dynamic capabilities (Pavlou & El Sawy, 2006; Wang, 2009). Profitability, market share, sales volume, ROA were used as proxies of firm performance (Espino-Rodríguez&Padrón-Robaina, 2005; Jantunen, Puumalainen, Saarenketo and KylÄheiko, 2005; Luo, Zhou & Liu, 2005; Wiklund& Shepherd, 2005;



Griffith, Noble & Chen, 2006; Hung, Yang, Lien, Melean & Kuo, 2010; Avci, Madanoglu & Okumus, 2011). Second, the data collection of the study involved a random sampling method; as a result, some cautions are required in the generalization of the results to the larger population. Third, certain limitations such as economic crisis, politics, government policy, and macroeconomics may affect entrepreneurial orientation, dynamic capabilities, and firm financial performance. Fourth, respondents were managing directors, board of committee, and managers. Finally, this study investigated the hotel industry which may not be applied to other industry.



## **CHAPTER 2**

### **REVIEW OF THE LITERATURE**

The objective of this chapter is to provide a literature review to support the research model in chapter 1. An initial study presents perspective issues found in the literature on entrepreneurial orientation, followed by the reviews of dynamic capabilities, and firm performance. Besides, it studies the relationships between entrepreneurial orientation and dynamic capabilities, entrepreneurial orientation and firm performance. Finally, it presents the review of hotel industry which is an interested area of this study.

#### **2.1 Concept, Theories, and Related Research of Entrepreneurial Orientation**

Entrepreneurship is important to stimulate the economy by changing technology and management systems, and providing better services. It also urges competitors to improve their products and processes (Baum, Frese & Baron, 2007). Also, Tracy (2005) said operators have occupied the center of the market economy by encouraging all economic activities which resulted in the creation of wealth and opportunities in the country and in the economic success of many countries around the world. Entrepreneur is thus a critical person who contributes to the success of the country.

Kuratko and Hodgetts (2007), Barringer and Ireland (2008) said that from the view of academic administration, an entrepreneur is an inventor or a developer who recognizes and seizes opportunities by gathering all the necessary resources, such as

money, people, and business model strategy efforts or skills. He or she also has the ability to predict risks, market competition, and to convert that opportunity into a new idea for profits and embark on a new business.

The entrepreneurial orientation has an effect on the decision making and entrepreneurial orientation. Miller and Friesen (1982) stated that the meaning of the term entrepreneurial orientation is the process of a decision making to operate a new business or a new system of employee's attitude and behavior of staffs (Zimmerer & Scarborough, 1996). Some researchers suggested that entrepreneurial orientation is considered as organizational culture other than an event that creates value (Stevenson & Jarillo, 1990). On the other hand, Lumpkin and Dess (1996) said entrepreneurial orientation is about a willingness to innovate a new thing, taking a risk, performing manually and proactiveness. Entrepreneurial orientation is an ability to find and get a chance to make a high profit with risk taking (Cripe & Mansfield, 2001). Also, Hult, Hurley and Knight (2004) stated that entrepreneurial orientation is the process to create an innovation in an organization. Moreover, entrepreneurial orientation helps to manage the firm efficiently (Engelen, 2010).

In order to receive the opportunities in a dynamic environment, entrepreneurial firms have to reconfigure their firm's assets and processes. Entrepreneurial orientation shows major actions of operators functioning in a dynamic process (Hamel, 2000; Zhang, 2008). Some researchers suggested that entrepreneurial orientation refers to the processes, practices, and decision making activities to achieve a new act such as a new market, a new product or a new firm (Lumpkin & Dess, 1996).

Normally, the business opportunity is the starting point from two sources (Dachnakarin, 2010): first, individual contributors who can guide to an opportunity to pursue new business such as people around us, be it acquaintances or colleagues, or even clients with information that could be useful to create business opportunities and second, external environment which keeps changing and is conducive for entrepreneurship to create business opportunities.

Baron and Shane (2008) have proposed to create opportunities such as technology changes since technology is an important factor to be converted into an output. As technology changes, it may be a source of opportunity to enable an entrepreneur to embark on new things such as a more efficient communication. The door of opportunity is widely open for an electronic commercial business (E-Commerce) such as online transactions and online booking service. In addition, the political and legal changes will have an effect on the development of new ideas, use of available resources in order to enhance performance and to be able to meet the customers' demand of new services. And, the society changes can tailor the needs of customers and create an opportunity for entrepreneurs to look for new ways of doing business in order to meet the customers' needs more effectively. Also, there is a newly emerging trend in the modern society, be it a matter of information, channels of communication in the modern era to save time, money, or a focus on health which opens up a great opportunity for entrepreneurs to improve services to meet the customer's needs.

An entrepreneur is one of the most interesting topics to people and to many corporate levels (Covin & Slevin, 1991; Gimeno, Folta, Cooper & Woo, 1997; Zahra

&Garvis, 2000; Dess & Lumpkin, 2003). Jantunen, et al. (2005) according to Schumpeter's research (1934), the theory of an entrepreneur concerns a strategy, economics, organization learning, and its social. The word "Entrepreneur" is a derivation from the French term "entre" which means "between" and the term "prendre" which means "take". After putting the two words together, it means "undertake" which is used to describe suppliers who are willing to take the risk that happens when starting a new business. It also means an administrator who is in charge and able to predict risks likely happening to businesses (Kuratko & Hodgetts, 2007; Barringer & Ireland, 2008). In psychology, "an entrepreneur" means a person who has a new good idea with different value, sacrifice, a laborious attribute, a risk taker quality, and satisfaction (Hisrich & Peters, 2002). Therefore, when a confident entrepreneur is disappointed or fails, they will be able to find solutions (Catlin & Matthews, 2001). In order to find solutions to an operation, the organization needs to restart both decision making and its process (Lumpkin & Dess, 1996). This is consistent with entrepreneurial orientation related to decision making, motivation, and business activity (Mintzberg, 1973). As well as people attitudes and ways of management, entrepreneurial orientation is followed by its culture and the change of environment (Zimmerer & Scarborough, 1996; Frese, 2000).

Entrepreneurial orientation is one of the best strategies that focus on a method and decision making (Wiklund & Shepherd, 2005). Also, managers should understand an economic transition that requires more integration into the global markets and the focus on the world situation (Luo, et al., 2005). Several researches on entrepreneurial orientation suggested that the attention level of an organization process has an effect on

the job performance (Mintzberg, 1973; Miller & Friesen, 1982, Covin & Slevin, 1991; Zahra & Covin, 1995; Lumpkin & Dess, 2001; Jantunen, et al, 2005; Wiklund & Shepherd, 2005; Zhou, Yim & David, 2005).

In addition, McClelland (1987) commented about a potentially successful entrepreneur by the focus on working ability. A successful business needs a person who is willing to take a risk and be in charge of the company budget, seek to do new things, and take good concept of innovation for product improvement or new service systems.

**Table 2.1** Definition of entrepreneurial orientation.

Authors	Definition
Miller (1983)	<i>“One that engages in product market innovation undertakes somewhat risk ventures and is first to come up with ‘proactive’ innovations, beating competitors to the punch.”</i>
Covin and Slevin (1991)	<i>“Entrepreneurial orientation stresses the entrepreneurial process and the role of top management philosophies regarding entrepreneurship”</i>
Lumpkin and Dess (1996)	<i>“The processes, practices , and decision-making activities that lead to new entry”</i>
Kirzner (1997)	<i>“The opportunities that arise as a result of the incompleteness of market information, and depicts entrepreneurship fundamentally as an arbitrage activity”</i>
Zahra and Neubaum (1998)	<i>“The sum total of a firm’s radical innovation, proactive strategic action, and risk taking activities that are manifested in its support of projects with uncertain outcomes”</i>

**Table 2.1** Definition of entrepreneurial orientation (Cont.)

Authors	Definition
Frese, Brantijes, and Hoorm (2002)	<i>“A quasi-psychological concept to understand the emergence and success of businesses; furthermore, it influences strategic decisions”</i>
Wiklund and Shepherd (2005)	<i>“A firm’s strategic orientation, capturing specific entrepreneurial aspects of decision-making styles, methods, and practices”</i>
Rauch, Wiklund, Lumpkin and Frese (2009)	<i>“The strategy-making processes that provide organizations with a basis for entrepreneurial decisions and actions”</i>

Lumpkin and Dess (1996) explained that a strategic management and efficiency are related to an organizational management and its decision making effects a company’s performance. What influences the efficiency is the growth of sales and market share. The concept of Lumpkin and Dess included five dimensions of entrepreneurial orientation. First, autonomy is an action of freedom in a person that has good judgment, vision, and progress towards success. Second, innovativeness is an operational trend which supports a new creative idea that could lead to the creation of new products, services or technology. Third, a risk taking attribute is to accept all kinds of risks, yet at the same time to provide opportunities that bring a high return on an investment. Fourth, pro-activeness is to use an operational plan that expects a new outcome and the decision to act in advance towards a future situation. Lastly, the fifth concept is a competitive aggressiveness which is an operational trend that forces a competition.

Sharma (2003) had a concept about risk taking of entrepreneurial orientation that can expect the outcome of people attitudes and company values. Koop, Reu and Frese (2000) believed that an entrepreneur in Uganda who took risk showed a positive outcome related to doing successful business. Also, Krauss, Frese, Friedrich, and Unger (2005) found that positive entrepreneurial orientation is related to a business growth especially autonomy and a risk taking attribute.

The research of Frese, et al. (2002) stated that a psychological factor which makes successful business in Namibia is all about a strategy process, entrepreneurial orientation, and its environment. Besides, positive attitudes in entrepreneurial orientation will relate to business success that is similar to the ideas of Poon, Ainuddin and Hai (2006). Poon, et al. (2006) found that entrepreneurial orientation included innovativeness and risk taking and showed positive results to a successful management.

However, a study by Hewett (1987) found a negative effect related to risk taking and business growth. Furthermore, Chell, Haworth and Brearley(1991) explained that risk taking showed a negative effect related to an organizational success. On the other hand, Begeley and Boyd (1987) found that an entrepreneur with low risk taking will not make good decisions. If an entrepreneur takes a very high risk, he or she will have more chance to fail. Therefore, an entrepreneur that chooses to take a moderate risk is most likely to success (Krauss, et al., 2005).

Alain Fayolle (2012) stated that “entrepreneurial orientation is usually defined as a multidimensional construct, applied at the organizational level, which characterize a firm’s entrepreneurial behavior and includes one or several of these three dimensions: risk taking, innovativeness and proactiveness”. According to Davis, Morris and Allen



(1991) and Knight (2000), the conceptualization of a corporate entrepreneurship is described as three dimensions: proactiveness, risk taking, and innovativeness favored by studies of a corporate entrepreneurship in strategic marketing literature.

The research showed that dimensions of entrepreneurial orientation are categorized into two groups. In the first group, three dimensions are innovation, proactiveness, and risk taking (Miller, 1983; Covin&Slevin, 1989; Wiklund, 1999; Kreiser, Marino & Weaver (2002); Tarabishy, Solomon, Femald, &Sashkin, 2005). In the second group, five dimensions are autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness (Lumpkin &Dess, 1996; Lee & Peterson, 2000).

**Table 2.2** Dimensions of entrepreneurial orientation

Researchers	Dimension
Miller and Friesen (1982)	Innovation, proactiveness and risk taking
Miller (1983)	Innovation, proactiveness and risk taking
Covin and Slevin (1989)	Innovation, proactiveness and risk taking
Lumpkin and Dess (1996)	Autonomy, innovativeness, risk taking, proactiveness and competitive aggressiveness
Wikilund (1999)	Innovation, proactiveness and risk taking

**Table 2.2** Dimensions of entrepreneurial orientation (Cont.)

Researchers	Dimension
Lee and Peterson (2000)	Autonomy, innovativeness, risk taking, proactiveness and competitive aggressiveness
Kreiser, et al. (2002)	Innovation, proactiveness and risk taking
Tarabishy, et al. (2005)	Innovation, proactiveness and risk taking
Krauss, et al. (2005)	Innovation, proactiveness and risk taking
Luo, et al. (2005)	Innovation, proactiveness and risk taking
Hughes and Morgan (2007)	Autonomy, innovativeness, risk taking, proactiveness and competitive aggressiveness
Jiao, Wei and Cui (2010)	Innovation, proactiveness and risk taking

This study's main focus was on three dimensions: innovativeness, a risk taking and proactiveness. The reason was that several researches, including the researches by Kreiser, et al. (2002) and Chadwick, Barnett and Dwyer (2008) which had tested and reviewed entrepreneurial orientation model by Covin and Slevin (1989) (innovativeness, risk taking and proactiveness), suggested evidences that support three dimensions of entrepreneurial orientation varying on an independent component. The study of a convergent validity, a discriminant validity, and a cross-cultural validity of construct dimension revealed that three dimensions strongly supported validity.

## **2.2 Concept, Theories, and Related Research of Dynamic capabilities**

The theory of strategic management has developed the concept of the dynamic capabilities of targeting to explain how organizations will be capable and possess sustainable competitive advantage in an environment that changes over time. However, to make a successful management strategy, it is a must to take into account what can cause a dynamic and what path executives can follow if they want the development (Andreeva&Chaika, 2006). The presentation framework of the situation as a management tool for creating and molding the knowledge that exists in each individual focuses on the network and explains the dynamic capabilities for future scenarios (Bergman, Jantunen & Saksa, 2004).

The ability of big business is to be able to survive and succeed in today's complex environment so it depends on the ability to adapt at any time. The three significant factors that make up dynamic capabilities are the ability to occupy or organize with unique or special resources, the ability to use as a matter of resource allocation, and the ability to leverage the work. These have become a major part or the foundation of international expansion and global implementation in which each of these capabilities is essential in order to be successful. The sustainable organizations in today's world economy will look at the technological changes in the age of globalization (Luo, 2000).

In the field of the strategic management, there are four main ideas to explain competitive advantage (Harreld, O'Reilly and Tushman, 2007). First, the industry structure evolves towards competitive advantage during its positioning (Porter, 1980). Second, competitive advantage can be sustained from the level of imitation difficulties

or the identification of heterogeneous resources, and use marketing strategies (Penrose, 1959; Wernerfelt, 1984; Barney, 1991; Grant, 1991; Amit & Shoemaker, 1993; Peteraf, 1993). Third, competitive advantage depends on game of theory or a strategic conflict approach (Shapiro, 1989). Fourth, to emphasize a strategy research, organizational capabilities, and dynamic capabilities, it depends on the ability of firms and varies from dynamic environment (Kogut & Zander, 1992; Teece & Pisano, 1994; Eisenhardt & Martin, 2000). Teece, Pisano and Schuen (1997), suggested that dynamic capabilities represent an extension of the resource-based view and explain how firms attain and use competitive advantage in dynamic environment condition.

Many agencies began to focus on what resources they already have. Resource is a factor that need to be controlled in an organization. They can be both tangible such as raw materials, tools and equipment, and intangible, such as technology, innovation, knowledge, skills, expertise, corporate reputation and information. To look deeper into some organizations, resource involves with the corporate culture. One thing that comes along with the resource is the organization capabilities which can be difficult to define and are often regarded as a non-existing resource. Ability is an important part of individual skills. However, individual skills are related to (Grant, 1991) the ability of organizations to develop accessibility in all aspects and the ability to combine resources, personnel, and processes, or the ability to use the available resources. The results can be measured effectively; the effectiveness and ability to meet the needs of all parties within time and quality whether it is management, talent, production capabilities, marketing capabilities, and so on. However, these capabilities, commonly called the

dynamic capabilities, must be able to fit in to the current market. Teece (1984) said that the organization needs to be able to fit in to the ever-changing environment.

Enterprise resource is a key factor in an organization. At present, the most famous theory is the resource-based view (RBV), which is the theory that the entity has an interest in the resources of the organization. Organizations should put more emphasis on resources and capabilities than on cost competition with the rivals' products. We should develop and make plans for the available resources or the response to changes in the external environment (Wernerfelt, 1984). Barney (1991) suggested a concept that refers to assets, capabilities, the work process in the organization, the identity or firm attributes, information, knowledge, which organizations can leverage and control.

The Theoretical History of the RBV in Blackwell Hand Book of Strategic Management (Michael, Edward, & Jeffrey, 2006) is as follows.

Phase 1: The traditional study of distinctive competencies started to investigate the ability of differentiation between business and education and to explore the leadership of executives.

Phase 2: The Ricardian theory studied the production factors, especially land, which influence the production cost or performance of firms with fertile land, and with the relationship between price and quantity.

Phase 3: According to Penrosian economics, Penrose focused on providing resources and capabilities available in the organization to achieve efficiency and effectiveness with the maximum benefits. Also the article called "The Theory of the

Growth of the Firm" by Penrose was published and released in 1959 and this is the beginning point of the RBV.

Phase 4: The study of the anti-trust implications of economics began to focus on socialism and a perfect match to the era of antitrust which introduced the "Structure-conduct-performance" to the structure of the industry. The industry was related to the contribution to operational efficiency and the theory of RBV was developed.

Dierickx and Cool (1989) concluded that there was an important paper which is the basic principles of RBV logic. Wernerfelt (1984), mentioning an attempt to develop a theory of the competitive advantage, tried to develop the enterprise resource and the implementation of the marketing strategy by using both concept and ideas. Secondly, Rumelt (1984) focused on the ability of a firm to generate economic benefits. Finally, the concept by Barney (1986a) mentioning the ability to develop the superior performance suggested that it depended on the characteristics of resource control. Barney (1991) proposed that the essential nature of strategic resources exceeded a competitive advantage and it was divided into 4 factors:

1. Resource must be valuable to the business and create a true competitiveness (Valuable Resources), which means the resources can affect the strategy effectively and efficiently such as the reputation of the organization, the business relationship, technological capability or the valuable resource that could generate less organizational obstacles.

2. Resource that is hard to find (Rare Resources) will benefit organizations compared with competitors who do not have rare resources in the industry.

3. Resource that cannot be imitated refers to the resource of which the imitation will cost a lot of money (Imitate Resources) or the resource which is so unique that it is very hard to be duplicated such as social-cultural reliability.

4. Resource which cannot find any replacement (Non-substitutable Resources).

According to VRIN Barney (1991), all of the four characteristics can create obstacles to competitors and help to increase the corporate earnings in the future.

In the present, the RBV is important and affects the operation in each organization and can influence the formulation or strategic management. Collis and Montgonery (1995) indicated that the RBV incorporates analytical elements that appear within the organization and also analyzes external conditions of the industry and existing competitive environment.

However, the theoretical framework of the RBV focuses on attention or resources and capabilities existing in the organization. It is necessary to have a competitive advantage. The resources include all assets in the organization, the ability of the organization, work processes, corporate identity, information, experience, knowledge, and technology (Maijoo&Witteloostuijn, 1996). Such ability is to determine or deploy different applications and resources harmoniously. According to Amit and Shoemaker (1993), the integration process is normally used in the organization to reflect on the need of the organization.

Eisenhardt & Martin (2000) indicated that dynamic capabilities are viewed as one part of the resource based view (RBV theory) in changing environment to explain the sustained competitive advantage. Resource and capability are important in strategic management and can lead to superior performance (Penrose, 1959; Wernerfelt, 1984;

Barney, 1991; Grant, 1991; Amit & Schoemaker, 1993; Peteraf, 1993; Eisenhardt & Martin, 2000; Luo, 2000; Bitar & Somers, 2004; Wu, 2007). Resources fall into two categories: tangible and intangible, such as materials, equipment, human resources, machines, technology and etc. On the other hand, capabilities are the organization's capacity (such as know-how, skills, knowledge, reputation and organizational culture) to management resources with business objectives (Amit & Schoemaker, 1993; Bergman, et al., 2004; Wang & Ahmed, 2007). Osterloh & Frey (2000) stated that the most important resource is the ability to excel above the competition. The ability is considered an intangible asset and includes the organizational rules and culture, relationship and values. Thus, it is called a knowledge asset which results in a better performance than its competitors.

To achieve dynamic capabilities, it is a must to view and analyze resources or ways in which they have been acquired and added to the organization's wealth. The organization is being operated in such environment with technological changes over the time. During each working process, the competitive advantage of the organization must be considered. There must be an analysis of the overall suitability of tangible and intangible assets including the size of knowledge assets available within the organization (Teece, et al., 1997). Menon and Mohanty (2008) determined the concept of dynamic capabilities as components of the resource-based view of the attempt to explain the competitive advantages in a rapidly changing environment.

Cavusgil, Seggie and Talay (2007) proposed that elements of dynamic capabilities included an organizational and strategic process in which the reorganization the resource was created in response to changes in the market. The process includes



integrating, reconfiguration and increasing and decreasing resources to suit changes in the market (Eisenhardt & Martin, 2000). Learning is to replicate and test its possibility so it can be created with better and faster results. Path dependence is to help organizations to learn from the past, present, and the future of dynamic and competitive advantage. And asset position which emphasizes the wealth of knowledge (Knowledge asset) is difficult to make a trade (Cavusgil, et al., 2007) because it is a process of knowledge creation that cannot be imitated. The four elements of knowledge creation are as follows: the knowledge derived from experiences, the conceptual knowledge asset, the knowledge of the system and the extensive knowledge process. Teece, et al. (1997) described the importance of one generation's ability to replicate the best practice of the previous generation on the basis of competitive advantage.

When looking at the dynamic marketing, the managers need to focus on creating something new rather than protect the source of competitive advantage because it is impossible to hold on to the same asset, the same branding, and the same products for too long in the market. We always need a company to take initiative on its competitive advantage (Daniel & Wilson, 2003), for example, starting e-business or using high technology in the industries. Also the company needs to change management model in order to understand how to create a competitive advantage and to combine with more options.

Social studies attempt to identify the nature, behavior and basic capabilities needed to assemble a sustainable economy amongst the rapidly changing environment and the expansion of the sources of innovation and production capabilities (Teece, 2007). Besides the basic factors that reflect the characteristics of dynamic capabilities ,

the measure might be developed in future research to see how the dynamic capabilities change before and after the model (Wang and Ahmed, 2007).

The rapidly changing technological environment, competitiveness, and needs of consumers in organizations dictate the need to improve their ability. An organization must have the ability to keep dynamically changing and high dynamic capabilities to adapt to the environment and can find affiliate resources. New knowledge must be learned and combined in order to develop products or find new markets which will affect the development process and in recognition of innovation (Cohen & Levinthal, 1990; Wang & Ahmed, 2007).

The ability of organizations generally or typically enhances organizations' dynamic ability during the short time to make the operation of more new things or cause the development of organizations. To be able to successfully transform itself, the organization must never stop being spontaneous depending on the costs and benefits of investments (Winter, 2003).

Dynamic capabilities do not directly cause competitive advantage but the competitive advantage results from the organizations that are using dynamic capabilities faster and more wisely than the competitors who are unable to copy or replicate (Eisenhardt and Martin, 2000).

According to a research on dynamic capabilities by Prieto and Smith (2006), the development of dynamic capabilities and knowledge in organizations were studied and the findings showed that the model knowledge through social relationship could act as a source of dynamic capabilities and in the future may see the relationship beyond the political and social relations. According to the study on the healthcare business

organizations by Petroni (1998), many departments were able to interact with each other. The capability of new ideas and dynamic will allow the organization to develop and create new invention. Marcus and Anderson (2006) determined the dynamic of business and social relationships in the industry. The U.S. Food found that the ability of dynamic affects the general ability of the organization to manage the supply chain.

Lin, Wu and Binshan Lin (2008) proposed the dynamic capabilities to meet agencies in a rapidly changing environment. The R & D department is doing dynamic capabilities to deliver positive results in improving the innovation. Wu (2007) analyzed the resource, dynamic capabilities, and operating in an environment that change over time, and the results showed that resources effected the operations. In addition, technology can be directly evaluated by the test of the speed of innovation, the speed of response to market, productivity and flexibility in a manufacturing company.

Shera and Lee (2004) studied the knowledge management used for strengthening the capabilities of the dynamic study in Taiwan and found that knowledge management which took place both inside and outside was significant and affected the ability for dynamic. The research by Griffith, et al. (2006) examined the emergence of entrepreneurs in terms of resources and the relationship of knowledge resources to meet the market changes that occurred in the adjustment administration so it helped entrepreneurs not to accumulate knowledge and then it could help to update the resource.

Menguc and Auh (2006) studied the level of competition in the market. The use of RBV resulted in a marketing approach that could modify the dynamic capabilities when restructuring was initiated such as a firm innovative with dynamic capabilities

could adapt itself to the changing environment and was able to allocate resources in line with changing demand of the firm to acquire the knowledge, gradually absorb and adapt to changes. Also RBV was used to exploit, produce or develop new products to the market, including the focus on innovative strategies, behaviors, and processes (Cohen and Levinthal, 1990; Wang and Ahmed, 2007).

Cepeda and Vera (2007) studied the information technology industry and the communication in Spain. The study showed that the effect of the ability to deploy dynamic and elements of knowledge was the most important benefit of the operational ability. Daniel and Wilson (2003) conducted a study to figure out whether dynamic capabilities were essential to the study of E-business companies in the United Kingdom and it was found that with the resources available, the organization would continue its existence and its ongoing development.

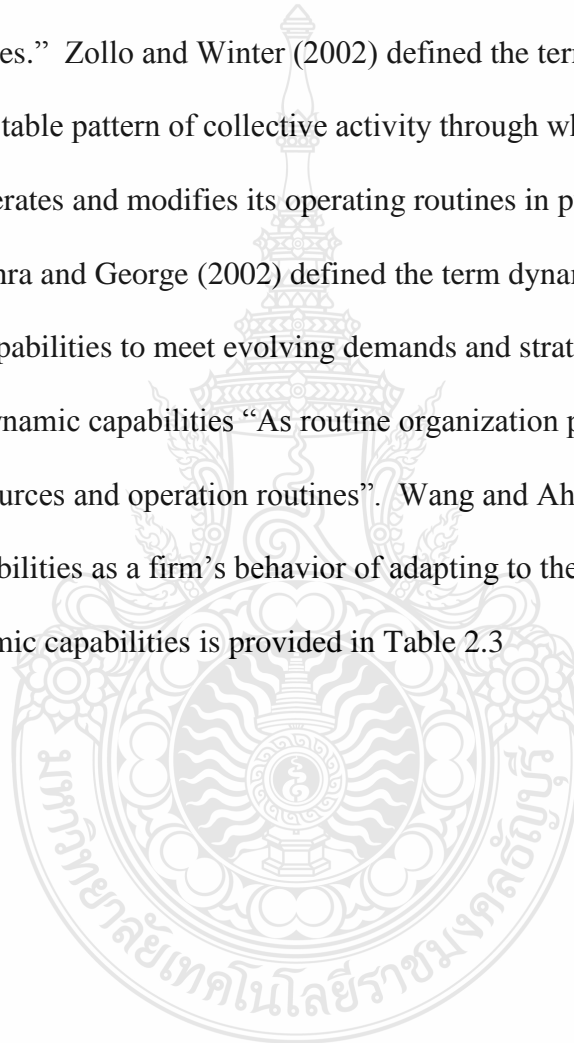
Wu and Wang (2007) studied the technology in Taiwan. The results showed that organizational technology was able to convert its resources to benefit through dynamic capabilities and competitiveness. Similarly, Parida and Pemartin (2008) studied the competitiveness of small ICT businesses in Sweden and found that dynamic capabilities effected in the company's strategies and operations.

Zahra, Sapienza and Davidsson (2006) defined the term dynamic capabilities and determined its occurrence and circumstance as follows: 1) The ability to be content and capabilities to maintain the dynamic relationships, 2) The relationship took place from the knowledge and skills of the organization, 3) The dynamic capabilities affected learning in the organization, and 4) Knowledge of the organization and changing trends of the market affected the dynamic capabilities.

Teece, et al (1997) defined the term dynamic capabilities as the firm's ability to combine and adapt both internal and external resources in changing environment.

Eisenhardt and Martin (2000) defined the term dynamic capabilities as "The firm's processes that use resources –specifically the processes to integrate, reconfigure, gain and release resources – to match and even create market change and the organizational and strategic routines." Zollo and Winter (2002) defined the term dynamic capabilities as "A learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness". Zahra and George (2002) defined the term dynamic capabilities as change-oriented capabilities to meet evolving demands and strategies. Zott (2003) defined the term dynamic capabilities "As routine organization processes that guide the evolution firm resources and operation routines". Wang and Ahmed (2007) defined the term dynamic capabilities as a firm's behavior of adapting to the changing environment.

Definition of dynamic capabilities is provided in Table 2.3



**Table 2.3** Summary of the definition of the term dynamic capabilities

Authors	Definition
Teece, et al. (1997)	<i>“The firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environment”</i>
Eisenhardt and Martin (2000)	<i>“The firm’s processes that use resources – specifically the processes to integrate, reconfigure, gain and release resources – to match and even create market change and the organizational and strategic routines by which firms achieve new resources and configurations as markets emerge, collide, split, evolve, and die.”</i>
Zollo and Winter (2002)	<i>“A learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness.”</i>
Zahra and George (2002)	<i>“Change oriented capabilities that help firms redeploy and reconfigure their resource base to meet evolving customer demands and competitor strategies”</i>
Winter (2003)	<i>“Capabilities that operate to extend, modify or create ordinary capabilities”</i>
Zott (2003)	<i>“As routine organization processes that guide the evolution firm resources and operation routines”</i>
Rai, Patnayakuni and Seth (2006)	<i>“Capabilities of integrating various business process”</i>
Lavie (2006)	<i>“The capacity to modify existing capabilities”</i>
Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece and Winter (2007)	<i>“The capacity of an organization to purposefully create, extent or modify its resource base (resources and capabilities)”</i>

**Table 2.3** Summary of the definition of the term dynamic capabilities (Cont.)

Authors	Definition
Wang and Ahmed (2007)	<i>“As a firm’s behavioral orientation constantly to integrate, reconfigure, renew and recreate its resources and capabilities and, most importantly, upgrade and reconstruct its core capabilities in response to the changing environment to attain and sustain competitive advantage”</i>
Menon&Mohanty (2008)	<i>“Ability of a firm to purposefully utilize its resources effectively so as to achieve congruence with the changing business environment”</i>

According to the table, the definition of the term dynamic capabilities can be divided into two groups: the first group focuses on changing work environment. On the other hand, the other group focuses on the idea that dynamic capabilities refer to the capability in the organization beyond the rapid changing environment.

First, the definition of dynamic capabilities emphasizes a rapid changing in working environment. Teece, et al. (1997) stated that dynamic capabilities related to the ability of an organization in changing environment. Similarly, Eisenhardt and Martin (2000) stated that the dynamic capabilities is a process of an organization in utilizing resources to achieve integration, reconfiguration and gain and the environment changes must be taken in consideration. Wang and Ahmed (2007) said that “As a firm’s behavioral orientation constantly to integrate, reconfigure, renew and recreate its resources and capabilities and, most importantly, upgrade and reconstruct its core capabilities in response to the changing environment to attain and sustain competitive advantage”. Menon & Mohanty (2008) defined that the concept of a dynamic

capabilities as “Ability of a firm to purposefully utilize its resources effectively so as to achieve congruence with the changing business environment”. Therefore, the concept of dynamic capabilities is an ability of organizations to manage resources and its capability. The organization will focus on the achievement of reconfiguration, renewal, and recreation to meet goals while maintaining its sustainable competitive advantage under any conditions that change over the time.

The second group believed that the environment did not have any effect on the dynamic capabilities to build or reconfigure their organization. Zollo and Winter (2002) defined the term dynamic capabilities “as a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness”. According to Zahra and George (2002), the term dynamic capabilities were defined as “change oriented capabilities that help firms redeploy and reconfigure their resource base to meet evolving customer demands and competitor strategies”. In addition, the term dynamic capabilities were defined as routine organizational processes that guided the evolution of firm resources and operational routines (Zott, 2003). In conclusion, this group explained that operational capabilities were essential to the operation, whether it was to manufacturing, marketing or selling. If organizations do not develop its products or services, it will lead to decreasing number of customers and sales (Winter, 2003). On the other hand, if organizations have dynamic capabilities, they will be able to change the workflow system, development operating routines, and will improve their competitive advantage.



According to both groups, a firm's abilities to reconfigure existed in operational capabilities. Also the dynamic capabilities were a part of an organization's competitive advantage.

The theory of dynamic capabilities by Teece, et al. have been repeatedly referred to since 1997 due to its reliability. Most of successful corporate must adapt to the organizational changes to survive in the business world. Research in the past has shown that organizations which depend on the theory of dynamic capabilities can adapt themselves in different situations, and the firm performance is greatly affected.

**Table 2.4** Some research about dynamic capabilities

Authors (year)	Main findings	Measurement
Griffith, et al. (2006)	The management orientation of entrepreneurial proclivity increases the accumulation of knowledge resources	Market responsive
Pavlou and El Sawy (2006)	IT functionalities, even generic functionalities by business units can help build a competitive advantage through functional competencies and dynamic capabilities	1.reconfiguring 2.sensing 3.learning 4.coordinating 5.integrating
Wu (2006)	Resources did not direct influence performance instead resources influence performance through exercising dynamic capabilities for the IT enterprises	1.resource integration 2.resource reconfiguration 3.learning 4.ability to respond to the rapidly changing

**Table 2.4** Some research about dynamic capabilities (Cont.)

Authors (year)	Main findings	Measurement
Wu (2007)	Dynamic capabilities were significant on performance for the high-tech firms	1.resource integration 2.resource reconfiguration 3.learning 4.ability to respond to the rapidly changing
Wang (2009)	The results show that organizational dynamic capabilities significantly influence operational effectiveness and competitive advantage	1.market responsiveness 2.organizational learning 3.coordination 4.integration
Hung, et al.(2010)	Organizational process alignment and organization learning culture and dynamic capabilities their interactions and joint effects on performance	1. Organizational strategic 2. R&D innovative 3. Organizational management
Jiao, et al. (2010)	Dynamic capabilities through creating new knowledge by continuous learning and then dispersed knowledge into organization level were raised	1.environmental sensing 2.changing and renewal 3. organizational flexibility 4.technological flexibility
Wu (2010)	Dynamic capabilities effectively enhance their competitive advantages under environmental volatility	1.resource integration 2.learning 3.resource reconfiguration

This table presents some of the research about dynamic capabilities. It indicates that the theory of dynamic capabilities affects the operational results on competitive advantage in an organization and therefore, enables it to be superior to its competitors. Concerning the use of resources and capability, an organization's operational performance is better than its competitors and must match the rapid environment.

According to Wang (2009), the study identified the four dimensions of dynamic capabilities (market responsiveness, organizational learning, coordination and integration) which could cover conceptualization and construction of dynamic capabilities based on the definition of Teece, et al. (1997). In addition, Wang (2009) set his research objectives to examine whether and how e-business assimilation contributes to firm dynamic capabilities. Based on this study, the effects of dynamic capabilities on firm performance were investigated. And according to Pavlou and El Sawy (2006), dynamic capabilities with sensing market, learning, coordination and integration with realization about competitive advantage were measured. Pavlou and El Sawy (2006) and Wang (2009) set up dimensions within a concept of dynamic capabilities including the ability to integrate, to build, and to reconfigure both internal and external competence in order to address rapidly to changing environment (Teece, et al., 1997). This study interrelated each capability to achieve the adaptation ability in rapidly changing environment. A unit of analysis in this study measured the firm level which was similar to the study by Wang (2009) which also investigated dynamic capabilities to the firm level. The analysis of organization level to be applied in the routine job system was conducted in the study by Teece, et al. (1997). This study

concerned the hotel industry which was referred to as service businesses that involve customers' satisfaction and always change. Similarly, the research by Wang (2009) studied about the effects of e-business on firm dynamic capabilities, and performance in rapidly changing environment. In conclusion, this study adapts dynamic capabilities measurement based on the Wang model (2009).

So the concept of resource based view (RBV) focuses on the resources available in the organization. Therefore, the organization can benefit from those resources in situations where the environment has changed over time. The resources and the ability to use them are crucial so executives in the present must give special attention to the organization and to the resource management. The dynamic management and the style equipped the organization with the superior position in the competition. Grant (1991) noted that the resource is a source of talent and can create advantage particularly competitive ability and the ability to predict. Therefore, the ability of the organization is the key to gain a sustainable competitive advantage and contributes to the firm's better performance.

### **2.3 Concept, Theories and Related Research of Firm performance**

Firm performance plays an important role in planning and decision making as well as linking strategy, operations, and evaluation (Haktanir & Harris, 2005). Melia and Robinson (2010) commented that a firm performance evaluation has been involved with the organization strategy. So, organizations need to set clear goals and criteria to develop performance measurement of the operation's effectiveness and to evaluate the results in order to achieve the organization's goals. The performance measurement is an

important process in decision making. Also, the accounting data statements were used to compare with the budget for the evaluation of the overall performance. Neely, Gregory and Platts (1995) described that the key performance measure is a quantitative process, including follow up and the operational control in accordance with the previous plan.

Many organizations believed that the performance evaluation is the process of converting the results of past actions like the financial statement by the measurement process related to data collection, data analysis, interpretation, and appropriate information report (Neely, Adams, & Kennerley, 2002). Besides, the performance evaluation through financial statement can be found in all levels of the organization. Moreover, financial statement is the image of neutrality, materiality and the independence of the measurement. Also, in the hotel business the financial performance measurement is more popular than any other methods to be used as a tool to monitor and measure performance (Haktanir & Harris, 2005). Decision making through financial statement is fair and unbiased (Porter 1995).

Financial performance is a result of the implementation of evidence. In many countries, the measure of financial performance is very important because these data can be used to support the company's decision making and to compare organizational plans (Emmanuel, Otley & Merchant, 1990). Growth and financial performance such as sales growth, profitability, and other financial performance are the organization's important factors (Cavusgil & Zou, 1994; Wiklund, 1999). In addition, Defeo, Lambest, and Larcker (1989) suggested that CEO pay attention to the financial information such as statement of operations which affect ROA in order to use it in

corporate decision making. Moreover, the profitability is commonly used for measuring success including measure by ratios such as earnings per share, return on assets, and return on investment by making comparison with other companies in the financial performance. It is the primary information for measurement and control in many organizations. The financial information can be used as a standard for measuring performance and effectiveness and it is a tool for forecasting, planning, coordinating, and evaluating the performance for decision making (Emmanuel, et al., 1990). Therefore, firm performance involves the right action at the right time, and more importantly it depends on behavior. In conclusion, firm performance is to accomplish its goals so it comprises measurements in multi dimensions. Thus, some dimensions may be significant to organization or some may be not (Singer & Edmondson, 2008). Performance is a moderately broad view and its connotation can alter in agreement with outlooks and needs of users (Lebas, 1995). Conventionally, a firm performance has been observed and measured in accounting words (Conant, Mokwa, & Varadarajan, 1990; Jennings & Seaman, 1994). Relating certain literature which concern the measurement of business performance (Kaplan & Norton, 1996; Kaplan & Norton 2001; Lynch & Cross, 1991; Otley, 1999), it proposed that managers prefer to locate relatively less importance on traditional financial performance's measures such as return on investment or net profits. Even though a theory constructed in accounting/financial performance can be derived from its own right (Capon, Farley, & Hoenig, 1990), the construction of business is actually complex which could clarify the expanded interest in framework such as the BSC produced by Kaplan and Norton in 1992.

These performance measurement approaches are influenced by the business environments that change all the time, resulting in the exposure of the defects of traditional performance measures which failed to satisfactorily indicate the actual company performance (Hoque, 2005).

Although in general, the term performance results in the leading position of measurements such as profit, cost and market share (Laitinen, 2002). Sink and Tuttle (1989) asserted that performance should not be dealt barely as a financial perspective. Meanwhile, Li, Huang and Tsai (2009) suggested measurement such as efficiency, growth, and profit. This study measures firm financial performance with the return on assets, profitability, market share, and sales volume.

#### **2.4 The Relationship between Entrepreneurial orientation and Firm performance and related research**

The entrepreneurial orientation and firm performance is an ongoing research subject of interest. Several research explained and confirmed positive and significant relationship between entrepreneurial orientation and firm performance (Miller, 1983; Charkravarthy, 1986; Covin&Slevin, 1989; Smart & Conan, 1994; Zahra &Covin,1995; Barringer&Bluedorn, 1999; Wiklund, 1999; Wiklund& Shepherd, 2005; Krauss, et al., 2005).

The entrepreneurial nature is a strategic form in working environment to a firm performance (Dess, Lumpkin and Covin, 1997). Covin and Slevin (1991) studied a model of the link between the operational affect and a firm performance and found that the effect of entrepreneurial orientation showed a positive relation. Miller and Bromiley

(1990) stated that entrepreneurial orientation has positive effects on overall performance, such as a return on assets, and a return on equity. Also, Zahra (1991) found that positive entrepreneurial orientation has an impact on a company's profitability and a growth of the firm.

Lumpkin and Dess (1996) introduced entrepreneurial orientation from a positive influence to firm performance such as sales growth, market share, profitability, and stakeholder's satisfaction. Thus, it depends on all factors such as resources, an environment, the size of an organization, a structure, a process, a strategy, a CEO's decision making, and an organizational culture. A firm's lack of complex entrepreneurial orientation and its few steps of process and decentralization can all effect its performance (Kohli&Jaworski, 1990).

In the present situation, it is believed that entrepreneurial orientation leads to a positive and effectiveness operation. Besides, an environmental dynamism can affect uncertainty on firm's marginal cost. Therefore, the company should regularly look for new ideas and consider entrepreneurial orientation as one part of the process (Zahra, 1991; Zahra &Covin, 1995; Wiklund, 1999; Hamel, 2000).

Firm performance is an outcome of the ability to use resources and CEO's care for overall results both of finance and non-finance performance (Baross & Santos, 2006; Yu & Lee, 2009). Operation of the hotel industry has a lot of competition. There are ways to take the competitive advantages and thus, an organization should have good process which perfectly matches its objectives and its ability to support a constantly changing environment (Oktemgil & Greenley, 1997; Philipp, 1999). Therefore, the organization should always stay flexible. The firm that has a high level of flexibility



will earn positive influence upon its performance more than the one that has low level flexibility (Barros, 2004). Therefore, the hypothesis of this study is as follows:

H1: Entrepreneurial orientation positively affects firm financial performance

## **2.5 The Relationship between Entrepreneurial orientation and Dynamic capabilities and related research**

In a rapidly changing environment, managers are required to find a strategy to respond to the environmental changes including the management (Zahra, et al., 2006). Similarly, Miller (1983), Covin and Slevin (1991) and Lumpkin and Dess (1996) explained that entrepreneurial orientation should pay attention to surroundings and take consideration to improve the organization process and it consists of innovativeness, risk taking, and proactiveness.

Generally, entrepreneurial orientation can create a new market and results in competitive advantage (Hamel & Prahalad, 1990; Miller, 1983). Sirmon and Hitt (2003) suggested that in a changing environment, managers need to be able to use resources, generate a new market and respond to the needs of the customer.

Wiklund (1999) explained that entrepreneurial orientation has effect on the culture of an organization, processes, learning, and it is an advanced capability. Organizations must have dynamic capabilities which can be cultivated. According to Jantunen, et al. (2005), entrepreneurial orientation has a positive effect on its dynamic capabilities and an entrepreneur should pay attention to details and give support to his or her organization. Jiao, Wei and Cui (2010) found that entrepreneurial orientation has a positive effect on dynamic capabilities to other extents.

Therefore, the most important things for an executive related to an entrepreneurial orientation and dynamic capabilities are creativity, being himself or herself, self confidence, skillful, experience, patience, and the ability to adapt into a dynamic environmental change.

Innovativeness is one dimension of entrepreneurial orientation and it is the capability of innovative ideas, trial and research & development as well as product development, service, management and technology in organization (Miller, 1983; Covin & Slevin, 1989; Lumpkin & Dess, 1996). Based on the study about the innovation of entrepreneurial orientation, innovations can be involved in the development of a new organization, product development and the new distribution model, all of new concept development event product and concept management. It is relatively positive for firm performance (Miner, Bracker & Smith, 1989; Lumpkin & Dess, 2001). And the innovativeness includes dimensional feedback of trends that supports new idea and new process with new technology (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2005).

Based on the study by Frese, & Krauss & Friedrich (2000) about educational entrepreneurs in Zimbabwe and the study by Keyser, De Kruif, & Frese (2000) about households in Zambia, it was found that the successful domestic entrepreneurs were willing to take an initiative and to act according to their own ideas unlike most people who had a good idea but did not act. Also the research from Lambing & Kuehl (2003) found that an innovative thinking was the main point of an operation and was a key to successful entrepreneurship. Rauch & Frese (2000) found a positive relation between the owner's personality business creation and their success. Also the meta-analysis showed that people who own business are more creative than others, so an innovation is

important for organizations to use new technologies rather than using traditional systems.

Risk taking concerns taking action despite the unknown outcome. Courageous risk taking in new venture is one reason that pushes people towards success (Gilmore, 1972). However, some research showed that risk taking had negative effects on the relationship between risk aversion and the growth of business (Hewett, 1987; Chell, et al., 1991). Courageous risk taking can help to predict success. The low level of courageous risk taking generates no new ideas while the high level of courageous risk taking leads to failure. Therefore, the medium level of courageous risk taking is the best path towards success (Begeley & Boyd, 1987). Certain research supported courageous risk taking as a method to achieve success (Krauss, et al., 2005). Also, risk taking dimension related to willingness to be responsible of resources that may fail. It looks like the output cannot be forecast and risk is unknown (Miller & Friesen, 1982; Keh, Foo & Lim, 2002; Wiklund & Shepherd, 2005).

Proactiveness refers to being superior to competitors by combining both proactiveness and aggressiveness for new services ahead of competition to support future demand, and refers to the search for a chance to present service and new product and predict future needs (Miller, 1983; Covin & Slevin, 1989; Lumpkin & Dess, 1996). The creation of competitive advantage is the first step ahead of competitions and it is crucial for the organization that wants to be the first to control the situation and earn good outputs from the opportunity (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2005). Thus, proactiveness dimension refers to attitudes of action for future needs and

marketing need. Based on the literature review above, the hypothesis of this study is as follows:

H2: Entrepreneurial orientation positively affects dynamic capabilities

## **2.6 The Relationship between Dynamic capabilities and Firm performance and related research**

Dynamic capabilities are a part of the improvement strategy resources which can help firms to gain the opportunities, competitive advantages and affect their performance (Kogut & Zander, 1996). Amidst environmental changes, dynamic capabilities will lead to good decision making and increase profitability. For example, a proactive marketing plan and the focus on trend of responses to the market changes can add value to products, services and product development. Using a new technology such as social networking to sell on a website can help to increase fast responses from customers. Also, it can create new patrons and new market share. Also responses from on line marketing will bring competitive advantage (Day, 1994; Hult, Ketchen & Slater, 2005).

The four dimensions of dynamic capabilities (market responsiveness, organizational learning, coordination, and integration) are reflected on firm performance. All of them affected the operation and each process will match resources, market, and environment changes (Teece, et al., 1997; Eisenhardt & Martin, 2000).

Market responsiveness to a firm's capacity is sensitive and it responds to the rapid environment, customer need, market change, creation and maintenance of superior customer value (Slater & Narver, 1995; Nidumolu & Knotts, 1998). Also, market

responsiveness has an impact on firm's performance (Jaworski & Kohli, 1993; Hult, et al., 2005) and enables firms to respond to customer demand and environment competition through their capabilities under uncertain situations.

The market change has a significant impact on the dynamic capabilities and sustainable competitive advantage; however, dynamic capabilities and the impact of the competitive advantage depend on the ability of the organization. In order to recognize and deploy the appropriate timing in line with changes in market will have both short and long term effects upon the marketing decisions (Bitar & Somers, 2004).

The marketing capability refers to a process that integrates all knowledge skills and resources of the firm to be able to meet the needs of the market and to add value to the goods and services to the firm marketing competitiveness (Day, 1994). Businesses are able to develop themselves in order to obtain information relevant to competitors, needs of customers, and various environments. In addition, businesses are able to share market information to all departments equally in order to meet the needs of the market and satisfy customer expectations better than the competitors (Slater & Narver, 1994). Dynamic capabilities made a significant contribution to the process of organizational adaptation (Levinthal, 1991; Miller, 2003).

The firm's success depends on how fast the responsiveness to customer needs can be. In this way, firms are able to maintain customer satisfaction and market shares (Wang, 2009). The firms with a good responsiveness strategy to new customer needs by using a product development strategy for a fast delivery service can satisfy customers and create a brand loyalty (Slater & Narver, 1994). The firms with ability and commitment to continuously develop products will always get a market share (Day,

1994). It is a must to understand the changing customer needs and to get access to new markets because of the changing technology and environment. This will allow consciousness of the application and improve resources utilization to achieve the best efficiency (Galunic & Rodan, 1998). In addition, the market responsiveness can increase value and customer awareness which will affect the firm's performance (Brady & Cronin Jr., 2001).

Concerning the search for opportunities to create competitive advantages to the firm, market data is available and indicates the customer needs. The information for new products in the market encourages firms to open their mind to accept new information that occurs outside the market and put them into practical use and contribute to new development products and new market capabilities. Relating the new development and changes under the firm's dynamic capabilities of the firm, Helfat and Peteraf (2003) indicated that dynamic capabilities yield the firm's indirect benefits through the output of operational capabilities.

Therefore, the dynamic capabilities are considered a tool to drive the development of the firm's organizational capabilities of the firm (Nielsen, 2006) and they enable the firm to respond to the changing market conditions. Through the increasing development of marketing capabilities (Winter, 2003), the firm will have dynamic capabilities marketing along with capability development.

Mainly, market responsiveness has an impact on the firm's capacity of implementing resources to adapt to rapid changing environment. Market responsiveness includes developing and creating new products or new process, adapting

the market strategy for a new market segment of both internal and external resources. Market responsiveness is thus one dimension of the dynamic capabilities.

Environment and competitions are always changing. The organizational learning is very important because it helps to gain knowledge in competition. Senge (2006) said that learning organization and ability to respond to change faster can create competitive advantage that will help the organization to get useful information. In addition, an organization that had a strong level of responses to customer needs will have relative development and information shared with them (Johnsom & Sohi, 2003). Other information and resources outside an organization enhance a strategic development and resources based on environment changes (Bhatt & Grover, 2005).

Moreover, individual knowledge is another important resource which enhances the organization's competitive advantage. Thus, the organization should encourage individuals to share their knowledge that has been accumulated and pass it on to other generations (Spender, 1996; Lopez, 2005).

Organizational learning is important to the firms because it promotes more effective operations (Lei, Hitt & Bettis, 1996; Simonin, 1997). In addition, organizational learning effects value adding and the effective operation (Grant, 1996; Tippins & Sohi, 2003). Organizations with learning capability can gain more competitive position than their competitors and increase their productivity. Also, the value adding can improve services and reduce costs (Zott, 2003; Wang, 2009). In addition, the firm's learning ability can always lead to improved services, products, a quick response to customer needs and the ability to provide good solutions to customers. Therefore, the ability to learn is one of the solutions to improve the

efficiency of staff or team (Bhatt & Grover, 2005). If the organization is able to get knowledge and uses it for products' improvement, it can improve its operation with high efficiency and effectiveness. It can also save costs by improving the efficiency of its production process.

Organizational learning is the process of repeating an action such as a new knowledge to improve work, and solve problems (Cohen & Levinthal, 1990; Teece, et al., 1997). Organizational learning such as a new knowledge or new information including a formal and informal ability of information management system has become a new learning and sharing information (Cohen & Levinthal, 1990; Huber, 1991; Slater & Narver, 1995; Zahra & George, 2002; Tippins & Sohi, 2003).

Nielsen (2006) proposed that the basic process of creating a dynamic resource of knowledge continues to flow into the organization at all times. The organization is responsible for accumulating knowledge into the company knowledge storage. When an organization aims to improve or create new products, it will derive benefits from its know-how. Prieto and Revilla (2006) stated that not only the company's ability to learn but also the flow of learning could affect the performance, so the ability is a key for a company to build its competitive advantage.

Prieto and Revilla (2006) also said that in the long run, to create a new knowledge in the organization should be based on the utilization of existing knowledge and the search for a new knowledge related to its competition. Moustaghfir (2008) noted that the competitive advantage of the enterprise is based on knowledge assets that cause efficient and effective cognitive processes of the organization. The knowledge is a resource to support capabilities, activity occurred, and growth from the experience.



Nonaka (2000) noted that a knowledge asset is a typical corporate resource necessary for the value creation of the organization.

The effects of an environment change are always found in a new method or a new management. Probably, an old strategy will not work in the future anymore. Organizational learning continually helps to observe its competition. The basic objective of an organizational learning is adapted to environment changes (Wang, 2009). Learning will occur in both individual and the organizational levels. However, this study focuses on the organizational learning level. Learning is done through a systematic learning process in order to be successful. Operations are generated from the collaboration of member's organization. Learning will allow firms to improve the thinking system and attitudes toward an organization (Fiol & Lyles, 1985). The organization can learn by integrating an external knowledge into an internal operation to get a more efficient and better result and adapting or using previous problem solving experiences by process of using a new knowledge (Slater & Narver, 1995). Views of learning will lead to new operational increases and this organizational learning is a part of dynamic capabilities (Zahra & George, 2002; Zollo & Winter, 2002).

Staffs with coordination capability which is management ability can reflect the organization's ability to be shared. Organizations with good coordination can set up the scope of the work more easily (Broadbent, Weill and Clair, 1999). Coordination between various departments is very important because each department has a different structure. It can be very challenging to link the organization together without any problems (Sambamurthy, Anandhi and Varun, 2003). According to Brown and Magill (1998), efficient coordination between various departments can add more productivity

and help save costs. In addition, this ability will match internal resources, job performance and every working process. An efficient job design needs to be aware that coordination can help to reduce the cumbersome steps. Good communication and interaction among staffs will help to solve conflicts and problems. The job design with clear specifications will help to improve an operation's performance.

Coordination is important to management in a changing environment (Cyert & James, 1963). Coordination means ability to manage resources, activities and systems (Malone & Crowston, 1994). Staffs have to cooperate for a smooth business activity. An element of cooperation process is a balance of resources management and activities (Pavlou & El Sawy, 2006). This reflects human resources management (Okhuysen & Eisenhardt, 2002) in term of putting the right man on the right job (Eisenhardt & Brown, 1999).

Coordination is the process that needs dynamic capabilities (Teece, et al., 1997). A company can successfully decrease any conflicts and problems by coordination (Barnard, 1968). The company with good coordination will run fast and smoothly. It is also important to look for a new method to continue development structure to support changing environment. So, coordination is a part of dynamic capabilities (Pavlou & El Sawy, 2006; Wang, 2009).

Finally, integration is a concept important to a product development and cost saving. Integration will help save time. The real time operation can improve customer service. The use of knowledge sharing with the product development and services helps to respond to customers' need and keep pace with the changes (Gold-Bernstein & Ruh, 2004). Porter (1996) mentioned that integration creates an ability to competition

advantage. Although it is difficult to group all activities and process together, the action can add value and help earn competitive advantage.

Integration is an ability to merge different competences or sum up all of important activities in any changing environment (Teece, et al., 1997; Pavlou and El Sawy, 2006). That means the focus on integrated relationship for a new development. However, integration has become a cooperation organization (Teece, et al., 1997). To solve conflicts, it is important to merge different departments into one to reach the same goal (Kogut & Zander, 1996). Based on the literature review above, the hypothesis of this study is as follows:

H3: Dynamic capabilities positively affect firm financial performance.

Some of the research on entrepreneurial orientation found that the relationship between entrepreneurial orientation and performance may have more complex reasons than a simple relationship between entrepreneurial orientation and performance (Wiklund & Shepherd, 2005). Prior to this, the researcher had assumption on the hypothesis 2 stating that entrepreneurial orientation positively effects dynamic capabilities, and the hypothesis 3 stating that dynamic capabilities positively effects firm financial performance. Both hypotheses link entrepreneurial orientation with dynamic capabilities, and dynamic capabilities with firm performance. This means the hypothesis probability may have indirect relation between Entrepreneurial orientation and firm performance.

Therefore, dynamic capabilities play the role of a mediator variable: as an independent variable in the entrepreneurial orientation and as a dependent variable in the firm performance. This discussion points out that entrepreneurial orientation

indicates positive impacts on performance through dynamic capabilities. Therefore, the hypothesis of this study is as follows:

H4: Entrepreneurial orientation has an indirect effect on firm financial performance through dynamic capabilities

## **2.7 Tourism industry and hotel industry**

The importance of the tourism industry is to bring a large amount of revenues into the country. Tourism will create employment, infrastructure development, commerce, investment, income distribution, and a cultural reservation. Many countries emphasize the importance of tourism industry development and it has been used as a tool to stimulate the economy such as in Singapore. Orfila-Sintes and Mattsson (2009) suggested that the hotel industry is important for high competitiveness. And they found that innovation has a positive impact on the hotel performance.

In Thailand, hotel business is an essential for travel industry. Every province offers variety of categories and price range to support customer needs. It has the patterns range of service from 1-5 stars. All hotels have basic facilities but distinguish by use modern facility, and quality of service.

The Hotel Act of Thailand 2547 B.E. defined the term hotel as “The place that is established with the business purpose to provide temporary accommodation either for travelers or any other person with remuneration. This does not include overnight accommodation, places run by the government, other state agencies and places of accommodation that are used for other purposes. The objective is to provide shelter for a fee on a monthly basis or more”.

Meanwhile, Antiga (2010) noted that the behavior of the hotel business is provided by human staffs although nowadays machines are also used to substitute human beings in some parts of an operation. In fact, the hotel will not be able to change the nature of the service from people to machine. Because the nature of hotel business is an around-the-clock service unlike any other business in general so it must be responsible for the operational staff on a regular basis.

An assortment of hotels can be categorized in many forms:

1. Hotel classification by the standards of the hotel. Association of hotel in Thailand (Thai Hotels Association), Tourism Authority of Thailand (TAT), and the Association of Thai Travel Agent together determine standards of Thailand which was promulgated on April 11, 2002, based on criteria like number of stars (★) to symbolize the classification standard. Standards will be determined by the social, cultural, technological, economic, and legal criteria. Also, hotel standards are determined by the 5 stars standard. The minimum standard is 1 star to the highest standard of 5 stars.

1.1 A single star hotel is the small hotel with simple facility and furniture in decent rooms with warm water and a shower. And a toilet is provided in each room (but some guests have to share facility). It provides food and beverages for guests but may not be available for non-hotel guests. This kind of hotels has a friendly atmosphere because most hotel owners and managers supervise and manage by themselves.

1.2 A two stars hotel has rooms with the standard superior to a single star hotel. In each room, there are a bathroom, a phone and television. Also, the hotel provides more choices of food which may not be made available to outside guests just like a single star hotel.

1.3 A three stars hotel is well decorated with much difference such as rooms are bigger with many more facilities inside bathrooms. It has a full room-service. Lunch may not be provided to non-guests at weekends.

1.4 A four stars hotel has an elegant decoration with a high standard of service. It may provide more than one dining room.

1.5 A five stars hotel is a large luxury hotel with the highest international standard in all aspects including rooms, dining room, and facilities.

2. Hotel classification by location. Hotels categorized by location can be classified into five types: Center City Hotel / Downtown Hotel, Suburban Hotel, Resort Hotel, Highway Hotel, and Airport Hotel.

3. Hotel classification by the number of rooms. This type of hotel can be categorized by the size of a simple classification depending on the financial status of an investor (Sudhir, 2008). The hotel classified according to the size and the number of rooms available. It is classified into four categories based on the number of hotel rooms. A small hotel has the maximum of 150 rooms while a medium-size hotel has 151 to 299 rooms, and a large hotel has 300-600 rooms, and the largest hotel has over 600 rooms.

However, the Hotel Association of Thailand classifies hotels in Thailand into three categories: a small hotel including a hotel with rooms up to 100, a medium size hotel with 100-300 rooms, and a large hotel with over 300 rooms. The Office for National Statistics divides hotels into 3 types: a small hotel with the maximum of 60 rooms, a medium size hotel with 60-150 rooms, and the largest hotel with over 150 rooms.

4. Hotel classification by the room rate. The Thailand Hotels Association divides hotels into four categories according to the rental rate: Deluxe Hotel with the rental fee of over 5,000 baht, First Class Hotel with the rental fee of 3,000-5,000 baht, the Standard Hotel with the rental fee of 1,500-3,000 Baht, and the Economic Hotel with the rental fee of 800-1500 baht.

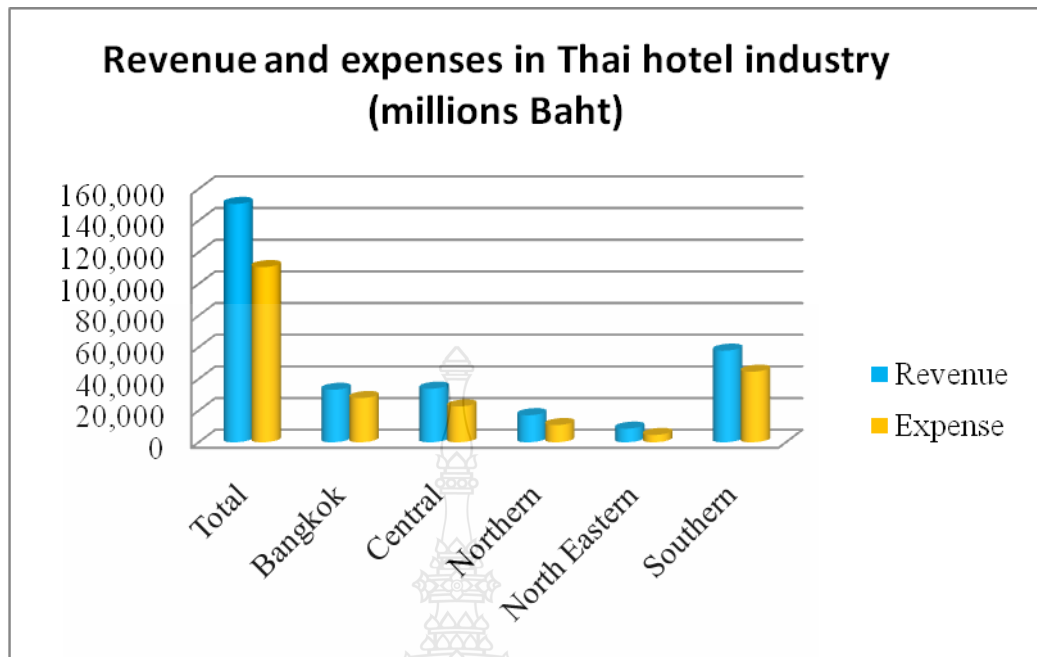
5. Hotel classification by the nature of its use. Hotels can be categorized as Commercial Hotel, Leisure Hotel, Motel, Residential Hotel, Casino Hotel, Convention Hotel, Condominium Hotel, Cruise Ship, and Spa Hotel (Antiga, 2010).

6. Hotel classification by target customers. The majority of customers will not be simply categorized into just one group, so the issue will be viewed from the hotel's target customer criteria such as the Commercial Hotel, Suite Hotel, and Classification by luxury (Sudhir, 2008).

7. Hotel classification by the hotel management system. Hotels are divided into four categories: Independent Hotel, International Chain Hotels, Franchise Management, and Chain Organization / Independent management companies (Sudhir, 2008).

8. Other hotel classifications. Hotels can be classified into Service apartment, Time-Share / Condo Hotel, Campground, Youth Hostels, Pensions, and Alternative hotel.

In 2012, The Office for National Statistics conducted the survey which indicated that hotel operations and guest house could generate a lot of revenues for the country.



**Figure 2.1** Revenue and expenses in Thai hotel industry in 2012

**Source:** National statistical office (2013)

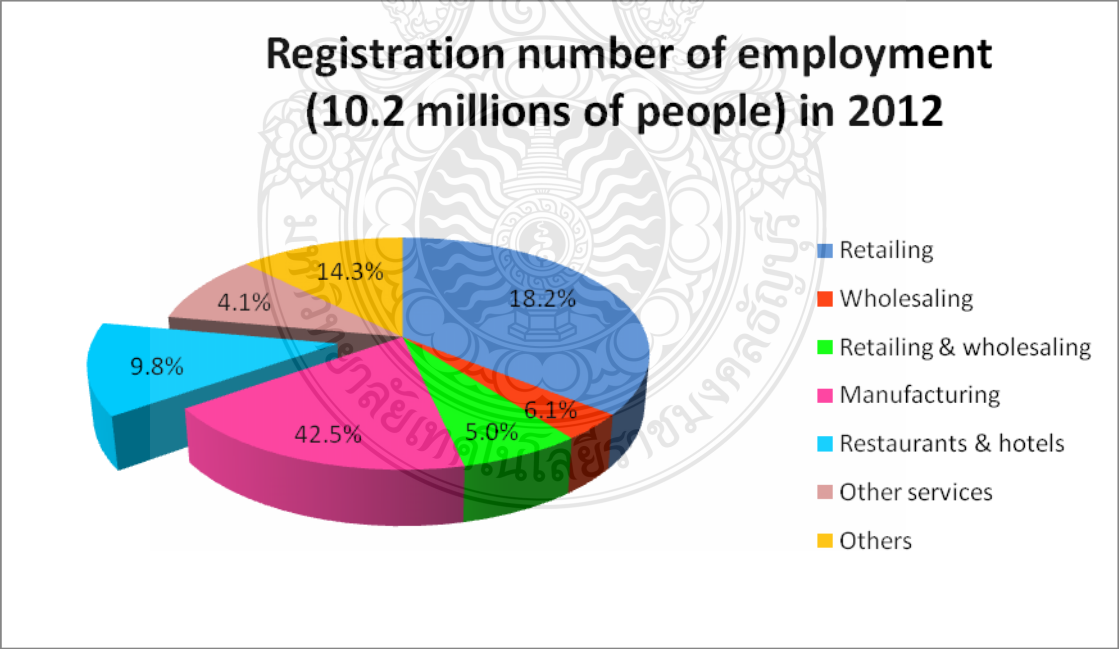
Overall, this business is very important for employment. In 2012, the Office for National Statistics Census showed that restaurant business and hotel industry are a part of mechanism that drives the country's economy by their employing of workers.





**Figure 2.2** Registration number of Thai firms in 2012

Source: National statistical office (2013)



**Figure 2.3** Registration number of employment in 2012

Source: National statistical office (2013)

In 2015, Thailand will enter to the ASEAN Economic Community under the “One Vision, One Identity, One Community” concept. The goal is to form the ASEAN community into one market by using the same manufacture base to easily transferring goods, services, investment, and labor among member countries. Amidst the environmental changes and challenges, it is important to be well prepared (Tourism Authority of Thailand, 2013). As a result, the hotel business is continuing to grow with more competition. Therefore, the hotel businesses are uncertain and continuously changing.



## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

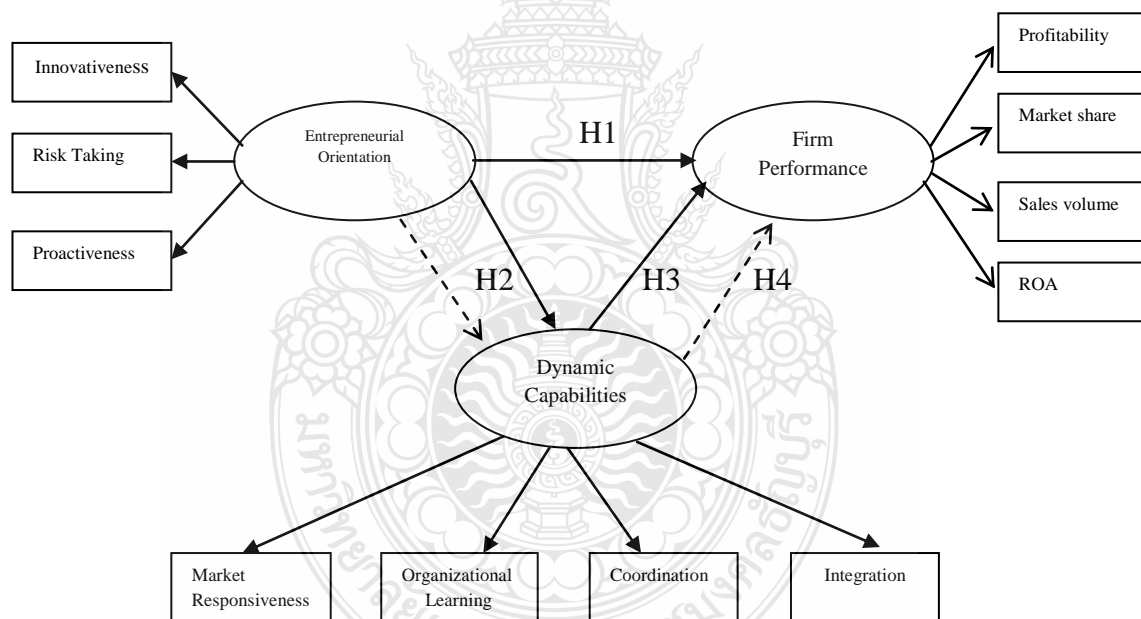
This study aimed to investigate the relationship between entrepreneurial orientation and firm financial performance through dynamic capabilities of the hotel industry in Thailand. The researcher investigated the relationship based upon the concept of entrepreneurial orientation and studies of dynamic capabilities. A member of the managing directors or board of committee or a manager in each firm who is a key informant of the hotel industry was investigated. This chapter is to explain the methodology and presents the research procedures including model/theoretical framework followed by research instrument, population and sample, validity and reliability analysis, data collection and data analysis.

#### **3.1 Model/Theoretical Framework**

There are three variables to be studied in this study including entrepreneurial orientation, dynamic capability and firm financial performance. Entrepreneurial orientation dimensions were studied from two concepts. Relating to the first concept, Miller and Friesen (1982) and Covin and Slevin (1989) stated that three dimensions consist of innovativeness, risk taking and proactiveness. Concerning the second concept, Lumpkin and Dess (1996) stated that it included five dimensions consisting of autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness. This study focused on three dimensions consisting of innovativeness, risk taking and proactiveness suggested by the reasons already mentioned in chapter 2.

Dynamic capabilities were studied by Teece et al. (1997), and Eisenhardt and Martin (2000). They focused on changing work environment. On the other hand, the other group of researchers (Zollo and Winter, 2002; Zahra and George, 2002) focused on the idea of capability in the organization beyond the rapidly changing environment. This study followed the study of Teece et al. (1997) and adapted dimensions from the study of Wang (2009) which included market responsiveness, organizational learning, coordination and integration.

The framework of this study based on literatures review was presented in figure 3.1



**Figure 3.1** Model/ theoretical framework

### **3.2 Research Design**

This study used quantitative approach and collected data from questionnaires and hotel business executives. This study measured and tested the relationship between variables using the structural equation model (SEM), and in order to measure firm financial performance, this study used data from a query to compare data from a secondary data using Business Online Public Company Limited (BOL).

### **3.3 Instrument**

A quantitative approach was used to address research questions. A questionnaire was conducted for collecting data in the procedure which comprised of three parts:

The first part was related to general information of the executive of the hotel industry.

The second part was about general information of an organization.

The third part of the questionnaire presented the questions regarding the entrepreneurial orientation (EO). These questions were developed from Miller (1983) and later modified based on Covin and Slevin (1989). EO was measured with 9 items, the 5 points Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The full survey is shown in Appendix B. To begin with, entrepreneurial orientation dimension measured the firm's tendency toward innovation which consisted of questions 1, 2, and 3. Moreover, the firm's risk taking was measured by questions 4, 5 and 6. Finally, the firm's proactiveness was measured by questions 7, 8 and 9.

Table 3.1 presented a summary of construct of entrepreneurial orientation in this study and definition of such construct, including items measured by each scales adapted from previous studies.

**Table 3.1** Construct and definition of entrepreneurial orientation

Construct	Definition	Items	Sources of Adapted Item
Entrepreneurial orientation - innovativeness	Innovativeness refers to managerial concept of organization emphasizing on R&D, technological leadership and innovation engaged with new product or new service.	<ol style="list-style-type: none"> <li>1. Our organization has very many new lines of services marketed in the past 5 years</li> <li>2. Our organization has changes in service lines marketed in the past 5 years usually been quite dramatic</li> <li>3. In general, the top managers of our organization favor a strong emphasis on R&amp;D, technological leadership, and innovations.</li> </ol>	Miller 1983, Covin and Slevin 1989

**Table 3.1** Construct and definition of entrepreneurial orientation (Cont.)

<b>Construct</b>	<b>Definition</b>	<b>Items</b>	<b>Sources of Adapted Item</b>
Entrepreneurial orientation -risk taking	Risktaking refers to the willingness of organization to responsible for unpredictable results of new project	<ol style="list-style-type: none"><li>1. In general, the top managers of our organization have a strong proclivity for high-risk projects (with chances of very high returns).</li><li>2. In general, the top managers of our organization believe that, owing to the nature of the environment, bold, wild-ranging acts are necessary to achieve the firm's objectives.</li><li>3. When confronted with decision-making situations involving uncertainty, our organization typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities.</li></ol>	Miller 1983, Covin and Slevin 1989

**Table 3.1** Construct and definition of entrepreneurial orientation (Cont.)

Construct	Definition	Items	Sources of Adapted Item
Entrepreneurial orientation -proactiveness	Proactiveness refers to an ability of organization to provide the opportunity-seeking, acting in anticipation of future demand to create change, and first mover advantage-seeking efforts to shape the environment	1. In dealing with its competitors, our organization typically initiates actions which competitors then respond to 2. In dealing with its competitors, our organization is very often the first business to introduce new services administrative techniques, operating technologies, etc. 3. In dealing with its competitors, our organization typically adopts a very competitive “undo-the-competitors”	Miller 1983, Covin and Slevin 1989

The fourth part of the questionnaire measured dynamic capabilities. The questionnaire consisted of the indicators with rating using a five points Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).



**Table 3.2** Construct and definition of dynamic capabilities

Construct	Definition	Items	Sources of Adapted Item
Dynamic capability - market responsiveness	Market responsiveness is the organizational ability respond to market for satisfaction and provide services fastness to respond for new customer need and organization had to develop new market too fast. Satisfaction help to maintain existing customers and add new customers but consider the changing environment	<ol style="list-style-type: none"> <li>1. Our organization act quickly to a new customer needs</li> <li>2. Our organization is always taking an environment survey for a new business opportunity</li> <li>3. Our organization had to develop of service for individual customer</li> <li>4. Our organization has developed a new market very quick.</li> <li>5. Our organization always has interests in a competitor strategy pricing.</li> <li>6. Our organization has improved process to keep up with rapid evolving technology</li> <li>7. Our organization has encouraged employees to discuss about emerging market trend within departments to offer new service for our customers.</li> </ol>	<p>Nidumolu &amp; Knotts (1998), Pavlou and EI Sawy (2006), Wang (2009), New items</p>

**Table 3.2** Construct and definition of dynamic capabilities (Cont.)

Construct	Definition	Items	Sources of Adapted Item
Dynamic capability-organizational learning	Organizational learning refers to the ability of organization in learning from experience and brainstorm teamwork for new knowledge including using and applying internal and external information to improve process, products or services.	<ol style="list-style-type: none"><li>1. Personal have freedom to share and exchange information among departments</li><li>2. Personal can easily access to the company information</li><li>3. Provide the supporting system to share knowledge in the organization</li><li>4. Organization encourages a brainstorming and team working for a new service innovation</li><li>5. Organization uses existing data to develop the new knowledge</li><li>6. Organization applies information in both internal and external successfully</li></ol>	Zahra & George (2002), Pavlou and EI Sawy (2006), Wang (2009)

**Table 3.2** Construct and definition of dynamic capabilities (Cont.)

Construct	Definition	Items	Sources of Adapted Item
Dynamic capability -coordination	Coordination or collaboration refers to the allocation of resources and matching between staff, skill and process within organization to improve the communication and interaction between staffs	<ol style="list-style-type: none"><li>1. They are working together very well in the processes.</li><li>2. A company is sharing information for the decision making.</li><li>3. Staffs are working on the assignments according to their knowledge and expertise</li><li>4. Employees have a combination of skills in the working process and job performance</li><li>5. Our organization has been flexible for resource allocation</li></ol>	Malone & Crowston (1994), Pavlou and EI Sawy (2006), Wang (2009), New item

**Table 3.2** Construct and definition of dynamic capabilities (Cont.)

Construct	Definition	Items	Sources of Adapted Item
Dynamic capability -integration	Integration refers to good cooperation to management in changes situation with efficiency. All departments can be work in any situation under organization goal for response to business tasks	<ol style="list-style-type: none"> <li>1. All departments in an organization cooperate to management in every situation changing efficiently.</li> <li>2. Our organization can manage and perform in any situation</li> <li>3. Departments' goals are agreeable with an organizational goal.</li> <li>4. Each department has responsibilities to customer's satisfaction and its business practice.</li> </ol>	Pavlou and EI Sawy (2006), Wang (2009)

The fifth part of the questionnaire measured firm financial performance. The questionnaire consisted of the indicators with five points Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

**Table 3.3** Construct and definition of firm financial performance

Construct	Items	Sources of Adapted Item
Firm financial performance	1. Our profitability has increased in the past years 2. Our market share has increased in the past years 3. Our sales volume tends to increase in the recent years 4. Our return on asset (ROA) tends to increase in the past years	Griffith et al. (2006), Luo et al. (2005), Wiklund and Shepherd (2005), Hung et al. (2010), Avci et al. (2011),

The origin of all standardized questionnaires was translated into Thai. The questionnaire was approved and underwent the validity test by professional management science experts. Reliability was tested in a pilot study.

### **3.4 Population and Sample**

This study focused on 3-5 stars hotels in Thailand. The sampling frame was gathered from lists on the Atsiam website (<http://www.atsiam.com>) which is a reliable database offering standard data of all hotels in Thailand such as addresses and star level of hotels. This database provides 1,848 firms with 3-5 stars level. Including six sectors in Thailand: 370 hotels in the Central region (including 305 hotels in Bangkok), 227 hotels in the North, 68 hotels in the Northeast, 675 hotels in the South, 214 hotels in the West and 294 hotels in the East.

In order to obtain samples, the researcher indicated data from three to five stars hotel business. Because the three to five stars hotels were recognized as a universal standard and represented a group of interest in hotel businesses (Sigala, 2003; Kasim&Minai, 2009). Therefore, this study's main focus was on three to five stars hotel business embracing 1,848 places.

To consider samples in the study, the researcher carefully selected the sample size appropriate for structural equation modeling (SEM). Bentler and Chou (1987) suggested having five to one variable sample group. While Schreiber, Nora, Stage, Barlow, and King (2006) suggested that the sample size have at least ten participants for approximately every free parameter. Loehlin (1992) suggested that the sample size have a minimum of 100 cases but preferably 200 cases. This study had 19 parameters thus the sample size of 190 was appropriate and adequate. The results from calculations could be used in the data analysis with SEM technical statistics. Additionally, according to the data collected by questionnaires via mail, the respondents often did not provide much cooperation as shown by the relatively low response rate. In the past, the research showed that the response rate for the hotel industry was 35-40 %. This time, the total of 475 questionnaires had been distributed to hotel executives  $((190 * 100) / 40)$ .

The sampling method of this study was the stratified random sampling technique. The first step was to divide the population into six groups based on the six regions in Thailand: the Central region, the North, the Northeast, the South, the West, and the East. The next step was the use of the simple random sampling (SRS) because

each unit had a chance or probability to be selected as an example by allocating a proportion of each region respectively as shown in table 3.4.

**Table 3.4** Number of hotels in Thailand by proportional allocation

<b>Sector</b>	<b>Population</b>	<b>Sample</b>	<b>Percentage</b>
Central	370	95	20.02
Northern	227	58	12.28
North Eastern	68	17	3.68
Southern	675	174	36.53
West	214	55	11.58
East	294	76	15.91
<b>Total</b>	<b>1,848</b>	<b>475</b>	<b>100.00</b>

### **3.5 Validity and Reliability analysis**

The researcher tested validity and reliability in order to create a clear and appropriate questionnaire. The questionnaire was examined for its content validity by an expert panel consisting of three senior management researchers. Item wordings were revised based on their feedback. As the target respondents are Thai firms, the draft questionnaire was first translated into Thai version by an academic professional in management area. A back translation from the Thai version was also conducted to compare the new English version with original items and was discussed by the researcher and the translator until agreement was reached. Further, both the original English version of the questionnaire and the Thai version was sent to another academic

professional in management area to ensure the consistency between two language versions, the understandability and the accuracy of item wordings. The questionnaire was verified and revised for translation accuracy after further discussion.

### 3.5.1 Validity Analysis

3.5.1.1 Content validity: Researchers examined the quality of the research instrument by using the questionnaire. The research was examined and audited by the Dissertation Advisor and Dissertation Co-advisor before being forwarded to three experts for content validity. The research needed to find an index of item-objective congruence (IOC) (Rovinelli & Hambleton, 1977) of a consistency between each question and attribute with the objectives as following:

$$IOC = \frac{\sum R}{N}$$

R = Rate of expert opinion

N = number of experts

Score was set by the experts' following criteria:

+1 Refers to the objective of the research question or definition

0 Means not sure whether the question is consistent with the purposes of research or definition

-1 Means the question is inconsistent with the purposes of research or definition

All the items with IOC scores of less than 0.5 were eliminated from the final instrument. After the experts had checked the quality of the questionnaire's content validity, it was found that the content validity ranged from 0.6 and above. It showed that the questions in the questionnaire were appropriate due to its consistence with the



objectives of the research questions, the context accuracy, language appropriation, and clarification that covered the study. The research was conducted after the questions had been revised based on advisors' suggestion such as the clarity of the questions, the use of an official language rather than an informal one and the elimination of unnecessary questions.

3.5.1.2 Construct validity was tested by confirmatory factor analysis (CFA) including p-value, factor loading, average variance extracted (AVE), and discriminant validity. First, p-value associated with each loading should be significant. Second, factor loading was above 0.3 (Hair, Black, Babin, and Anderson (2010)). Third, AVE was above 0.5, the AVE for each construct was greater than its shared variance with any other construct and discriminant validity was supported (Fornell&Larcker, 1981).

### **3.5.2 Reliability analysis**

The researcher measured confidence or internal consistency with a Cronbach's Alpha Coefficient with the revised questionnaire which was conducted under the experts' guidance. The questionnaire was used with 30 sample hotels. According to the criteria, the results showed that the confidence level of the questions was greater than 0.60 (Hair, Black, Babin& Anderson, 2010). The results verified the confidence level of the questions as shown in table 3.5

**Table 3.5** The confidence of the questions used in the research.

Conceptual/ Theoretical	Variables	Number of Questions	Cronbach's Alpha Coefficient
1. Entrepreneurial Orientation	Innovativeness	3	0.806
	Risk taking	3	0.620
	Proactiveness	3	0.821
2. Dynamic capabilities	Market responsiveness	7	0.894
	Organizational learning	6	0.870
	Coordination	5	0.779
	Integration	4	0.886
3. Firm financial performance		4	0.798

The questions used in the research were tested with the Cronbach's Alpha Coefficient. After the questionnaire had been distributed to three-stars to five –stars hotel executives from 30 hotels, it was found that the Cronbach's Alpha Coefficient of entrepreneurial orientation was between 0.620 to 0.821. The dynamic capabilities theory was equal to 0.779 to 0.894. The firm financial performance was equal to 0.798 which was considered acceptable.

### 3.6 Data Collection

The data was collected from a questionnaire and the unit of analysis was firm level. The firms are all located in Thailand so the questionnaire was written in Thai. The Thai version questionnaire was approved by professional from management area. The researcher collected data from the questionnaire's respondents who were managing directors, board of committee, and managers because these individuals played important

administrative roles and thus were the most appropriate persons to provide the information. The executive levels mostly understood all of the details, data, and business nature which were exactly what the researcher wanted to study. The researcher had determined that respondents on a firm level studied the influence of entrepreneurial orientation (EO) and dynamic capabilities (DC) that affected the operation of the business.

The researcher collected data on the performance according to two sources: a questionnaire answered by the hotel management and measured by the return on assets (ROA). Then the secondary data was obtained from Business Online Public Company Limited (BOL) database. BOL is a leading provider of business information services that helps to check a company's credibility. The Ministry of Commerce provided companies' basic general information of all registered businesses in Thailand. Firm financial performance was measured by return on assets (ROA) to demonstrate the performance of funds after investment whether such assets could generate profit, to demonstrate the use of the asset, to compare with the other companies in the same industry. It was suggested that the competitiveness of enterprises in the management yielded greater profit than the others.

Literature review showed that most of studies used data collected by questionnaires via the postal service. The questionnaires were sent to the respondents via postal mails in order to allow them more time to answer and to limit the bias as well as prejudice. However, there were some problems on distribution such as the lack of cooperation from respondents, a low response rate and the long period of waiting time before the reply was received (Armstrong & Overton, 1997).

At each step of the data collection, researcher referred to a letter written by the Dean of the Faculty of Business Administration, Rajamangala University of Technology Thanyaburi. Along with the letter for courtesy in response to a query were the recommendations of the research questionnaire, an envelope addressed to the researcher and the postage to facilitate the business. To return the questionnaires the above query, the researcher had conducted a number of codes to facilitate the monitoring and follow-up questionnaires.

### **3.7 Data Analysis**

After the completion of the data collection, the researcher analyzed data by using the appropriate statistic methods. And the statistical data which was used to meet the research objectives was as follows.

#### **3.7.1 Descriptive statistics**

Researcher used it to describe the characteristics of the data distribution parameters categorized by the factors for the schedule. Statistics used were percentage, mean and standard deviation. The descriptive statistics was used to describe the data in this study including respondents' gender, age, education level, job position, employment period at the hotels, the business form, the nature of business, number of employees during the hotel's operational period, asset value, and ratio from each group of customers, be it foreign or domestic customers.

#### **3.7.2 Factor analysis**

Factor analysis is the technique for segmenting variables or including variables that are related to the same group. The objective is to reduce the number of variables so

if those variables are numerous and related, the analysis is to verify accuracy (confirmatory). Factor analysis is divided into exploratory factor analysis (EFA) and confirmatory factor analysis (CFA).

In this study, the CFA analysis was in accordance with the structures of the relationships among the previous observation of variables that were related to other research literature review. The study included the normal distribution testing, composite reliability (CR), average variance extracted (AVE), convergent validity, and discriminant validity. Fornell and Larker (1981) recommended that composite reliability (CR) be greater than 0.60 and average variance extracted (AVE) be greater than 0.50.

CR = composite reliability

$$= (\Sigma \text{ of standardized loading})^2 / [(\Sigma \text{ of standardized loading})^2 + \Sigma \text{ of } \epsilon_j]$$

$$\text{AVE} = \Sigma \text{ of (standardized loading)}^2 / [(\Sigma \text{ of (standardized loading)}^2) + \Sigma \text{ of } \epsilon_j]$$

### **3.7.3 Structure equation model (SEM)**

Structure equation model is a statistical analysis technique used for confirming the hypothesis in this study. Derived from theories that can cause both direct and indirect effects, it is the technique that shows the relationship expected by the theory of groups of variables (Marcoulider & Hershberges, 1997). Vanichbuncha (2013) explained that SEM is a data analysis technique and a multivariate technique used for analyzing and sharing information. And a technique which determines the relationship of causes and effects can also be used for analyzing the observed variable and latent variable. In this study, the researcher analyzed the structural equation model based on

the conceptual framework with empirical data to verify the coexistence of the research mode by using the path analysis to analyze data. The first step was the analysis of the impact of entrepreneurial orientation on firm financial performance. The second step was the analysis of the impact of entrepreneurial orientation on dynamic capabilities. The third step was the analysis of the effects of dynamic capabilities on firm financial performance. And the last step was the analysis of the direct effects or indirect effects of entrepreneurial orientation on firm financial performance through dynamic capabilities. In conclusion, the dynamic capabilities indicated full mediator variable or partial mediator variable.

The following indices were used to check the consistency of the model with empirical data.

The first indicator, chi-square ( $\chi^2$ ) or CMIN, is the commonly used statistical test in order to check if the harmony is significant. To indicate that the model is consistent with empirical data merging, the chi-square or CMIN must have  $p > 0.05$  (Diamantopoulos & Siguaw, 2000).

The second indicator,  $\chi^2/df$  or CMIN / df, is used in order to indicate the model's harmony with empirical data. The value of less than 2.00 indicates that the model is in harmony with the empirical data (Bollen, 1989) or the value of 2.00 to 5.00 indicates that the model is in fair harmony (Diamantopoulos & Siguaw, 2000).

The third indicator, Comparative Fit Index (CFI), belongs to a class of fit statistics known as incremental or comparative fit indices, which are among the most widely used in SEM and can assess the relative improvement in fit of the researcher's model compared with a baseline model. CFI should be consistent with values up to 0.90 (Diamantopoulos & Siguaw, 2000).

The fourth indicator, Goodness of Fit Index (GFI), is used for checking the consistency and it should be 0.90 or above (Diamantopoulos & Siguaw, 2000).

The fifth indicator, Adjusted Goodness of Fit Index (AGFI), which is considered consistent should be 0.90 or above (Diamantopoulos & Siguaw, 2000).

The sixth indicator, Normed Fit Index (NFI), which is considered consistent should be 0.90 or above (Diamantopoulos & Siguaw, 2000).

The seventh indicator, Root Mean Square Error of Approximation (RMSEA), which is considered good fit should be less than 0.50 and considered reasonable fit is between 0.05 and 0.08 (Browne & Cudeck, 1993; MacCullum, Browne, & Sugawara, 1996).

The last indicator, Hoelter or Critical number (CN), is the acceptable minimum sample size which indicates that expected models are in harmony with the empirical data. The Hoelter with the value of greater than 200 indicates that a sample size is large enough for analysis (Hoelter, 1983).

This study examined the conditions for normal distribution by checking the skewness and kurtosis values. Curran, West and Finch (1996) suggested that if the absolute value of the skewness index is more than 3, this means that the data is asymmetric or does not have a normal distribution. If the absolute value of the kurtosis index is more than 10, it indicates that the variable is normally distributed. In addition, the significance at 0.05 level, p-value was less than 0.05; the significance at 0.01 level, p-value was less than 0.01; and the significance at 0.001 level, p-value was less than 0.001 (Arbuckle, 2011).

## CHAPTER 4

### RESEARCH RESULT

Entrepreneurial orientation and dynamic capabilities are well recognized in management area. In this study, they acted as the key factors. The component of entrepreneurial orientation in this study was composed of innovativeness, risk taking, and pro-activeness (Miller, 1983; Covin & Slevin, 1989). This study aimed for the outcomes of the entrepreneurial orientation through dynamic capabilities as a mediating factor. Firm financial performance was a measurable factor used for indicating results of the relationship's outcomes. In this study, firm financial performance was measured by two models. The first model was used for measuring the return on assets (ROA) with the information from Business Online Public Company Limited (BOL). The second model was used for collecting and measuring the information from questionnaire answers. In addition, dynamic capabilities acting as a mediator included market responsiveness, organizational learning, coordination, and integration (Teece et al., 1997). Structural Equation Modeling (SEM) was applied to investigate the research questions. Therefore, this chapter explained all of the following:

- Data preparation
- The analysis results of general information of respondents and hotel business
- The analysis of entrepreneurial orientation, dynamic capabilities, and firm financial performance using descriptive statistics
- Label of Latent variable



- Reliability Analysis
- Construct Assessment and Validity Analysis
- Empirical Assessment of Proposed Models
- Model assessment
- Hypotheses Testing and Results

## **4.1 Data preparation**

### **4.1.1 The population and response rate**

This thesis used 475 questionnaires (unit of analysis: firm level as a method) to get complete information from hotel managers in Thailand. After one month and a half, the total number of 162 questionnaires was returned to the researcher. Then, the followed-up procedure was conducted via e-mail and telephone calls and 25 additional questionnaires were returned to the researcher. Therefore, the total of data was added up to the total number of 187 questionnaires. However, this study required at least 190 queries so 100 questionnaires were sent out and a month later, the total of 45 replies was received. Finally, 232 questionnaires, representing a response rate of 40.35%, were analyzed.

### **4.1.2 Treatment of the Missing Data**

The researcher obtained a secondary data of each hotel by using the financial information from the Business Online Public Company Limited (BOL). However, the BOL database did not contain all of the hotel information so the data could not be used in the experiment. Another reason why the research cannot be completed was that some of the financial statements were missing between 2011 and 2012. Also the total of 25

hotels' information had been omitted such as the outlier values from a boxplot graph; therefore, only 207 hotels were included in this analysis.

#### **4.1.3 Normal distribution of sample**

Before performing the statistical analysis, the normal distribution of this sample was checked by using skewness and kurtosis value. Curran, West and Finch (1996) suggested that if the absolute skewness index is more than 3, this means the data is asymmetric or does not have a normal distribution. If the absolute kurtosis index is more than 10, it indicates that there is not normal distribution.

Besides, Vanichbuncha (2013) suggested that the skewness value should be between -1 and +1 to assume a normal distribution. In this study, the skewness value was between -0.82 and +0.43 (as shown in Table 4.3, Table 4.4, and Table 4.5). Kurtosis value was between -0.75 to +0.84 (as shown in Table 4.3, Table 4.4, and Table 4.5). In summary, the data was normally distributed and could be analyzed through a structural equation model.

#### **4.2 The analysis results of general information of respondents and hotel business**

The analysis results of the basic statistics in the hotel business descriptive classification were as follows: 1. the general information of the executive consisted of their gender, age, education level, position, and tenure years employed. 2. the general information of organizations consisted of type of business organization, form of business, number of employees, number of years in operating, total assets, majority in the market, and both proportion of overseas and domestic markets. The details were shown in the table below:

**Table 4.1** Respondents' profile (General information of the executive)

<b>Demographic data</b>	<b>Frequency</b>	<b>Percent</b>
<b>Gender</b>		
Male	92	44.4%
Female	115	55.6%
<b>Age</b>		
Less than 30	23	11.1%
30-39	69	33.3%
40-50	73	35.3%
More than 50	42	20.3%
<b>Education level</b>		
Less than bachelor's degree	26	12.6%
Bachelor's degree	129	62.3%
Higher than bachelor's degree	52	25.1%
<b>Position</b>		
Managing Director	30	14.5%
Board of committee	23	11.1%
Manager	136	65.70%
Others	18	8.7%
<b>Tenure years employed</b>		
Less than 5 years	51	24.6%
5-9 years	56	27.1%
10-15 years	43	20.8%
More than 15 years	57	27.5%

**Table 4.2** Respondents' profile (General information of organization)

<b>Demographic data</b>	<b>Frequency</b>	<b>Percent</b>
<b>Types of business organization</b>		
Public Company	6	2.9%
Company Limited	171	82.6%
Partnership	30	14.5%
<b>Form of business</b>		
Thai firms	196	94.7%
Joint Venture with Foreign	11	5.3%
<b>Number of employees</b>		
Less than 50 employees	64	30.9%
50 – 100 employees	63	30.4%
101 – 200 employees	48	23.2%
More than 200 employees	32	15.5%
<b>Number of years in operating</b>		
Less than 5 years	20	9.7%
5 – 10 years	74	35.7%
11 – 15 years	25	12.1%
16 – 20 years	18	8.7%
More than 20 years	70	33.8%
<b>Total assets</b>		
Less than 50 million Baht	44	21.3%
50 – 100 million Baht	49	23.7%
101 – 200 million Baht	33	15.9%
More than 200 million Baht	81	39.1%
<b>Majority in hotel market</b>		
Asia	123	59.4%
Europe	68	32.9%
America	7	3.4%
Others	9	4.3%

**Table 4.2** Respondents' profile (General information of organization) (Cont.)

<b>Demographic data</b>	<b>Frequency</b>	<b>Percent</b>
<b>Proportion of overseas and domestic markets</b>		
Overseas equal to domestic market	16	7.7%
Overseas more than domestic market	103	49.8%
Overseas less than domestic market	88	42.5%

Data was collected from 207 queries sent to respondents of the management level. The questionnaire divided hotels into 6 sectors: the Central region, the North, the Northeast, the South, the West, and the East. Then simple random sampling (SRS) was used. The characteristics of the majority were as follows: 55.6 percent of respondents were female, 35.3 percent were aged between 40 to 50, 62.3 percent obtained a bachelor's degree, most of them were managers (65.7 percent) and 27.5 percent had over 15 years of working experience.

Moreover, the majority of organizations were registered as a limited company accounted for 82.6 percent. Also, 94.7 percent were the companies run by Thai owners with the hiring rate of less than 50 employees which accounted for 30.9 percent. The majority of them had a period of operation ranging from 5 to 10 years accounted for 35.7 percent with the value of assets estimated over 200 million baht or 39.1 percent. Moreover, 59.4 percent of the main customers were located in Asia and there were 49.8 percent of foreign customers.

### 4.3 The analysis results of entrepreneurial orientation, dynamic capabilities, and firm financial performance.

#### 4.3.1 Entrepreneurial orientation

Entrepreneurial orientation could be categorized into three areas: innovativeness, risk taking, and proactiveness. Concerning the study on the opinions of executives on entrepreneurial orientation, the five-point scales were used: (1) = strongly disagree, (2) = disagree, (3) = neutral, (4) = agree, and (5) = strongly agree. the level of opinions about the entrepreneurial orientation:

**Table 4.3** The data analysis of entrepreneurial orientation

Entrepreneurial orientation	Mean	S.D.	Skewness	Kurtosis
<b>Innovativeness</b>				
1. Our organization has very many new lines of services marketed in the past 5 years.	3.25	0.87	0.029	-0.029
2. Our organization has changes in service lines marketed in the past 5 years usually been quite dramatic.	3.61	0.77	-0.82	-0.051
3. In general, the top managers of our organization favor a strong emphasis on R&D, technological leadership, and innovations.	3.61	0.88	-0.305	-0.031
<b>Risktaking</b>				
1. In general, the top managers of our organization have a strong proclivity for high-risk projects (with chances of very high returns).	3.28	0.84	-0.026	0.195

**Table 4.3** The data analysis on entrepreneurial orientation (Cont.)

<b>Entrepreneurial orientation</b>	<b>Mean</b>	<b>S.D.</b>	<b>Skewness</b>	<b>Kurtosis</b>
2. In general, the top managers of our organization believe that, owing to the nature of the environment, bold, wild-ranging acts are necessary to achieve the firm's objectives.	4.01	0.71	-0.342	-0.100
3. When confronted with decision-making situations involving uncertainty, our organization typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities.	3.62	0.77	-0.194	0.356
<b>Proactiveness</b>				
1. In dealing with its competitors, our organization typically initiates actions which competitors then respond to.	3.47	0.77	0.25	-0.342
2. In dealing with its competitors, our organization is very often the first business to introduce new services administrative techniques, operating technologies, etc.	3.35	0.88	-0.09	0.138
3. In dealing with its competitors, our organization typically adopts a very competitive "undo-the-competitors"	3.79	0.86	-0.539	0.412

Table 4.3 provided an analysis of the entrepreneurial orientation in the hotel industry. It showed that the respondents had a high level of agreement in all questions. The data indicated that concerning innovativeness, the attitude towards “our organization has changes in service lines marketed in the past 5 years usually been quite dramatic” had the highest mean score of 3.61 and the attitude towards “the top managers of our organization favor a strong emphasis on R&D, technological leadership, and innovations” had the highest mean score of 3.61. The attitude towards “our organization has very many new lines of services marketed in the past 5 years” had the lowest mean score of 3.25. Concerning risktaking, the attitude towards “the top managers of our organization believe that owing to the nature of the environment, bold, wild-ranging acts are necessary to achieve the firm’s objectives” had the highest mean score of 4.01 whereas the attitude towards “the top managers of our organization have a strong proclivity for high-risk projects (with chances of very high returns)” had the lowest mean score of 3.28. Concerning proactiveness, the attitude towards “in dealing with its competitors, our organization typically adopts a very competitive “undo-the-competitors” had the highest mean score of 3.79 whereas the attitude towards “in dealing with its competitors, our organization is very often the first business to introduce new services administrative techniques, operating technologies” had the lowest mean score of 3.35. The consideration of the results of the analysis showed that the standard deviation in the criteria did not cause any problems to the analysis of structural equation modeling. The problems can occur when the variance’s difference is more than 10 times (Kline, 2011).

Concerning skewness and kurtosis value, skewness value ranged between -0.82



and +0.25 and kurtosis value ranged between -0.342 and +0.412, indicating that the data was normally distributed.

### 4.3.2 Dynamic capabilities

Dynamic capabilities were divided into four areas: market responsiveness, organizational learning, coordination, and integration. To study the opinions of hotel executives towards dynamic capabilities in hotel industry, the five-point scales were used: (1) = strongly disagree, (2) = disagree, (3) = neutral, (4) = agree, and (5) = strongly agree.

**Table 4.4** The data analysis of the dynamic capabilities

Dynamic capabilities	Mean	S.D.	Skewness	Kurtosis
Market responsiveness				
1. Our organization act quickly to a new customer needs	3.88	0.76	-0.135	-0.572
2. Our organization is always taking an environment survey for a new business opportunity	3.78	0.82	-0.159	-0.571
3. Our organization had to develop of service for individual customer	3.86	0.85	-0.757	0.838
4. Our organization has developed a new market very quick.	3.45	0.87	-0.022	-0.475
5. Our organization always has interests in a competitor strategy pricing.	3.68	0.93	-0.341	-0.281
6. Our organization has improved process to keep up with rapid evolving technology	3.72	0.78	-0.075	-0.501
7. Our organization has encouraged employees to discuss about emerging market trend within departments to offer new service for our customers.	3.77	0.79	-0.332	0.072

**Table 4.4** The data analysis of the dynamic capabilities (Cont.)

<b>Dynamic capabilities</b>	<b>Mean</b>	<b>S.D.</b>	<b>Skewness</b>	<b>Kurtosis</b>
<b>Organizational learning</b>				
1. An individual has freedom to share and exchange information among departments	3.57	0.91	-0.546	0.516
2. An individual can easily access to the company information	3.52	0.92	-0.435	0.170
3. The supporting system is provided to share knowledge in the organization	3.83	0.84	-0.398	-0.147
4. Organization encourages a brainstorming and team working for a new service innovation	3.90	0.86	-0.550	0.202
5. Organization uses existing data to develop the new knowledge	3.75	0.80	-0.136	-0.233
6. Organization applies information in both internal and external successfully	3.72	0.78	0.43	-0.614
<b>Coordination</b>				
1. They are working together very well in the processes.	4.05	0.71	-0.151	-0.746
2. A company is sharing information for the decision making.	3.99	0.75	-0.257	-0.469
3. Staffs are working on the assignments according to their knowledge and expertise	3.94	0.68	-0.207	-0.106
4. Employees have a combination of skills in the working process and job performance	4.00	0.68	-0.181	-0.276
5. Our organization has been flexible for resource allocation	3.98	0.76	-0.305	-0.385

**Table 4.4** The data analysis of the dynamic capabilities (Cont.)

<b>Dynamic capabilities</b>	<b>Mean</b>	<b>S.D.</b>	<b>Skewness</b>	<b>Kurtosis</b>
<b>Integration</b>				
1. All departments in an organization cooperate to management in every changing situation efficiently.	3.85	0.72	-0.086	-0.426
2. Our organization can manage and perform in any situation	3.94	0.69	-0.184	-0.249
3. Departments' goals are agreeable with an organizational goal.	3.98	0.74	-0.188	-0.575
4. Each department has responsibilities to customer's satisfaction and its business practice.	4.05	0.72	-0.23	-0.548

Table 4.4 provided data analysis of the dynamic capabilities in hotel industry. It was found that the respondents highly agreed with dynamic capabilities. Data indicated that concerning market responsiveness, the attitude towards “our organization act quickly to a new customer needs” had the highest mean score of 3.88 whereas the attitude towards “our organization has developed a new market very quick” had the lowest mean score of 3.45. Concerning organizational learning, the attitude towards “organization encourages a brainstorming and team working for a new service innovation” had the highest mean score of 3.90 whereas the attitude towards “an individual can easily access to the company information” had the lowest mean score of 3.52. Concerning coordination, the attitude towards “they are working together very well in the processes” had the highest mean score of 4.05 whereas the attitude towards

“staffs are working on the assignments according to their knowledge and expertise” had the lowest mean score of 3.94. Concerning integration, the attitude towards “each department has responsibilities to customer’s satisfaction and its business practice” had the highest mean score of 4.05 whereas the attitude toward “all departments in an organization cooperate to management in every changing situation efficiently” had the lowest mean score of 3.85. The results of the analysis showed that the standard deviation in the criteria did not cause any problems in the analysis of structural equation modeling. The problems can occur when the variance’s difference is than 10 times (Kline, 2011).

Skewness and Kurtosis value ranged from -0.76 and 0.43 and Kurtosis value ranged from -0.75 and 0.84, which was acceptable so it showed that the data were normally distributed.

#### 4.3.3 Firm financial performance (data from questionnaires).

Concerning the hotel executives’ opinions on the firm financial performances, the five-point scales were used: (1) = strongly disagree, (2) = disagree, (3) = neutral, (4) = agree, and (5) = strongly agree.

**Table 4.5** The data analysis of the firm financial performance.

Firm financial performance	Mean	S.D.	Skewness	Kurtosis
1. Our profitability has increased in the past years	3.55	0.82	-0.029	-0.246
2. Our market share has increased in the past years	3.59	0.84	-0.094	-0.658

**Table 4.5** The data analysis of the firm financial performance (Cont)

<b>Firm financial performance</b>	<b>Mean</b>	<b>S.D.</b>	<b>Skewness</b>	<b>Kurtosis</b>
3. Our sales volume tends to increase in the recent years	3.55	0.82	-0.024	-0.523
4. Our return on asset (ROA) tends to increase in the past years	3.32	0.76	-0.261	-0.201

Table 4.5 presented the data analysis of firm financial performance in the hotel industry. It showed that most of the respondents had a high level of agreement in all questions; the average scores were between 3.32 and 3.59. The data indicated concerning firm financial performance, the attitude towards “our market share has increased in the past years” had the highest mean score of 3.59 whereas the attitude towards “our return on assets tends to increase in the past years” had the lowest mean score of 3.32. The analysis of the standard deviation presented that the standard deviation found in the criteria was not significant so it did not cause any problems in the analysis of structural equation modeling.

Skewness of performance value were -0.024 and -0.261, and kurtosis value were -0.658 and -0.201, suggesting the normal distribution.

#### **4.3.4 Return on assets (data from Business Online Public Company Limited)**

The average of return on assets in 2011 was -6.20 and in 2012, it was -3.74. The skewness value was -0.358, and kurtosis value was 0.794, suggesting the normal distribution.

#### 4.4 Label of Latent variable

The variables of entrepreneurial orientation and dynamic capabilities for the structure on the elements that influenced the performance of this study used the following abbreviations in the process of data analysis.

**Table 4.6** Abbreviation

Construct	Abbreviation
Entrepreneurial orientation	EO
Innovativeness	INN
Risk Taking	RIT
Proactiveness	PRO
Dynamic capabilities	DC
Market Responsiveness	MKR
Organizational Learning	ORL
Coordination	COO
Integration	INT
Performance_ROA (from BOL)	ROA
Performance (from questionnaire)	PERF

#### 4.5 Reliability Analysis

Before analyzing data by using structural equation model, the researcher had to check the data reliability if the Cronbach's alpha was above 0.70 to ensure the study's acceptability. The numbers of reliability analysis for each scale were shown in the next sections.

#### **4.5.1 Entrepreneurial orientation**

The entrepreneurial orientation instrument of this study presented nine items of which the alpha was 0.817. The study suggested that the instrument was reliable for the measurement of this scale.

#### **4.5.2 Dynamic capabilities**

The dynamic capabilities instrument of this study presented twenty two items of which the alpha was 0.948. This suggested that the instrument was reliable for the measurement of this scale.

#### **4.5.3 Firm financial performance**

The firm financial performance instrument of this study presented four items of which the alpha was 0.879. This suggested that the instrument was reliable for the measurement of this scale.

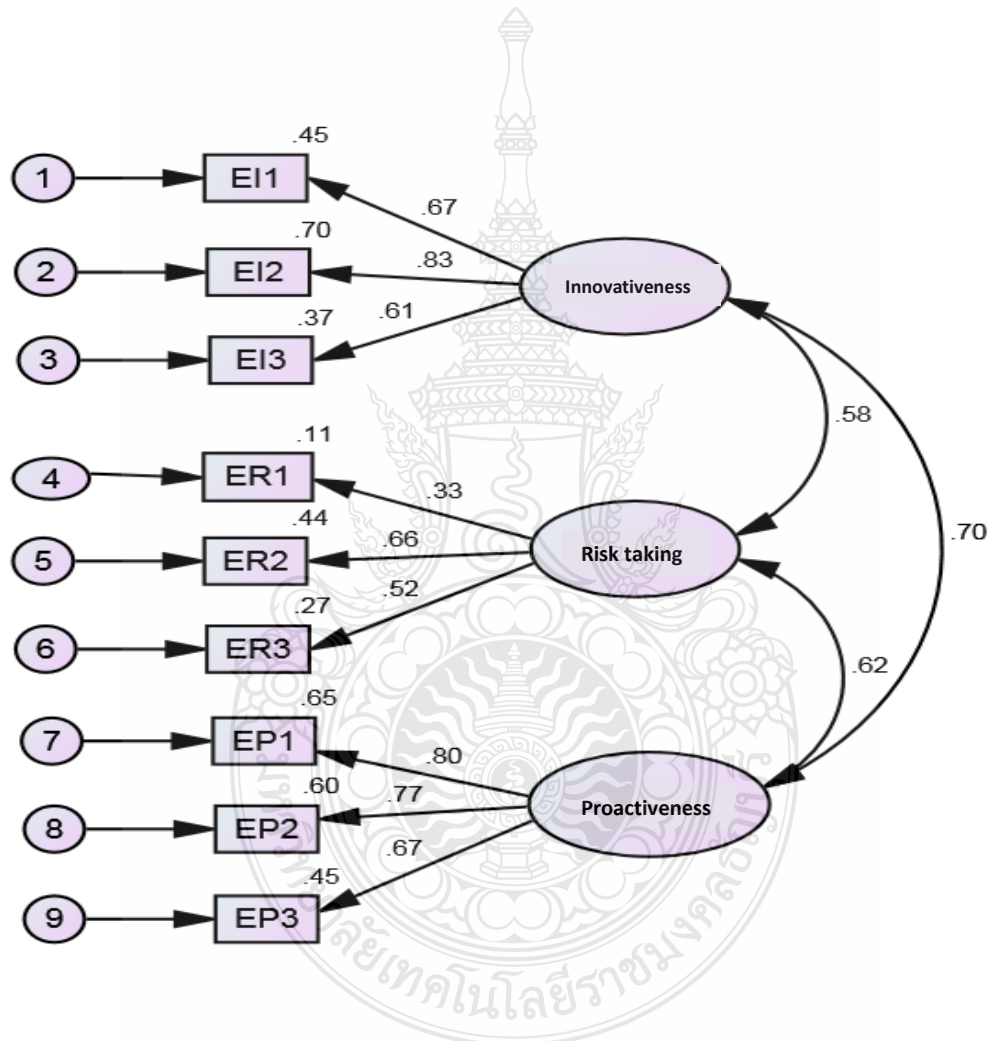
### **4.6 Construct Assessment and Validity Analysis**

The factor structure of the measurement based on the elements structure according to the revision which included the validity that meets the criteria.

Confirmatory factor analysis (CFA) is the study of relationship between observed variable and latent variable. Confirmatory factor analysis is the factors measured by observed multiple variables that would reduce the discrepancy or an error from measurement observed variables. Confirmatory factor analysis is a framework for measuring the variables to determine whether the structure is based on a review of the research. The factor analysis is to examine whether the analysis was possible or whether the observed variables were related.

#### 4.6.1 Entrepreneurial orientation

The researcher analyzed confirmatory factor analysis (CFA). The framework included innovativeness, risk taking, and proactiveness to determine factors loading of the composition of the list of questions including to confirmation that indicated or observed variables which was based on a literature review.

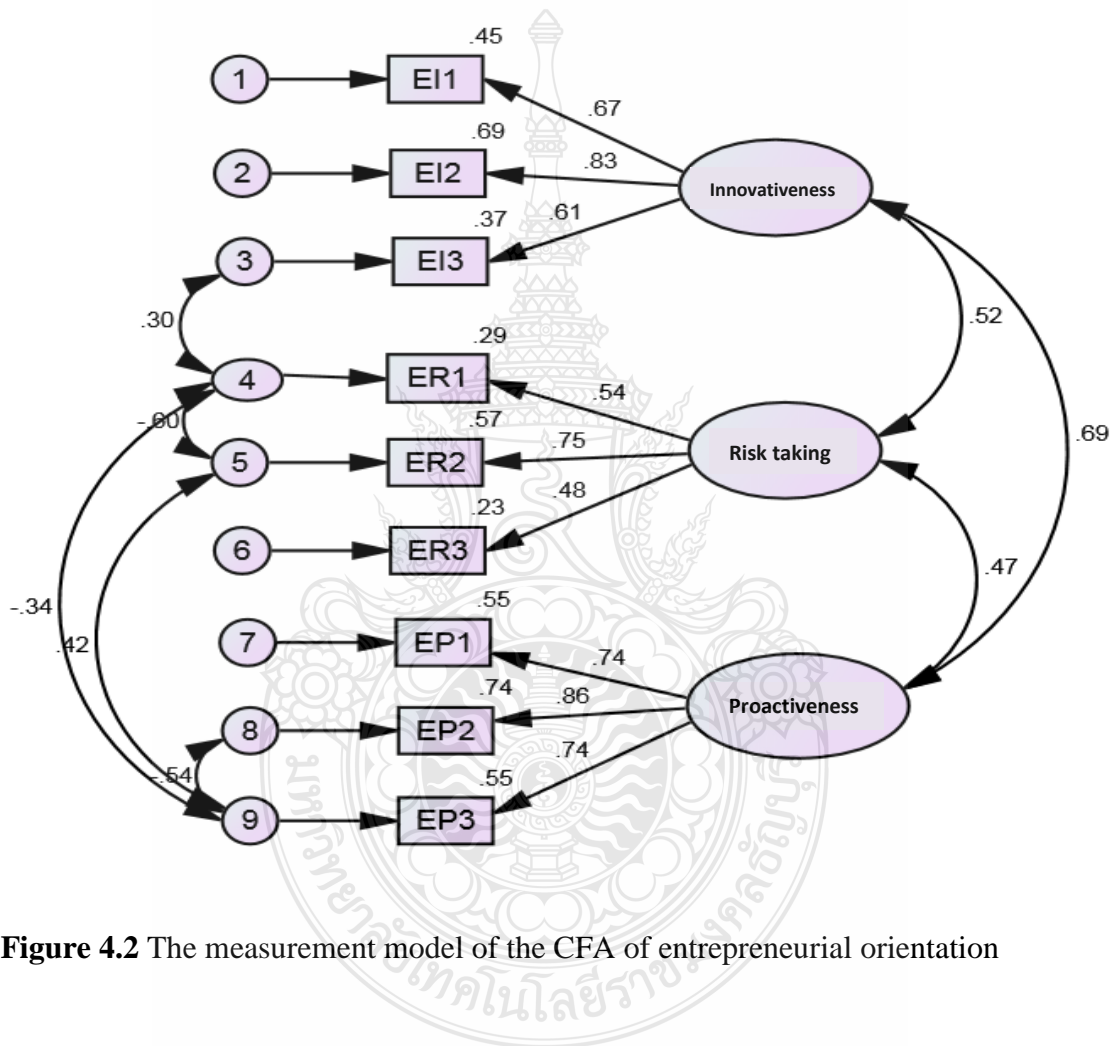


**Figure 4.1** The measurement model of the CFA of entrepreneurial orientation before modification indices

Figure 4.1 showed that confirmed factor analysis of entrepreneurial orientation includes innovativeness, risktaking, and proactiveness was not fitting with the empirical



data. Based on CMIN / df =4.02, GFI = 0.91, AGFI = 0.83, CFI = 0.87, NFI = 0.84, RMSEA = 0.12, certain values were inappropriate. So the researcher adjusted the model (Model modification) based on the parameters of model modification indices (MI) to model fit with the empirical data and the result was shown in figure 4.2



**Figure 4.2** The measurement model of the CFA of entrepreneurial orientation

**Table 4.7** The factor loading of entrepreneurial orientation

			Factor loading				Standardized
			Estimate	S.E.	C.R.	P	Factor loading
EI1	←	INN	1.080	0.148	7.308	***	0.669
EI2	←	INN	1.191	0.150	7.946	***	0.828
EI3	←	INN	1.000				0.608
ER1	←	RIT	1.221	0.376	3.247	***	0.541
ER2	←	RIT	1.448	0.391	3.705	***	0.753
ER3	←	RIT	1.000				0.480
EP1	←	PRO	0.902	0.116	7.800	***	0.739
EP2	←	PRO	1.203	0.135	8.887	***	0.862
EP3	←	PRO	1.000				0.740

Figure 4.2 which presented the verification of concordant detail or the consistency of the model showed that p-value of Chi-square was 0.094, CMIN / df was 1.446, GFI was 0.973, AGFI was 0.937, NFI was 0.953, CFI was 0.985, and RMSEA was 0.047. The factors loading verification found that a critical ratio (C.R.) value was greater than 1.96 and p-value was less than 0.001, so the factor loading was not a zero (Vanichbuncha, 2013). The verification of the sample size criteria showed that the HOELTER statistic value was 0.05. If the value is greater than 200, it will be considered a sufficient sample size (Hoelter, 1983). In this model, the HOELTER value was 226 so it was greater than 200 which suggested that the sample size of 207 was appropriate.

Validity analysis of entrepreneurial orientation, the results of IOC score of all nine items were greater than 0.5, it can be concluded that there was only one valid construct being measured by each item. In addition, the researcher examined test of composite reliability (CR), and average variance extracted (AVE). Fornell and Larcker (1981) recommended that composite reliability (CR) should be greater than 0.60 and average variance extracted (AVE) should be greater than 0.50.

**Table 4.8** Composite reliability and average variance extracted of entrepreneurial orientation

	Composite reliability (CR)	Average variance extracted (AVE)
Innovativeness	0.75	0.50
Risk taking	0.62	0.36
Proactiveness	0.82	0.61

$$CR = \frac{(\sum \text{ of standardized loading})^2}{(\sum \text{ of standardized loading})^2 + \sum \text{ of } \epsilon_j};$$

$$AVE = \frac{\sum \text{ of (standardized loading)}^2}{(\sum \text{ of (standardized loading)}^2) + \sum \text{ of } \epsilon_j}$$

**Table 4.9** Convergent validity and Discriminant validity of entrepreneurial orientation

	INN	RIT	PRO
INN	0.50		
RIT	0.27	0.36	
PRO	0.48	0.22	0.61

Table 4.8 showed that all composite reliability (CR) values for the three observe variables were above 0.6 which indicated that they had good construct reliability, but averagely variance extracted of risk taking was less than 0.5. The check of the convergent validity and discriminant validity, table 4.9 showed that the AVE values of the risktaking were higher than the squared correlation of innovativeness and

proactiveness. Therefore, all of the factors could be accepted that the structure of entrepreneurial orientation.

In conclusion, three questions concerning the innovativeness were as follows:

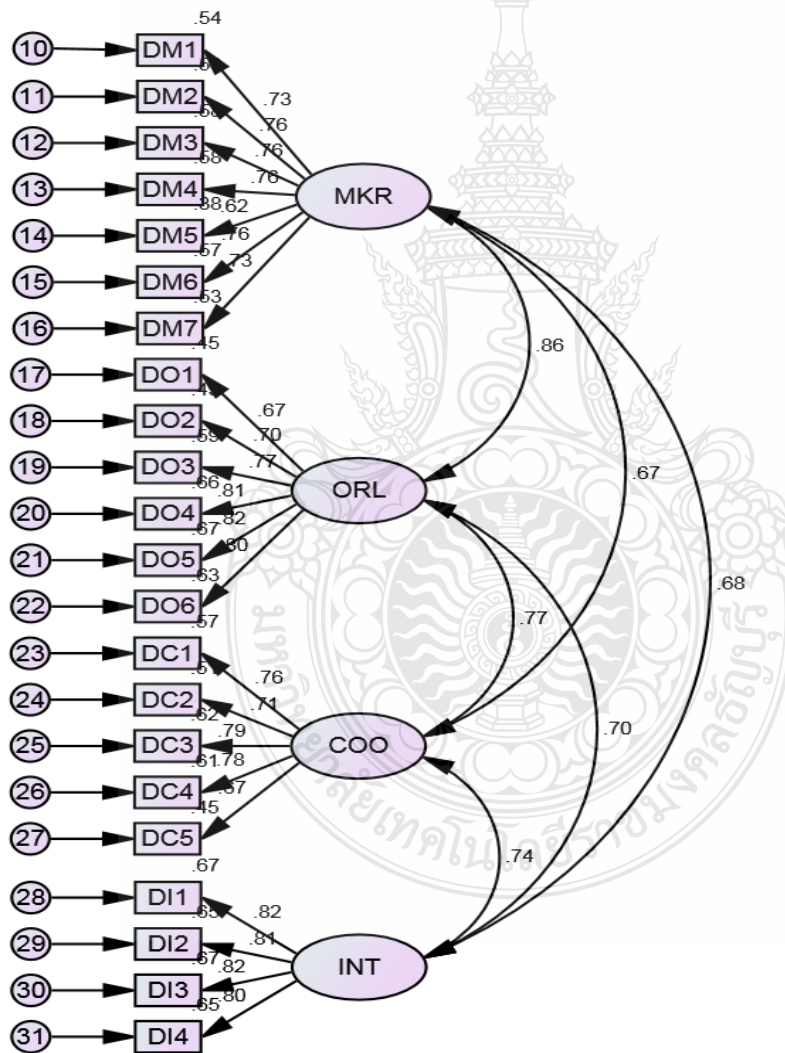
- 1) Our organization has very many new lines of marketed services in the past five years.
- 2) Our organization has changes in service lines marketed in the past five years usually quite dramatic, and 3) In general, the top managers of our organization favor a strong emphasis on research and development, technological leadership, and innovations.

Three questions concerning risk taking were as follows: 1) In general, the top managers of our organization have a strong proclivity for high-risk projects (with chances of very high returns), 2) In general, the top managers of our organization believed that owing to the nature of the environment, bold, and wild-ranging acts were necessary to achieve the firm's objectives, and, 3) when they (top managers) confront decision-making situations involving uncertainty, our organization typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities.

Three questions concerning proactiveness were as follows: 1) In dealing with its competitors, our organization typically initiates actions which competitors then respond to, 2) In dealing with its competitors, our organization is very often the first business to introduce new services administrative techniques, operating technologies, etc., and 3) In dealing with its competitors, our organization typically adopts a very competitive "undo-the-competitors".

#### 4.6.2 Dynamic capabilities

The researcher analyzed the confirmatory factor analysis for variables on the dynamic capabilities concept such as market responsiveness, organizational learning, coordination, and integration to determine factor loading of the composition of the list of questions which included indicators or observed variables based on the literature review.



**Figure 4.3** The measurement model of the CFA of dynamic capabilities before modification indices

Figure 4.3 showed that confirmed factor analysis of dynamic capabilities which included market responsiveness, organizational learning, coordination, and integration was not fitting with the empirical data. Based on  $CMIN / df = 2.64$ ,  $GFI = 0.82$ ,  $AGFI = 0.77$ ,  $CFI = 0.89$ ,  $NFI = 0.83$ ,  $RMSEA = 0.09$ , certain values were inappropriate. So the researcher adjusted the model (Model modification) based on the parameters of model modification indices (MI) to model fit with the empirical data. The result was shown in figure 4.4



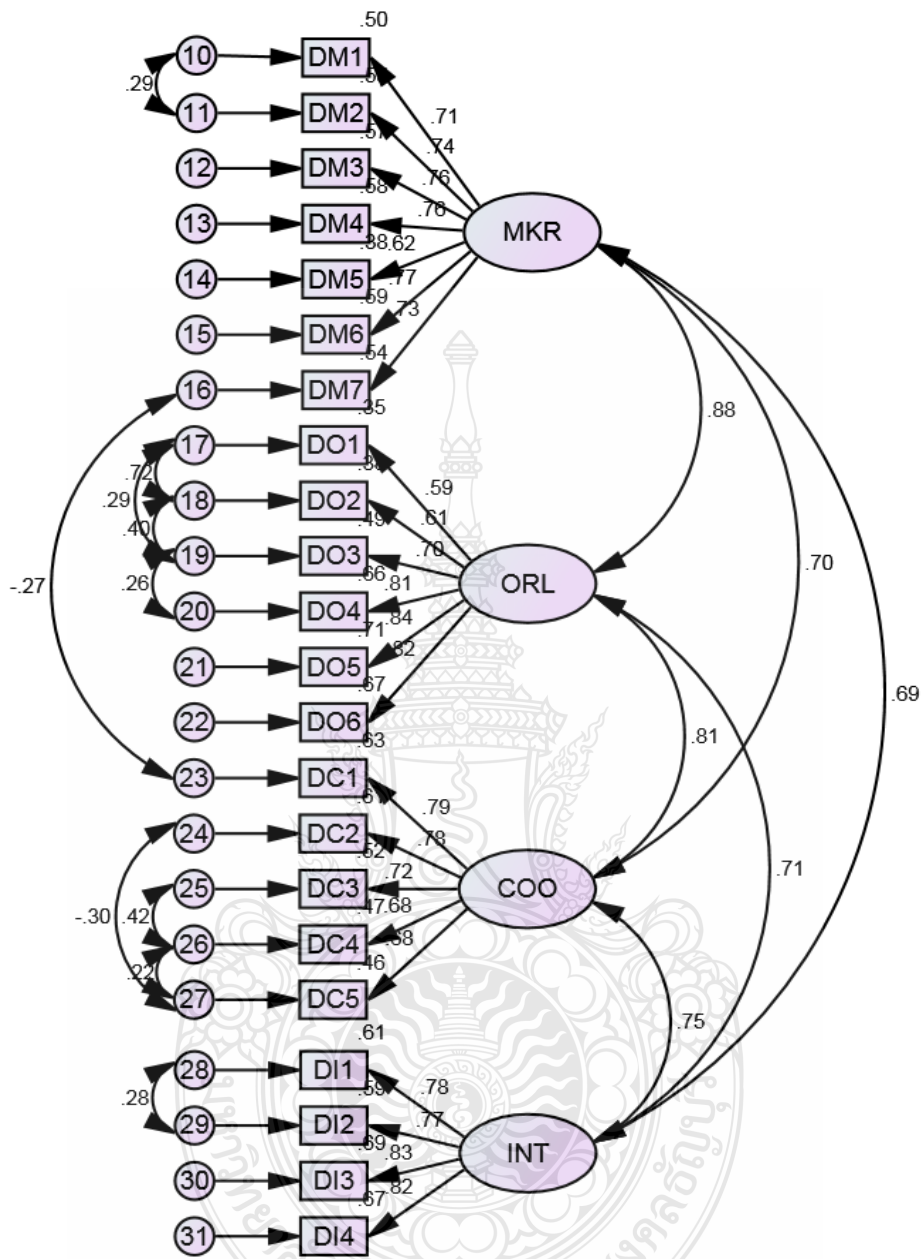


Figure 4.4 The measurement model of the CFA of dynamic capabilities

**Table 4.10** The factor loading of dynamic capabilities

			Factor loading				Standardized
			Estimate	S.E.	C.R.	P	Factor loading
DM1	←	MKR	0.838	0.082	10.217	***	0.710
DM2	←	MKR	0.940	0.088	10.709	***	0.740
DM3	←	MKR	1.000				0.755
DM4	←	MKR	1.031	0.093	11.140	***	0.765
DM5	←	MKR	0.899	0.102	8.799	***	0.617
DM6	←	MKR	0.936	0.084	11.176	***	0.767
DM7	←	MKR	0.895	0.084	10.658	***	0.732
DO1	←	ORL	0.909	0.097	9.351	***	0.588
DO2	←	ORL	0.957	0.090	10.634	***	0.614
DO3	←	ORL	1.000				0.700
DO4	←	ORL	1.178	0.094	12.487	***	0.812
DO5	←	ORL	1.144	0.102	11.172	***	0.844
DO6	←	ORL	1.078	0.099	10.858	***	0.817
DC1	←	COO	1.157	0.108	10.682	***	0.791
DC2	←	COO	1.191	0.116	10.295	***	0.779
DC3	←	COO	1.000				0.718
DC4	←	COO	0.951	0.079	11.974	***	0.684
DC5	←	COO	1.048	0.117	8.928	***	0.679
DI1	←	INT	0.912	0.075	12.206	***	0.779
DI2	←	INT	0.870	0.073	11.985	***	0.769
DI3	←	INT	1.000				0.833
DI4	←	INT	0.954	0.072	13.186	***	0.819



Figure 4.4, verified on concordant detail or the model consistency, showed that p-value of Chi-square was 0.000, CMIN / df was 1.459, GFI was 0.898, AGFI was 0.867, NFI was 0.911, CFI was 0.970, and RMSEA was 0.047. After the verification of the factors loading ,the finding showed that the critical ratio (C.R.) value was greater than 1.96 and p-value was less than 0.001, so the factor loading was not zero (Vanichbuncha, 2013).

Concerning the validity analysis of dynamic capabilities, the IOC scores of all twenty-two items were greater than 0.5. It could be concluded that only one valid construct was measured by each item. Fornell and Larcker (1981) recommended that composite reliability (CR) be greater than 0.60 and that average variance extracted (AVE) be greater than 0.50.

**Table 4.11** Composite reliability and average variance extracted of dynamic capabilities

	Composite reliability (CR)	Average variance extracted (AVE)
Market responsiveness	0.89	0.53
Organizational learning	0.87	0.54
Coordination	0.85	0.54
Integration	0.88	0.64

$$CR = (\Sigma \text{ of standardized loading})^2 / [(\Sigma \text{ of standardized loading})^2 + \Sigma \text{ of } \epsilon_j];$$

$$AVE = \Sigma \text{ of (standardized loading)}^2 / [(\Sigma \text{ of (standardized loading)}^2) + \Sigma \text{ of } \epsilon_j]$$

**Table 4.12** Convergent validity and Discriminant validity of dynamic capabilities

	MKR	ORL	COO	INT
MKR	0.53			
ORL	0.72	0.54		
COO	0.48	0.62	0.54	
INT	0.46	0.52	0.52	0.64

Table 4.11 showed that all composite reliability was above 0.6, and all average variance extracted was more than 0.5. Therefore, all factors could be accepted as the structure of dynamic capabilities. Table 4.12 showed that the convergent validity and discriminant validity of dynamic capabilities. The AVE values were higher than the squared correlation except market responsiveness and organizational learning, organizational learning and coordination because of the relationship between market responsiveness, organizational learning, and coordination.

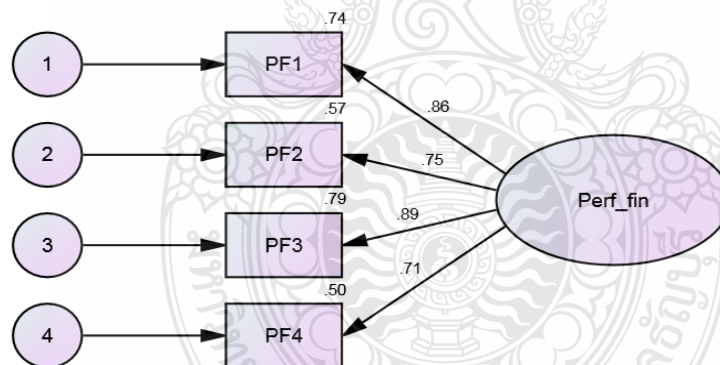
In summary, seven questions concerning market responsiveness were as follows: “Our organization act quickly to a new customer needs”; “Our organization is always taking an environment survey for a new business opportunity”; “Our organization had to develop of service for individual customer”; “Our organization has developed a new market very quick”; “Our organization always has interests in a competitor strategy pricing”; “Our organization has improved process to keep up with rapid evolving technology”; and “Our organization has encouraged employees to discuss about emerging market trend within departments to offer new service for our customers.”

Six questions concerning organizational learning were as follows: “An individual has freedom to share and exchange information among departments”; “An individual can easily access to the company information”; “The supporting system is provided to share knowledge in the organization”; “Organization encourages a brainstorming and team working for a new service innovation”; “Organization uses existing data to develop the new knowledge”; and “Organization applies information in both internal and external successfully.”

Five questions concerning coordination were as follows: “They are working together very well in the processes, a company is sharing information for the decision making”; “Staffs are working on the assignments according to their knowledge and expertise”; “Employees have a combination of skills in the working process and job performance”; and “Our organization has been flexible for resource allocation.”

Four questions concerning integration were as follows: “All departments in an organization cooperate to management in every situation changing efficiently”; “Our organization can manage and perform in any situation”; “Departments’ goals are agreeable with an organizational goal”; and “Each department has responsibilities to customer’s satisfaction and its business practice.”

#### 4.6.3 Firm financial performance



**Figure 4.5** The measurement model of the CFA of firm financial performance

**Table 4.13** The factor loading of firm financial performance

			Factor loading				Standardized
			Estimate	S.E.	C.R.	P	Factor loading
PF1	←	Perf	0.973	0.064	15.303	***	0.863
PF2	←	Perf	0.876	0.069	12.679	***	0.753
PF3	←	Perf	1.000				0.887
PF4	←	Perf	0.742	0.064	11.570	***	0.707

Figure 4.5, verified on concordant detail or the model consistency, shows that p-value of Chi-square was 0.128, CMIN / df was 2.054, GFI was 0.990, AGFI was 0.951, NFI was 0.991, CFI was 0.995, and RMSEA was 0.072. After verifying the factors loading, this study found that the critical ratio (C.R.) value was greater than 1.96 and p-value was less than 0.001, so the factor loading was not zero (Vanichbuncha, 2013). Validity analysis of firm financial performance showed the results of IOC score of all four items which were greater than 0.5. It can be concluded that there was only one valid construct measured by each item. Composite reliability (CR) value was 0.88, and average variance extracted (AVE) value was 0.65. Fornell and Larcker (1981) recommended that composite reliability (CR) be greater than 0.60 and that average variance extracted (AVE) be greater than 0.50.

## 4.7 Correlation matrix

**Table 4.14** Correlation matrix

	INN	RIT	PRO	MKR	ORL	COO	INT	PF1	PF2	PF3	PF4	ROA
INN	1.000											
RIT	.431**	1.000										
PRO	.551**	.362**	1.000									
MKR	.595**	.389**	.649**	1.000								
ORL	.535**	.306**	.507**	.757**	1.000							
COO	.474**	.409**	.356**	.596**	.660**	1.000						
INT	.432**	.283**	.460**	.600**	.617**	.659**	1.000					
PF1	.236**	.255**	.328**	.435**	.360**	.363**	.398**	1.000				
PF2	.265**	.232**	.353**	.469**	.387**	.389**	.443**	.631**	1.000			
PF3	.257**	.201**	.368**	.450**	.374**	.344**	.381**	.774**	.666**	1.000		
PF4	.278**	.298**	.408**	.402**	.350**	.310**	.379**	.608**	.583**	.608**	1.000	
ROA	.078	.068	.092	.050	.042	.047	-.026	.003	-.087	-.051	-.033	1.000

\*\* Correlation is significant at the 0.01 level (2-tailed).

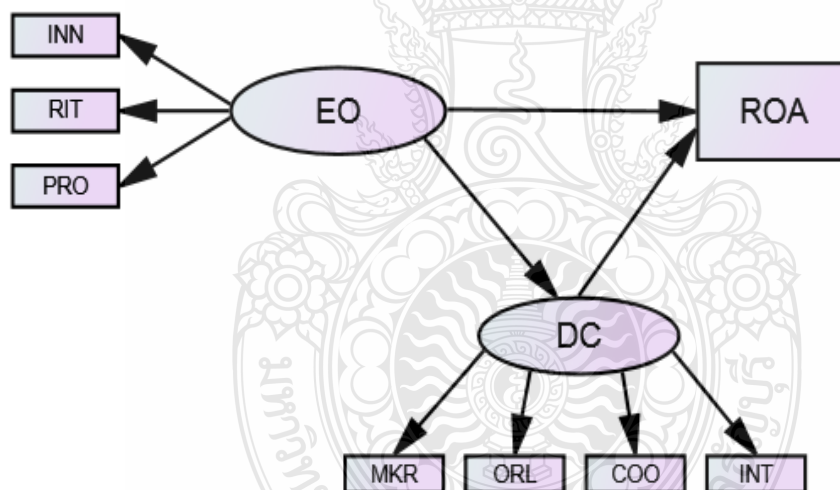
Table 4.14 showed that analysis of the relationship between observed variables of all the observed variables from the questionnaire presented the relationship and indicated reciprocity relationships.

## 4.8 Empirical Assessment of Proposed Models

This section presented the assessment of the model in this study. The concepts in this study are entrepreneurial orientation, dynamic capabilities, and firm financial performance. The aim of this thesis was to find out the relationships between entrepreneurial orientation and firm financial performance through dynamic

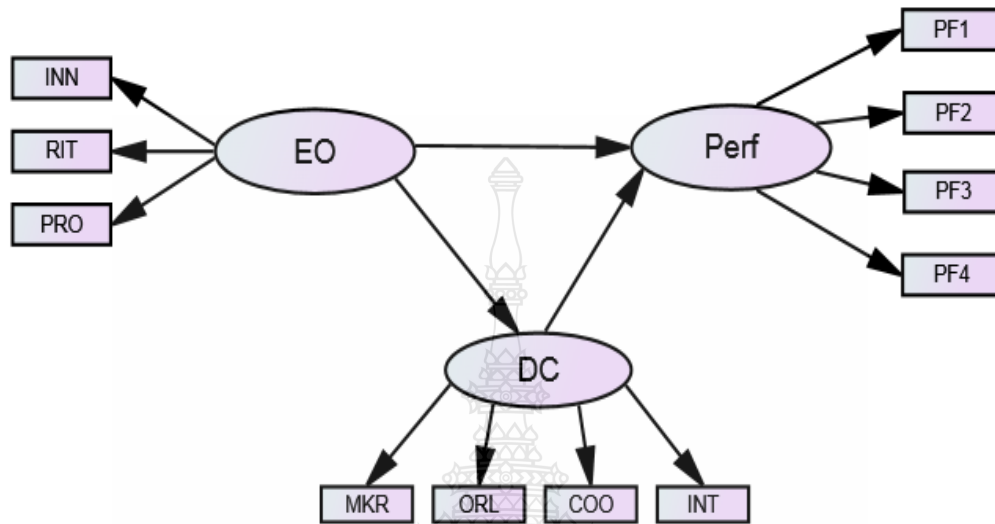
capabilities. Entrepreneurial orientation was an independent variable that consisted of innovativeness, risktaking, and proactiveness. The dynamic capabilities were the mediator which included four components. These were market responsiveness, organizational learning, coordination, and integration. According to firm financial performance to measured factor and indicated results of the outcome. In this study, firm financial performance was measured by two models.

From the First model, the firm financial performance was measured by the return on assets (ROA) getting information from the Business Online Public Company Limited.



**Figure 4.6** Structural Model of Study: the first model measured the return on assets (ROA)

From the Second model, the firm financial performance was measured by questionnaire answers.



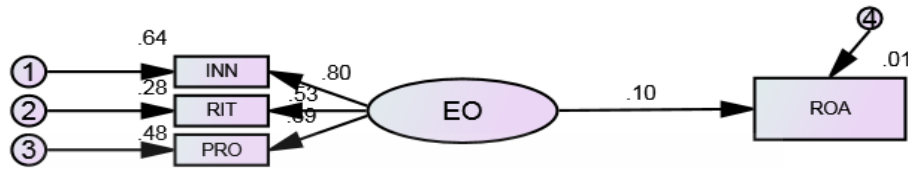
**Figure 4.7** Structural Model of Study: the second model measured questionnaire answers

#### 4.9 Model assessment (fitting)

The monitor of the merging of models from the data could help analyze and determine the consistency of the empirical data. This study used the index key to evaluate the suitability of the model as p-value of Chi-square, CMIN / df, GFI, AGFI, NFI, CFI, and RMSEA; analyzed by the structural equation modeling framework, the two models were as follows:

**4.9.1 The first model measured firm financial performance by the return**

**on assets (ROA)**



**Figure 4.8** The relation between the entrepreneurial orientation and ROA for hypotheses testing

**Table 4.15** Parameter estimation and the significant test of ROA (figure 4.8)

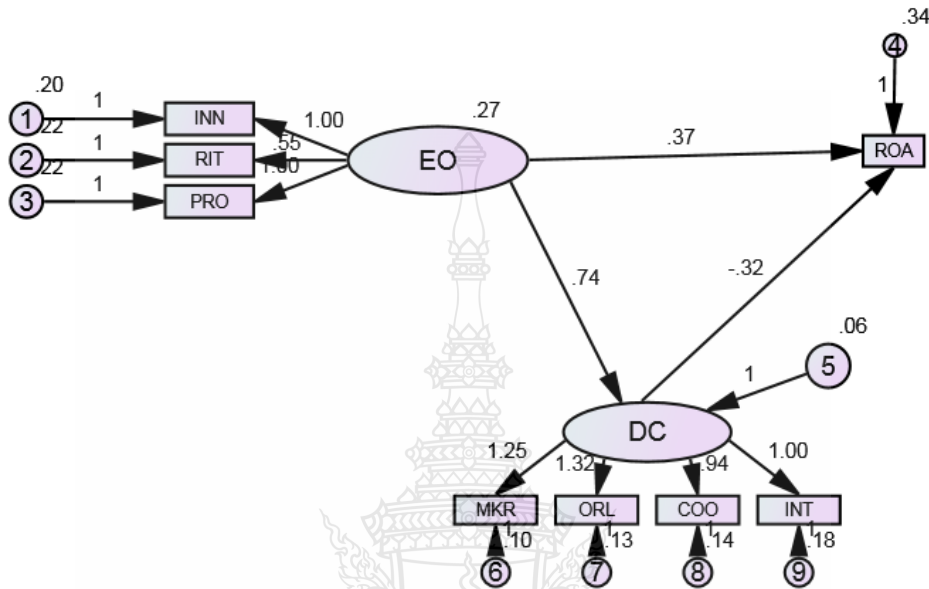
		Standardized Coefficients	S.E.	C.R.	<i>p-value</i>
PRO	← EO	0.692			
RIT	← EO	0.533	0.101	6.038	**
INN	← EO	0.797	0.187	5.999	**
ROA	← EO	0.101	0.099	1.258	0.208

\*\*  $p < 0.05$

Figure 4.8 showed the direct relation between the entrepreneurial orientation and return on assets (ROA). Figure 4.8 presented that the models were concordant with empirical data because the p-value of Chi-square was 0.208, CMIN / df was 1.570, GFI was 0.992, AGFI was 0.962, NFI was 0.975, CFI was 0.991, and RMSEA was 0.053. After the verification of the sample size criteria, the study found that the HOELTER statistic value was 0.05 so if the value is greater than 200, it will be considered a sufficient sample size (Hoelter, 1983). In this model, the HOELTER value was 394, which were greater than 200. It could be concluded that a sample size of 207 was

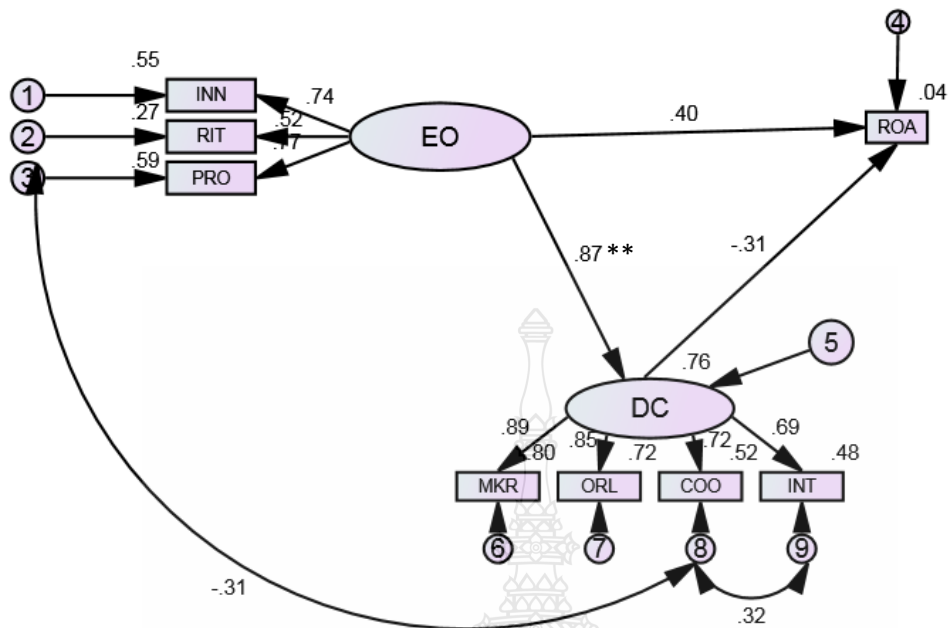


appropriate. Next step was to consider between the entrepreneurial orientation and ROA through dynamic capabilities as a mediator variable.



**Figure 4.9** The structural Model of Return on Asset (ROA) for hypotheses testing before modification indices

Figure 4.9 showed that confirmed factor analysis of entrepreneurial orientation including innovativeness, risk taking, and proactiveness was not fitting with the empirical data. Based on  $CMIN / df = 3.76$ ,  $GFI = 0.927$ ,  $AGFI = 0.85$ ,  $CFI = 0.86$ ,  $NFI = 0.91$ ,  $RMSEA = 0.116$ , certain values were inappropriate. So the researcher adjusted the model (Model modification) based on the parameters of model modification indices (MI) to model fit with the empirical data and the result was shown in figure 4.10.



**Figure 4.10** The structural Model of Return on Asset (ROA) for hypotheses testing

**Table 4.16** Parameter estimation and the significant test of ROA (Model 1, Figure 4.10)

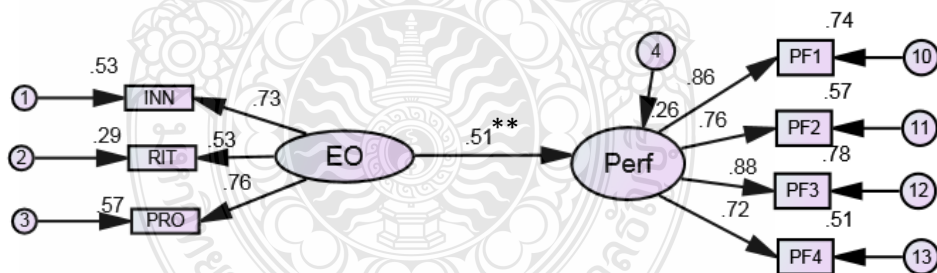
			Standardized	S.E.	C.R.	<i>p-value</i>
			Coefficients			
DC	←	EO	0.871	0.084	8.200	**
PRO	←	EO	0.766			
RIT	←	EO	0.516	0.077	6.882	**
INN	←	EO	0.741	0.095	9.848	**
ROA	←	EO	0.398	0.279	1.585	0.113
INT	←	DC	0.691			
COO	←	DC	0.720	0.083	11.537	**
ORL	←	DC	0.846	0.126	10.885	**
MKR	←	DC	0.893	0.119	11.278	**
ROA	←	DC	-0.314	0.337	-1.299	0.194

\*\*  $p < 0.05$

Figure 4.10 showed the structural model of the entrepreneurial orientation through dynamic capabilities as a mediating factor. The study found that the models were combined with empirical data because the p-value of Chi-square was 0.008, CMIN / df was 2.040, GFI was 0.965, AGFI was 0.920, NFI was 0.957, CFI was 0.977, and RMSEA was 0.071.

To verify an appropriateness of the statistical sample size, HOELTER 0.05 was applied. If the value is more than 200, it will be considered to have a sufficient sample size (Hoelter, 1983). In this study, the HOELTER value was 202, which was greater than 200, and it can be concluded that a sample size of 207 was appropriate. A hypotheses testing and results were presented in the next topic.

#### 4.9.2 The second model measured firm financial performance questionnaire data



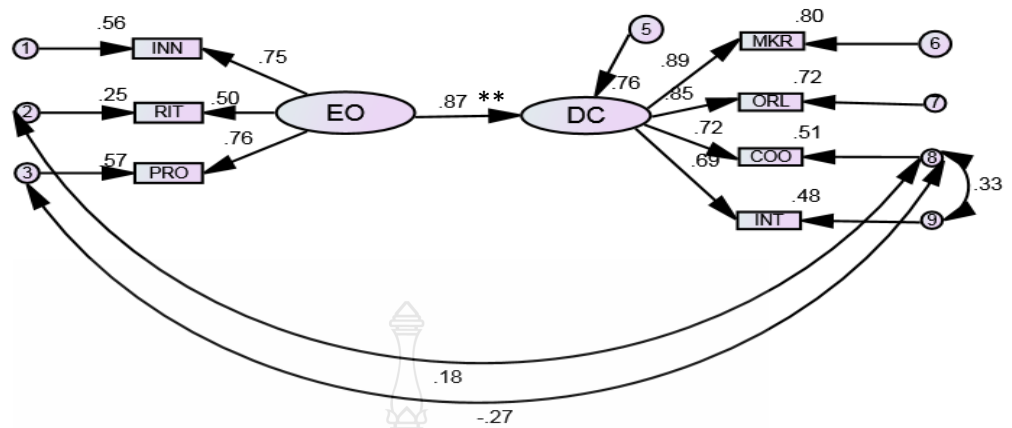
**Figure 4.11** The relation between the entrepreneurial orientation and firm financial performance for hypotheses testing

**Table 4.17** Parameter estimation and the significant test of entrepreneurial orientation and firm financial performance

			Standardized	S.E.	C.R.	<i>p-value</i>
			Coefficients			
Perf	←	EO	0.508	0.122	5.537	**
PRO	←	EO	0.757			
RIT	←	EO	0.535	0.090	6.204	**
INN	←	EO	0.725	0.130	7.180	**
PF1	←	Perf	0.859			
PF2	←	Perf	0.758	0.073	12.510	**
PF3	←	Perf	0.882	0.067	15.278	**
PF4	←	Perf	0.717	0.067	11.567	**

\*\*  $p < 0.05$

Figure 4.11 showed the direct relation between the entrepreneurial orientation and firm financial performance. This study found that the models were concordant with the empirical data because the p-value of Chi-square was 0.046, CMIN / df was 1.740, GFI was 0.970, AGFI was 0.935, NFI was 0.964, CFI was 0.984, and RMSEA was 0.060. After the verification of the statistical sample size, the HOELTER value of 0.05 was employed. If the value is greater than 200, it will be considered as a sufficient sample size (Hoelter, 1983). In this study, the HOELTER value was 204, so it was greater than 200 and led to the conclusion that a sample size of 207 was appropriate. Next step was to consider the direct relationship between the entrepreneurial orientation and dynamic capabilities.



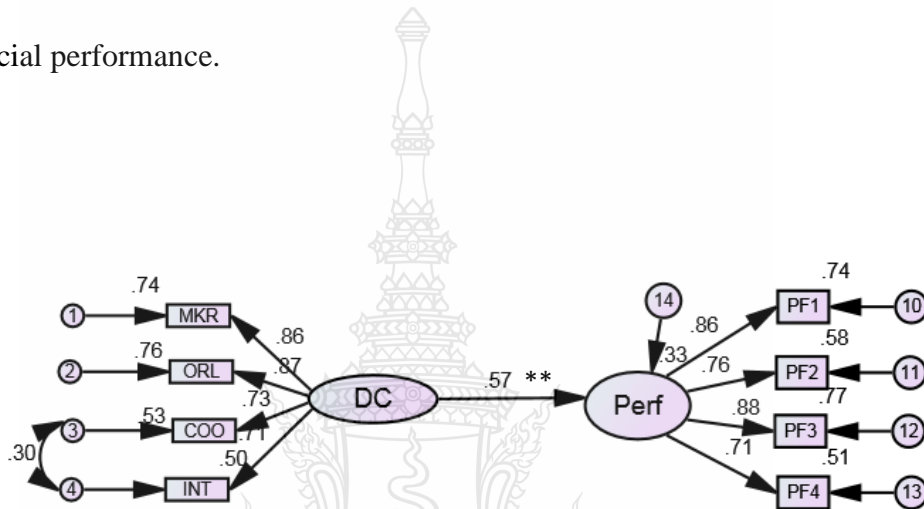
**Figure 4.12** The relation between the entrepreneurial orientation and dynamic capabilities for hypotheses testing

**Table 4.18** Parameter estimation and the significant test of entrepreneurial orientation and dynamic capabilities

		Standardized	S.E.	C.R.	<i>p-value</i>
Coefficients					
DC	← EO	0.871	0.097	9.754	**
PRO	← EO	0.755			
RIT	← EO	0.500	0.079	6.596	**
INN	← EO	0.749	0.099	9.722	**
MKR	← DC	0.893			
ORL	← DC	0.850	0.066	15.618	**
COO	← DC	0.717	0.060	11.856	**
INT	← DC	0.690	0.066	11.272	**

\*\*  $p < 0.05$

Figure 4.12 showed the direct relation between the entrepreneurial orientation and dynamic capabilities. The study found that the models were concordant with empirical data because the p-value of Chi-square was 0.019, CMIN / df was 2.134, GFI was 0.972, AGFI was 0.922, NFI was 0.971, CFI was 0.984, and RMSEA was 0.074. Next step was to consider the direct relationship between the dynamic capabilities and firm financial performance.



**Figure 4.13** The relation between the dynamic capabilities and firm financial performance for hypotheses testing

**Table 4.19** Parameter estimation and the significant test of dynamic capabilities and firm financial performance

			Standardized Coefficients	S.E.	C.R.	p-value
Perf	←	DC	0.574	0.137	7.104	**
MKR	←	DC	0.860	0.116	11.552	**
ORL	←	DC	0.874	0.125	11.652	**
COO	←	DC	0.727			
INT	←	DC	0.710	0.091	11.632	**

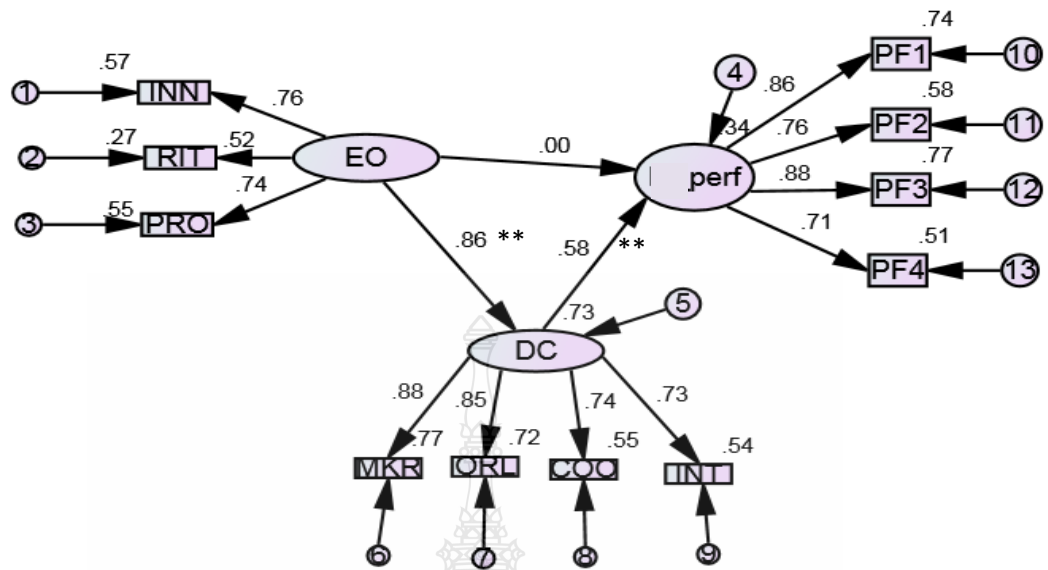
**Table 4.19** Parameter estimation and the significant test of dynamic capabilities and firm financial performance (Cont.)

			Standardized	S.E.	C.R.	<i>p-value</i>
			Coefficients			
PF1	←	Perf	0.859			
PF2	←	Perf	0.764	0.072	12.683	**
PF3	←	Perf	0.880	0.067	15.376	**
PF4	←	Perf	0.713	0.067	11.508	**

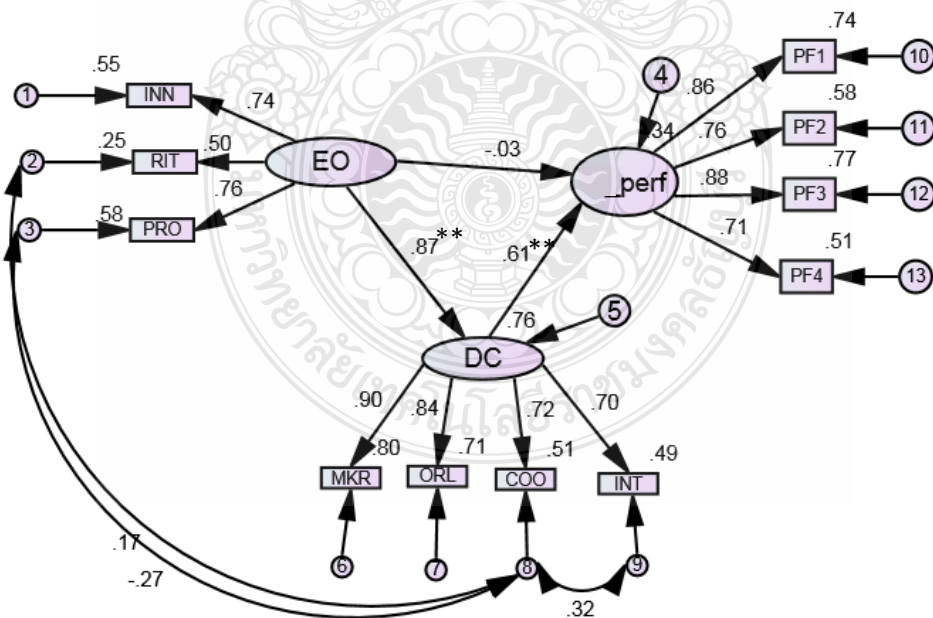
\*\*  $p < 0.05$

Figure 4.13 showed the direct relation between the dynamic capabilities and firm financial performance. The study found that the models were concordant with empirical data because the *p*-value of Chi-square was 0.140, CMIN / df was 1.360, GFI was 0.972, AGFI was 0.944, NFI was 0.975, CFI was 0.993, and RMSEA was 0.042. Next step was to consider between the entrepreneurial orientation and firm financial performance through dynamic capabilities as a mediator variable.

Figure 4.14 confirmed that factor analysis of entrepreneurial orientation including innovativeness, risk taking, and proactiveness was not fitting with the empirical data. Based CMIN / df = 2.39, GFI = 0.92, AGFI = 0.87, CFI = 0.95, NFI = 0.92, RMSEA = 0.08. Some values were not appropriate. So the researcher adjusted the model (Model modification) base on the parameters of model modification indices (MI) to model fit with the empirical data and the result was shown in figure 4.15



**Figure 4.14** The structural Model of firm financial performance for hypotheses testing before modification indices



**Figure 4.15** The structural Model of firm financial performance for hypotheses testing



**Table 4.20** Parameter estimation and the significant test of performance from questionnaire (Model 2, Figure 4.15)

			Standardized Coefficients	S.E.	C.R.	<i>p-value</i>
DC	←	EO	0.874	0.086	8.221	**
PRO	←	EO	0.761			
RIT	←	EO	0.501	0.078	6.638	**
INN	←	EO	0.744	0.097	9.756	**
Perf	←	EO	-0.033	0.295	-0.146	0.884
INT	←	DC	0.697			
COO	←	DC	0.716	0.082	11.624	**
ORL	←	DC	0.841	0.123	11.019	**
MKR	←	DC	0.897	0.116	11.546	**
Perf	←	DC	0.612	0.360	2.761	**
PF1	←	Perf	0.858			**
PF2	←	Perf	0.764	0.072	12.681	**
PF3	←	Perf	0.880	0.067	15.363	**
PF4	←	Perf	0.714	0.067	11.533	**

\*\*  $p < 0.05$

Figure 4.15 showed the structural model of the entrepreneurial orientation through dynamic capabilities as a mediating factor. This study found that the models were combined with empirical data because the  $p$ -value of Chi-square was 0.023, CMIN / df was 1.509, GFI was 0.955, AGFI was 0.921, NFI was 0.956, CFI was 0.984, and RMSEA was 0.050. To verify an appropriateness of the statistical sample size, HOELTER 0.05 was used. If the value is more than 200, it will be considered to have a sufficient sample size (Hoelter, 1983). In this study, the HOELTER 220, which was greater than 200, led to the conclusion that the sample size of 207 was appropriate. A

hypotheses testing and results were presented in the next topic. The structural equation modeling analysis for all of the models showed that the findings were consistent with theoretical models and were in agreement.

#### **4.10 Hypotheses Testing and Results**

This section presented the results of the two research questions: 1. Is there the effect of entrepreneurial orientation on firm financial performance? and 2. Do dynamic capabilities mediate the relationship between entrepreneurial orientation and firm financial performance? The tables 4.16 and 4.20 summarized the relationship between the structural model, the results of parameter estimation, and the test significance.

##### **4.10.1 Results from this study for H1: Entrepreneurial orientation positively affects firm financial performance.**

###### **4.10.1.1 Performance from ROA**

Table 4.15 (Page 117) showed the direct relation between the entrepreneurial orientation and ROA and did not consider dynamic capabilities as a mediator variable. The result showed that the value of t-test revealed that the estimated value of 0.101, standard error (S.E.) of 0.099, critical ratio (C.R.) of 1.258, and p-value of 0.208 so the finding indicated that there was not a significant relationship between entrepreneurial orientation and firm financial performance at a significance level of 0.05. It could be concluded that entrepreneurial orientation did not affect the return on assets (ROA) when secondary data was collected from BOL.

#### 4.10.1.2 Performance from questionnaire

Table 4.17 (Page 121) showed the direct relation between the entrepreneurial orientation and firm financial performances and did not consider dynamic capabilities as a mediator variable. The result showed that the value of t-test revealed the estimated value of 0.508, standard error (S.E.) of 0.122, critical ratio (C.R.) of 5.537, and p-value of 0.000 which indicated that there was a significant positive relationship between entrepreneurial orientation and firm financial performance level of 0.05. It could be concluded that entrepreneurial orientation effected firm financial performance when data was extracted from questionnaires.

Considering the dependent variable, the study found that ROA and firm financial performance had similar variables when the ROA information was collected from the financial statements. In addition, Thailand's political crisis and great flood in 2011 had effects on financial performance of organizations studied. The firm financial performance data from the questionnaires included profitability, market share, sales volume, and ROA. After the consideration of the performance by using ROA information that came from Business Online Public Company Limited (BOL), the finding showed that entrepreneurial orientation had no effect on the return on assets (ROA). The consideration of the questionnaires led to the conclusion that entrepreneurial orientation had relationship with firm financial performance which meant an organization with entrepreneurial orientation would get better firm financial performance results.

#### **4.10.2 Results from this study for H2: Entrepreneurial orientation positively affects dynamic capabilities.**

Table 4.18 (Page 122) showed that the value of t-test revealed that the estimated value was 0.871, standard error (S.E.) was 0.097, critical ratio (C.R.) was 9.754, and p-value was 0.00 which indicated that there was a significant positive relationship between entrepreneurial orientation and dynamic capabilities at a significance level of 0.05. It could be concluded that H2 was supported. The results showed that the standardized regression factor loading for innovativeness, risk taking, and proactiveness were 0.749, 0.500, and 0.755 respectively. Consequently, proactiveness was the most important aspect, followed by innovativeness, and risk taking.

However, the results showed that the standardized regression factor loading for market responsiveness, organizational learning, coordination, and integration were 0.893, 0.850, 0.717, and 0.690 respectively. It could be concluded that market responsiveness was the most important aspect, followed by organizational learning, coordination, and integration respectively.

#### **4.10.3 Results from this study for H3: Dynamic capabilities positively affect firm financial performance.**

Table 4.19 (Page 123) showed the value of t-test revealed that the estimated value was 0.574, standard error (S.E.) was 0.137, critical ratio (C.R.) was 7.104, and p-value was 0.000 indicating that there was a significant positive relationship between dynamic capabilities and firm financial performance at a significance level of 0.05. It could be concluded that H3 was supported. The results showed that the standardized

regression factor loading for market responsiveness, organizational learning, coordination, and integration were 0.860, 0.874, 0.727, and 0.710 respectively. Consequently, the findings showed that organizational learning was the most important aspect, followed by market responsiveness, coordination, and integration respectively.

However, the results showed that the standardized regression factor loading for profitability, market share, sales volume, and return on assets were 0.859, 0.764, 0.880, and 0.713 respectively. Consequently, sales volume was the most important dimension, followed by profitability, market share, and return on assets respectively.

#### **4.10.4 Results from this study for H4: Entrepreneurial orientation has an indirect effect on firm financial performance through dynamic capabilities.**

The first model, firm financial performance measured by the return on assets with the information from the Business Online Public Company Limited was to consider between the entrepreneurial orientation and ROA through dynamic capabilities as a mediator variable. As a result, table 4.16 (Page 119) showed that the value of t-test revealed that the estimated value was 0.398, standard error (S.E.) was 0.279, critical ratio (C.R.) was 1.585, and p-value was 0.113 indicating that there was a insignificant relationship between entrepreneurial orientation and firm financial performance through dynamic capabilities as a mediator variable at a significance level of 0.05.

However, the second model of firm financial performance measured by questionnaire answers considered the relationship between the entrepreneurial orientation and firm financial performance through dynamic capabilities as a mediator variable. The first step was the researcher's examination of the direct relationship between entrepreneurial orientation and firm financial performance. The results showed

that entrepreneurial orientation had significant positive relationship with firm financial performance (figure 4.11, page 120).

The second step was the researcher's examination of the relationship between entrepreneurial orientation and dynamic capabilities. The results showed that entrepreneurial orientation had a significant positive relationship with dynamic capabilities (figure 4.12, page 122).

Third step, the researcher conducted a path analysis to examine the relationship between dynamic capabilities and firm financial performance. The results showed that dynamic capabilities had a significant positive relationship with firm financial performance (figure 4.13, page 123).

Last step, the researcher added dynamic capabilities variable into the path analysis model between entrepreneurial orientation and firm financial performance. Results indicated that entrepreneurial orientation did not have a significant positive relationship with firm financial performance. However, the impact between entrepreneurial orientation and dynamic capabilities had a significant positive relationship, and the impact between dynamic capabilities and firm financial performance had a significant positive relationship (Table 4.20, page 126). Consequently, these results demonstrated the impact of the dynamic capabilities as full mediator variable between entrepreneurial orientation and firm financial performance.

**Table 4.21** Standardized direct, indirect, and total effects of entrepreneurial orientation on firm financial performance

Construct	EO			DC			Perf		
	DE	IE	TE	DE	IE	TE	DE	IE	TE
DC	0.874	-	0.874	-	-	-	-	-	-
MKR	-	0.784	0.784	0.897	-	0.897	-	-	-
ORL	-	0.736	0.736	0.841	-	0.841	-	-	-
COO	-	0.636	0.626	0.716	-	0.716	-	-	-
INT	-	0.609	0.609	0.697	-	0.697	-	-	-
Perf	-0.033	0.535	0.502	0.612	-	0.502	-	-	-
INN	0.744	-	0.744	-	-	-	-	-	-
RIT	0.501	-	0.501	-	-	-	-	-	-
PRO	0.761	-	0.761	-	-	-	-	-	-
PF1	-	0.431	0.431	0.525	-	0.525	0.858	-	0.858
PF2	-	0.383	0.383	0.467	-	0.467	0.764	-	0.764
PF3	-	0.442	0.359	0.538	-	0.538	0.880	-	0.880
PF4	-	0.359	0.359	0.437	-	0.437	0.714	-	0.714

Table 4.21 presented the standardized direct effects, indirect effects, and total effects of variable in this study. It indicated that entrepreneurial orientation had a negative effect on firm financial performance (direct effect was -0.033). For indirect effect, entrepreneurial orientation had a positive indirect effect on firm financial performance (indirect effect was 0.535). Moreover, it had a positive total effect on firm financial performance (total effect was 0.502).

**Table 4.22** Summary of Hypothesis Results

Hypothesis	Results
H1: Entrepreneurial orientation positively affects firm financial performance.	Supported
H2: Entrepreneurial orientation positively affects dynamic capabilities.	Supported
H3: Dynamic capabilities positively affect firm financial performance.	Supported
H4: Entrepreneurial orientation has an indirect effect on firm financial performance through dynamic capabilities.	Supported

In summary, this chapter showed the relationship between entrepreneurial orientation (EO), dynamic capabilities (DC), and firm financial performance through the two conceptual frameworks. Firstly, the firm financial performance was the conceptual framework measured by the return on assets (ROA) with the information from the Business Online Public Company Limited. Secondly, the firm financial performance in the second conceptual frameworks was measured by questionnaire answers. Finally, the study found the effects of entrepreneurial orientation on firm financial performance through the dynamic capabilities. The next chapter summarized and discussed the results of the study's findings.



## CHAPTER 5

### CONCLUSIONS AND RECOMMENDATIONS

The aim of this study was to investigate the effects of entrepreneurial orientation on firm financial performance through dynamic capabilities in hotel industry. The study results presented in Chapter Four provides the foundation for the conclusions and recommendations in this chapter. To discuss and evaluate the findings of the study, this chapter begins with the summary of study, discussions and conclusions, implication for future research. This chapter concludes by providing limitation of the study.

#### 5.1 Summary of Study

The majority of respondents were female (55.6 percent), aged between 40 and 50 (35.3 percent), earned bachelor's degrees (62.3 percent), had more than 15 years of work experiences (27.5 percent), and worked as executives (65.7 percent). The samples were from limited companies (82.6 percent), business partnership (14.5 percent), and Thai business (94.7 percent). Most of them had fewer than 50 employees (30.9 percent). Most of the hotels were operated within the range of 5-10 years (35.7 percent) and had asset value of more than 200 million baht (39.1 percent). The groups of their customers were from Asian countries (59.4 percent) and 49.8 percent of the customers were foreigners.

Generally, the hotel management voiced their positive opinions about entrepreneurial orientation in the hotel industry. Data indicated that the mean score of

the innovativeness attribute was 3.25 to 3.61, the mean scores of the risk-taking attribute was 3.28 to 4.01 and the mean score of proactiveness was 3.35 to 3.79.

Concerning dynamic capabilities, the hotel management generally showed a high level of dynamic capabilities in the hotel business. The market responsiveness level was averagely 3.45 to 3.88, the organizational learning was 3.52 to 3.90, the coordination was 3.94 to 4.05, and the integration was 3.85 to 4.05.

Generally, the hotel management voiced their positive opinions about firm financial performance in the hotel industry. The average firm financial performance level was 3.32 to 3.59.

## **5.2 Discussions and Conclusions**

### **5.2.1 Research question 1: Was there the effect of entrepreneurial orientation on firm financial performance?**

The hypothesis H1 attempted to investigate whether the entrepreneurial orientation had positively effects on firm financial performance.

This study proposed the two models in order to investigate the relationship among entrepreneurial orientation, dynamic capabilities and firm financial performance that provided a return on assets by information derived from financial statements, and measure firm financial performance by data derived from the questionnaire answers.

The result of the first model indicated that there was not a significant relationship between entrepreneurial orientation and return on assets. Thus, it can be concluded that entrepreneurial orientation did not affect return on assets when secondary data from BOL was used. Personally, this may be the results of Thailand's

political crisis and great flood in 2011, both of which had effects on operating results and on the financial statements of the organizations.

On the other hand, the second model showed that there were positive effects between the entrepreneurial orientation and firm financial performance (data from the questionnaires) which supported the results of the previous studies. For example, Yang (2008) found that the innovativeness, proactiveness, and risk taking had positive impacts related to business success. In addition, Boohene, et al. (2012) revealed significantly positive effects of the entrepreneurial orientation on performance such as revenues and profit level. This was consistent with previous studies that showed the relationships which focused on entrepreneurship's positive effect on the performance (Wiklund & Shepherd, 2005; Krauss, et al., 2005). In particular, Wiklund & Shepherd (2005) used data to empirically test whether an entrepreneurial orientation actually led to superior performance. The results indicated that the hotel business focused on all of entrepreneurial orientation. Concerning innovativeness factors, the hotel management encouraged the organization's managerial concept with the emphasis on R&D, technological leadership and innovation were engaged with new products or new services. The hotel management teams with a risk-taking attribute were willing to be responsible of new projects' unpredictable results. Concerning the proactiveness, most hotel executives would attempt to embark on new ventures with a new strategy in order to be ahead of their rivals by offering new services and new management techniques. Furthermore, the executives encouraged employees to use resources efficiently because it helped to set the standard performance within a corporation from both internal and external perspectives. Meanwhile, the results indicated that the direct effects of

proactiveness gained the highest value (direct effects of 0.761), followed by innovativeness (direct effects of 0.744) and risk-taking (direct effects of 0.501) respectively which supported the results of the study by Tang, Kreiser, Marino, Dickson, and Weaver (2009) who found that innovativeness and risk taking were driven by proactiveness and that proactiveness was the leading and primary factor of entrepreneurial orientation.

Innovation factors had a positive influence on performance and this was consistent with the studies by other authors (Miner, et al., 1989; Lumpkin & Dess, 2001; Hult, et al., 2004; Peng, 2008; Richard, et al., 2009; Boohene, et al., 2012) who found that innovativeness had a positive relationship with business success. Currently, enterprises had to improve and change their thinking processes in order to create something different from the original (McKeown, 2008). The result showed that there were positive effects between the innovativeness and firm financial performance. The reason was that the innovativeness concept of service business involved work process or ideas for the implementation of new services that can result in increasing customers' satisfaction. If the organization always improves new techniques to develop its staff, it will boost more confidence in the organization. Therefore, innovation is a critical factor of the business operation.

Regarding the risk taking factors had positive influence on performance which consistent with the research by Miller (1983), Wiklund and Shepherd (2005); Krauss, et al. (2005), Yang (2008) and Boohene, et al. (2012) who also found that risk taking was positively related to business success. This was because the characteristic of the entrepreneurs is risk takers who are willing to invest in projects that are most likely to

be rewarded and are not afraid to confront with different situations with the current environment. Results of this study showed that an entrepreneur was a person who preferred a challenge. Therefore, entrepreneur always sought to improve the performance by utilizing new methods to achieve business success. Also, the hotel industry is currently dealing with political factors, natural disaster, and competition among the hotel business all of which lead to unpredictable results so the entrepreneurs are required to use information from various sources to make the decision and to expand organizations. Therefore, an organization's focus on practicing entrepreneurial concept will affect their operations due to an organizational adaptation.

**5.2.2 Research question 2: Did dynamic capabilities mediate the relationship between entrepreneurial orientation and firm financial performance? The study answered this question with hypothesis 2, hypothesis 3, and hypothesis 4.**

The hypothesis H2 attempted to investigate whether the entrepreneurial orientation had positively effects on dynamic capabilities. The result found that there were positive effects between the entrepreneurial orientation and dynamic capabilities which supported the results of the previous studies. For example, Jantunen, et al. (2005) and Jiao, et al. (2010) suggested that an entrepreneurial orientation had a positive effect on the dynamic capabilities if an entrepreneur focuses on details and gives support to its organization. Barringer and Ireland (2008) and Kuratko and Hodgetts (2007) stated that from the academic view, an operator was a developer who recognized and seized opportunities by gathering necessary resources including the ability to predict risks and market competition and to convert those opportunities into new ideas for a successful business that could earn more money and keep growing. In addition,

this study showed the direct effects of the dynamic capabilities: first, a market responsiveness (direct effects of 0.897), second, an organizational learning (direct effects of 0.841), third, coordination capabilities (direct effects of 0.716) and last, integration (direct effects of 0.697).

Also, the consideration of each dimension revealed that all factors were important to the performance. One important factor was market responsiveness which indicated that when the business atmosphere and the environment have changed, it is important to embrace the adaptation in order to prepare the organization to create an opportunity of entering The ASEAN Economic Community (AEC), for instance. Therefore, the hotel business in Thailand must prepare for the competition to maintain and grow market share. Hotel executives must learn and find a management strategy to meet the circumstances in the market.

Nowadays, many organizations attempt to use an organizational learning concept. If the organization wants to develop a learning system, it is necessary to implement and manage the internal knowledge system to actually encourage the continual learning. In addition, after the personnel have gained an expertise, an organization has to find the way to encourage the knowledge transfer and sharing. Mangkornsila (2014) proposed that an organization must create an incentive to encourage an individual employee, teams, and organizations to continue to feel well. Also, the exchange of knowledge between each other becomes the corporate culture. Organizational learning is the process which the operation has been doing repeatedly until they begin to learn more. An organization needed to improve its knowledge and

learn new things and be able to transfer knowledge by publishing the learning that occurs within the organization (Zahra & George, 2002; Tippins & Sohi, 2003).

Entrepreneurial orientation has positive effects on dynamic capabilities. Another important factor is the coordination capability which will contribute to the increasing efficiency and effectiveness of the organization. The coordination capability is essential and critical to the administration. Besides high collaboration which could ensure organizations' smooth management, the focus on management-oriented reorganization was also important for the preparedness to deal with changes of the current environment (Pavlou & El Sawy, 2006; Wang, 2009). Therefore, the coordination capability will help an organization to achieve its goals and obtain an accurate data synchronization that allows employees to work together in the same direction. A suitable coordination within the company can reduce the cumbersome process as well as conflicts by optimizing the communication and increase an interaction between employees. This will help to enhance the allocation of appropriate resources that allows the organization to improve its performance.

In addition, the entrepreneurial orientation should give priority to integration which was the ability to integrate different competences or gather important events together in a changing environment (Teece, et al., 1997). Also, getting the same clear target would help to reduce conflicts in an organization (Kogut & Zander, 1996). Porter (1996) stated that integration could lead to a competitive advantage which would affect the performance. Gold-Bernstein and Ruh (2004) stated that integration allowed company to collaborate activities in an agency so it could be used to share knowledge or

improved services and then helped the organization to immediately provide services that meet customer needs.

Therefore, the ability of dynamic capabilities will alter the ability of the hotel to respond to environmental changes such as changes in employee's ability, product design, and the booking system to increase sales and expand the market including improvement of the infrastructure in the hotel. Entrepreneurial orientation that affects dynamic capabilities must focus on surroundings in order to take them into a consideration for a decision-making and to improve the organization process under a constantly changing environment. Therefore, based on the findings of both the study and the previous studies, this study could be concluded that entrepreneurial orientation is positively related to dynamic capabilities.

The hypothesis H3 attempted to investigate whether the dynamic capabilities had positively effect on firm financial performance. The result showed that there was positive effect between the dynamic capabilities and firm financial performance which supported the results of the previous studies. For example, Kogut and Zander (1996) proposed that dynamic capabilities were a part of the improvement strategy resources. Dynamic capabilities enabled firms to gain the opportunities, competitive advantages and affected firm performance. The market responsiveness had an impact on firm's performance by enabling firms to respond to customer demand and environment competition through their capabilities under uncertain situations (Jaworski & Kohli, 1993; Hult, et al., 2005). The result revealed that there were positive effects between the dynamic capabilities and firm financial performance. The reason was that the hotel businesses foresaw the importance of all factors of dynamic capabilities related to



market responsiveness on hotel management. Also, to immediately develop new market, the business focused on the organizational ability to respond to market to earn its satisfaction and provided rapid services to respond to new customer needs.

The organizational learning and hotel management will encourage the ability of organization to learn from experience and brainstorm among team members for new knowledge. This includes using and applying internal and external information to improve process, products or services. To achieve the coordination, management encouraged the allocation of resources and matching between staff, skill and process within the organization to improve the communication and interaction among staffs. Lastly, the business integration concentrated on good cooperation to enable effective management in a changing situation. Therefore, based on the findings of the study and the previous studies, it could be concluded that dynamic capabilities were positively related to firm financial performance.

The hypothesis H4 attempted to investigate whether entrepreneurial orientation had an effect on firm financial performance through dynamic capabilities. In figure 4.11, the study was conducted to examine the relationship between entrepreneurial orientation and performance. The results showed that entrepreneurial orientation had significant positive relationship with firm financial performance (direct effects of 0.508). Then, when the researcher included dynamic capabilities variable into the model between entrepreneurial orientation and performance (figure 4.15), the results indicated that there was no significant relationship between entrepreneurial orientation and firm financial performance (direct effects of -0.033). However, the results showed that entrepreneurial orientation had significant positive relationship with dynamic

capabilities (direct effects of 0.874) and that dynamic capabilities had significant positive relationship with firm financial performance (direct effects of 0.612).

Consequently, these results demonstrated the impact of the dynamic capabilities as a full mediator variable between entrepreneurial orientation and firm financial performance. In conclusion, entrepreneurial orientation had indirect effects of 0.535 on performance and the total effect of 0.502 (as shown in table 4.20). Based on the findings of the study, it could be concluded that entrepreneurial orientation had an effect on firm financial performance through dynamic capabilities. According to the concept of resource based view (RBV), the focus was on the organization's available resources so it can benefit from those resources to their fullest potential in the dynamic environment. Moreover, resources and the ability were an important factor that management should focus on. According to this study, the dynamic management style could somehow help organizations to achieve competitive advantage and would result in the superior performance.

If organizations emphasize on entrepreneurial orientation in terms of innovativeness, risk taking, and proactiveness, they will possess a superior organizational performance. For this reason, entrepreneurial orientation's effects on performance equipped the organization with dynamic capabilities which link between entrepreneurial orientation and performance. The main role of dynamic capabilities is the ability that exists in the organization to enable its ability to adapt, survive, and succeed during changing environment. The organization will need to focus on responding to customer services and customer satisfaction in order to maintain existing

customers and invite more new customers by paying attention to the changing environment.

Therefore, entrepreneurial orientation had causal relationship with firm financial performance statistically. The hotel business had to possess proactiveness, innovativeness, and risk-taking attribute all of which led to high financial performance. So the firm must be well aware of changing environment, technology development and skills development policy and it must introduce new work practices to improve its service to be superior to other competitors. As a result, the firm can create a new superior service operation and can make use of technology to help save cost and generate more profits.

### **5.3 Implication and Future Research**

#### **5.3.1 Theoretical implication**

This study developed a conceptual model to examine the effects of entrepreneurial orientation on firm financial performance through dynamic capabilities. The theory used in this study as well as in the related studies guided the study to recognize the element power of entrepreneurial orientation and dynamic capabilities. The entrepreneurial orientation embraced innovativeness, risk-taking, and proactiveness. The dynamic capabilities included market responsiveness, organizational learning, coordination, and integration. The contribution of this study's findings to the theoretical concept was the connection between entrepreneurial orientation theory, and firm financial performance through the use of dynamic capabilities as the full mediator variable.

The measurement of firm financial performance for this study was done through the use of two models. The first model was ROA method which was used for collecting financial statement information derived from BOL. This model showed no relation between entrepreneurial orientation and performance due to the impact of Thailand's political crisis and great flood in 2011. This kind of business is always sensitive to environment and current situations and also the information derived from secondary source of information had limitation due to unusual situations. Thus, this study also used the second model as another measurement for primary data.

The second model is the measurement of performance by the use of multidimensional questionnaires. This model showed relation between entrepreneurial orientation and performance which was in line with previous research. This relation indicated that entrepreneurial orientation had direct effects on dynamic capabilities and dynamic capabilities had effects on performance.

In addition, the contribution to the entrepreneurship literature review was the clarification of the role of dynamic capabilities process. Additionally, this study contributed to the integration of the dimensions of entrepreneurial orientation and dynamic capabilities. The literature review on Entrepreneurial orientation (Covin & Sevin, 1991; Jantunen, et al., 2005; Lumkpin & Dess, 2001; Miller & Friesen, 1982; Zahra & Covin, 1995) emphasized that entrepreneurial orientation of organization was critical for business success. The literature review on dynamic capabilities (Barney, 1991; Bitar & Somers, 2004; Grant, 1991; Eisenhardt & Martin, 2000; Luo, 2000, Wu, 2007) suggested that dynamic capabilities were important in strategic management and led to superior performance.

Specifically, this study highlighted dynamic capabilities as a full mediator variable that recommended the expansion of our knowledge of how entrepreneurial orientation affects firm financial performance. The viewpoints proposed that the dynamic management style could support organizations to achieve competitive advantage, leading to superior results on the performance.

### **5.3.2 Practical Implication**

This study implied that the executives should focus on proactiveness factor to enhance operate ability by realizing the use of resources in a new system. The entrepreneur must change everything into the dynamic discipline. The executives should be the first to formulate a competition strategy and focus on a new service system, for example new markets, Thai traditional service, a nursing home, a budget hotel, a hotel for women travelers, and Greenleaf project, etc. Moreover, the hotel has to create new opportunity to respond to market, invent or change the new system and method that affect the operation and design new service system for the organization's effectiveness. Concerning entrepreneurial orientation which effects performance, the executives should regularly realize the innovativeness factor by having new service for both domestic market and international market and using technology as piquancy package promotion, e-document service, spa service and WIFI service. Meanwhile, the executives have to realize the probability and possible opportunities. In addition, they have to support hotel business with the use of high technology in the infrastructure, the investment for service capability in order to collect customers' information.

Besides, the executives should focus on new trend of market responsiveness, scan for new opportunity in the environment, and develop the professional field by

fulfilling the needs of individual customers. The hotel business must realize customers' needs in the present and the future and has to share information among departments. This is because market responsiveness could be supported by the use of information of customers and competitors for competitive advantage. Moreover, the executives should focus on corporate social responsibility in order to create green brand image with green marketing which affects customers' decision about quality service.

The result revealed that dynamic capabilities were an important factor. Thus, the firm must support organizational learning and coordination by encouraging employees to freely exchange information and promoting sharing among team members and using knowledge management based on both internal and external information. In addition, the executives must be aware of staff's technology skills and support them to develop these skills. Finally, they should possess the capability of teamwork, group decision making and a quick response to customers' needs.

### **5.3.3 Future Research**

1. This study was a case study of a crisis in 2011 which affected performance therefore; future researchers should conduct their studies under normal circumstances or the long term or work on a longitudinal study by using the same model as this research in order to confirm that the model is consistent with empirical data.

2. Future researchers should start with conducting research on other businesses because this study collected data solely from hotel business of which the operational nature may be different from other types of business. Therefore, those who are interested could apply the models of this study by conducting the study on other types of business to compare and confirm the theoretical results, and to report general explanation.

3. The future researchers can adopt the model and employ variables from the study. For example, the study can be repeated with the hotel business in other countries in order to confirm that the model used is consistent with empirical data, particularly in the hotel business.

4. To study other additional variables related to several factors that influence the performance, future researchers can conduct the study on other factors that may be related to additional operations such as social responsibility, leadership, customer relationship management capability, knowledge management, and so on.

#### **5.4 Limitation of the study**

Some noteworthy limitations of the study were addressed. The first limitation included the financial data which was derived from The Business Online Public Company Limited (BOL). Based on the BOL data during 2011-2012, the country faced political disturbance, natural disasters including flooding crisis that affected the hotel business performance. The second limitation was that this study investigated various theories, carried out the literature review related to secondary sources from relevant foreign documents and used the theories to develop a conceptual framework for the study of hotel business in Thailand alone. The final limitation was conducted and the data was collected from questionnaires distributed to the hotel executives. Therefore, to apply the research results to other industry, the user should be aware of the information because most of the information came from the perspectives of the executives who worked for a hotel industry only.

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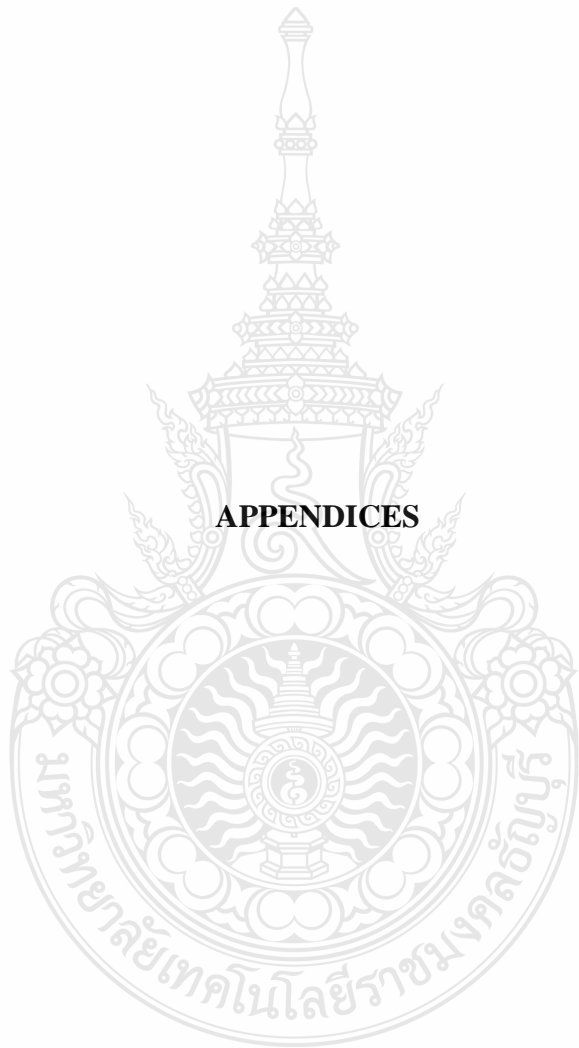
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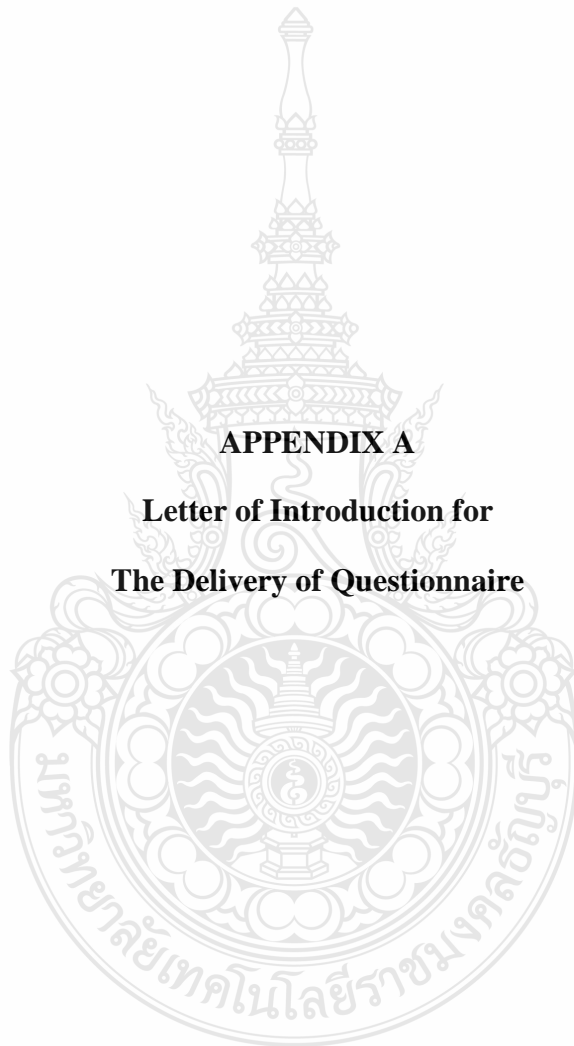
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**APPENDIX A**

**Letter of Introduction for  
The Delivery of Questionnaire**



ที่ ศธ 0578.06/ 4505

คณะบริหารธุรกิจ

มหาวิทยาลัยเทคโนโลยีราชมงคลธัญบุรี

ตำบลคลองหก อำเภอธัญบุรี

จังหวัดปทุมธานี 12110

๓ กันยายน 2556

เรื่อง ขอความอนุเคราะห์ตอบแบบสอบถาม เพื่อประกอบการทำวิจัย

เรียน ผู้บริหารองค์กร

สิ่งที่ส่งมาด้วย แบบสอบถามเพื่อการวิจัย

ด้วยคณะบริหารธุรกิจ มหาวิทยาลัยเทคโนโลยีราชมงคลธัญบุรี ได้เปิดสอนระดับปริญญาเอก หลักสูตรปรัชญาดุษฎีบัณฑิต สาขาวิชาบริหารธุรกิจ ตั้งแต่ปีการศึกษา 2551 แล้วนั้น ขอรับรองว่า นางปัทมา ถนิมกาญจน์ รหัสนักศึกษา 115390503004-1 เป็นนักศึกษาหลักสูตรปรัชญาดุษฎีบัณฑิต สาขาวิชาบริหารธุรกิจ วิชาเอกการจัดการ เป็นผู้จัดทำวิทยานิพนธ์เรื่อง : ผลกระทบของการมุ่งเน้นการเป็นผู้ประกอบการ ต่อประสิทธิภาพของผลการดำเนินงาน ผ่านความสามารถในเชิงพลวัต ในธุรกิจโรงแรม (The Effect of Entrepreneurial Orientation to Firm Performance Effectiveness through Dynamic Capabilities for the Hotel Industry)

อนึ่ง คณะบริหารธุรกิจฯ ใ้ขอความอนุเคราะห์ท่านในการสนับสนุนให้ข้อมูลสำหรับการทำวิจัย ให้งานวิจัยเกิดความสำเร็จเพื่อเผยแพร่ผลงานวิจัยที่เป็นคุณูปการแก่องค์กรและผู้สนใจต่อไป

จึงเรียนมาเพื่อโปรดให้ความอนุเคราะห์ ตอบแบบสอบถาม เพื่อประกอบการทำวิจัย  
จักขอบคุณยิ่ง

ขอแสดงความนับถือ

(รองศาสตราจารย์ ดร.ชงกรณ์ กุณฑบุตร)

คณบดีคณะบริหารธุรกิจ

ผู้ประสานงานโครงการปริญญาเอก : นายไพศาล ดิษฐสอน

โทร.02-5494819, 081-7952191 โทรสาร 02-5494819, 02-5493243

E-mail: phd.bus.rmutt@hotmail.co.th

## Questionnaire for Research

### The Effect of Entrepreneurial Orientation to Firm Performance Effectiveness through Dynamic Capabilities for the Hotel Industry

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Dear Executive

My name is Patima Tanimkarn, Ph.D. student in Management at Rajamangala University of Technology Thanyaburi. I am conducting a dissertation under the direction of Associate Professor Dr. Chanongkorn Kuntonbutr and Assistant Professor Dr. Khemaree Rugchoochip. In the topic is The Effect of Entrepreneurial Orientation to Firm Performance Effectiveness through Dynamic Capabilities for the Hotel Industry. I would like to invite you to participate in this study by completing the questionnaire. Your responses will be confidential, and individual responses will not be reported. The data will be used for a doctoral dissertation.

This dissertation is being given to a limited number of hotel firms in this industry. Your firm is selected by researcher that your response is very useful to this dissertation. Thus, please answer these questions. After that, please return the completed questionnaire by the enclosed postage-paid envelop or E-mail address: patimapat@hotmail.com.

Thank you for your time to complete this questionnaire. I promise all responses to be strictly confidential. If you have any concerns or questions related to this survey, please contact me: Patima Tanimkarn as E-mail address: patimapat@hotmail.com

Patima Tanimkarn  
Ph.D. Student in Management  
Rajamangala University of Technology Thanyaburi

แบบสอบถามเพื่อการวิจัย

เรื่อง : ผลกระทบของการมุ่งเน้นการเป็นผู้ประกอบการ ต่อประสิทธิผลของผลการดำเนินงาน

ผ่านความสามารถเชิงพลวัต ในธุรกิจโรงแรม

(The Effect of Entrepreneurial Orientation to Firm Performance Effectiveness

Through Dynamic Capabilities for the Hotel Industry)

เรียน ผู้บริหารองค์กร

ข้าพเจ้า นางปัทมา ถนิมกาญจน์ นิสิตปริญญาเอก สาขาการจัดการ คณะบริหารธุรกิจ มหาวิทยาลัยเทคโนโลยีราชมงคลธัญบุรี กำลังทำวิทยานิพนธ์ภายใต้การดูแลควบคุมของ รศ.ดร.ชนงกรณ์ กุลชาลบุตร และ ผศ. ดร.เขมมาวีร์ รักษ์ชูชีพ ในหัวข้อวิจัยเรื่อง เรื่อง : ผลกระทบของการมุ่งเน้นการเป็นผู้ประกอบการ ต่อประสิทธิผลของผลการดำเนินงาน ผ่านความสามารถเชิงพลวัต ในธุรกิจโรงแรม (The Effect of Entrepreneurial Orientation to Firm Performance Effectiveness through Dynamic Capabilities for the Hotel Industry) ข้าพเจ้าขอความอนุเคราะห์ท่านให้ความร่วมมือในการเสียสละเวลาตอบแบบสอบถามนี้ ข้อมูลของท่านจะไม่ถูกนำมาเปิดเผย แต่จะถูกนำมาใช้ในการวิจัยครั้งนี้เท่านั้น

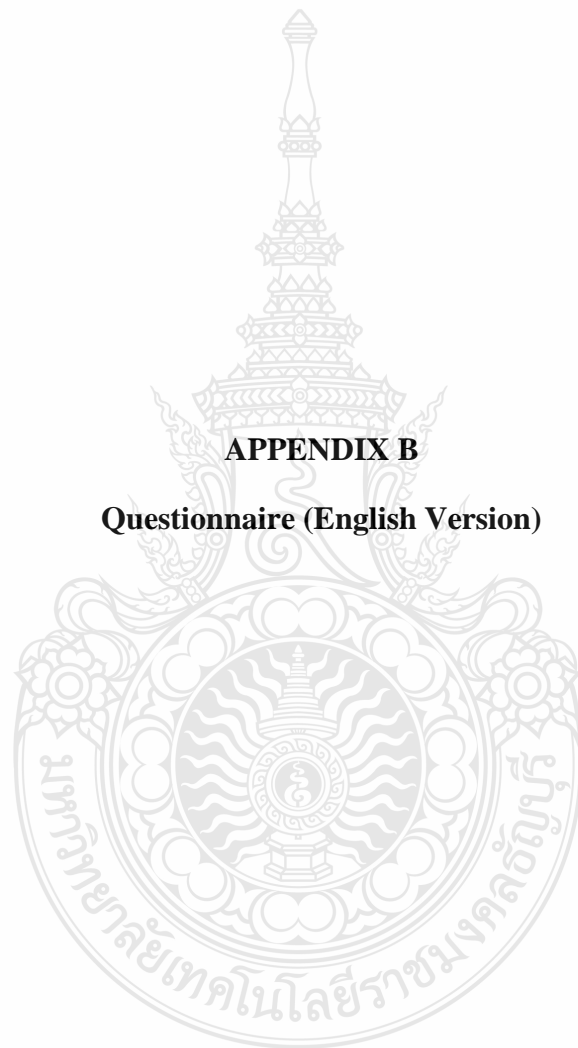
การวิจัยนี้ ผู้วิจัยได้พิจารณาเลือกเฉพาะบางกิจการ โรงแรมในประเทศไทย โรงแรมของท่านเป็นหนึ่งในจำนวนที่ผู้วิจัยพิจารณาแล้วว่าจะให้ข้อมูลที่เป็นประโยชน์ต่อการวิจัยอย่างมาก ดังนั้น ข้อมูลของท่านจึงมีความหมายต่องานวิจัยครั้งนี้มาก จึงขอความกรุณาท่าน ตอบแบบสอบถามที่ส่งมานี้ แล้วกรุณาส่งคืนตามซองจดหมายที่ได้ติดแสตมป์แนบมาในครั้งนี้อย่างเรียบร้อยแล้ว หรือส่งกลับคืนที่ E-mail address: patimapat@hotmail.com

ขอขอบพระคุณท่านได้กรุณาสละเวลาเพื่อตอบแบบสอบถามในครั้งนี้ หากท่านมีข้อสงสัยประการใด โปรดสอบถามได้ที่ข้าพเจ้า นางปัทมา ถนิมกาญจน์ หมายเลขโทรศัพท์ 089-717-5883 หรือ E-mail address: patimapat@hotmail.com

ปัทมา ถนิมกาญจน์

นิสิตปริญญาเอก สาขาการจัดการ

คณะบริหารธุรกิจ มหาวิทยาลัยเทคโนโลยีราชมงคลธัญบุรี



**APPENDIX B**

**Questionnaire (English Version)**

## Questionnaire for Research

### The Effect of Entrepreneurial Orientation to Firm Performance Effectiveness through Dynamic Capabilities for the Hotel Industrial

Please ✓ into  for each of the following statements about your data

#### **Part 1: General information of the executive of the hotel industrial in Thailand.**

1. Gender

- Male  Female

2. Age

- Less than 30 years old  30 years old but less than 40 years old  
 40-50 years old  More than 50 years old

3. Education level

- Less than Bachelor's degree  Bachelor's degree  
 Higher than Bachelor's degree

4. Position

- Managing Director  Board of Committee  
 Others (please specify).....

5. Tenure years employed by this organization

- Less than 5 years  5 years but less than 10 years  
 10-15 years  More than 15 years

**Part 2: General information of our organization in the hotel industry**

**1. Types of business organization**

- Public Company                       Company Limited                       Partnership

**2. Form of business**

- Thai Firms  
 Joint Venture with Foreign (please specify your country).....

**3. Number of employees**

- Less than or 50 employees                       50-100 employees  
 101-200 employees                       More than 250 employees

**4. Number of years in operating**

- Less than 10 years                       10 years but less than 15 years  
 15-20 years                       More than 20 years

**5. Total assets**

- Less than 50 million Baht                       50 million Baht but less than 100 million Baht  
 100-200 Million Baht                       More than 200 million Baht

**6. Majority in your market**

- Asia                       Europe  
 America                       Others (please  
specify).....

**7. Proportion of overseas and domestic markets**

- Overseas Market equal to Domestic Market  
 Overseas Market more than Domestic Market  
 Overseas Market less than Domestic Market



**Part 3: Please rate how much you agree or disagree with the following statement about entrepreneurial orientation in our organization**

Entrepreneurial orientation	level				
	Strongly disagree	disagree	neutral	agree	Strongly agree
1. Our organization has very many new lines of services marketed in the past 5 years.	1	2	3	4	5
2. Our organization has changes in service lines marketed in the past 5 years usually been quite dramatic	1	2	3	4	5
3. In general, the top managers of our organization favor a strong emphasis on R&D, technological leadership, and innovations.	1	2	3	4	5
4. In general, the top managers of our organization have a strong proclivity for high-risk projects (with chances of very high returns).	1	2	3	4	5
5. In general, the top managers of our organization believe that, owing to the nature of the environment, bold, wild-ranging acts are necessary to achieve the firm's objectives.	1	2	3	4	5
6. When confronted with decision-making situations involving uncertainty, our organization typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities.	1	2	3	4	5
7. In dealing with its competitors, our organization typically initiates actions which competitors then respond to.	1	2	3	4	5

Entrepreneurial orientation	level				
	Strongly disagree	disagree	neutral	agree	Strongly agree
8. In dealing with its competitors, our organization is very often the first business to introduce new services administrative techniques, operating technologies, etc.	1	2	3	4	5
9. In dealing with its competitors, our organization typically adopts a very competitive “undo-the-competitors”	1	2	3	4	5

**Part 4** Please rate how much you agree or disagree with the following statement  
**about dynamic capability in our organization**

Dynamic Capability	level				
	Strongly disagree	disagree	neutral	agree	Strongly agree
<b><u>Market Responsiveness</u></b>					
1. Our organization act quickly to a new customer needs.	1	2	3	4	5
2. Our organization is always taking an environment survey for a new business opportunity.	1	2	3	4	5
3. Our organization had to develop of service for individual customer.	1	2	3	4	5
4. Our organization has developed a new market very quick.	1	2	3	4	5
5. Our organization always has interests in a competitor strategy pricing.	1	2	3	4	5
6. Our organization has improved process to keep up with rapid evolving technology	1	2	3	4	5

Dynamic Capability	level				
	Strongly disagree	disagree	neutral	agree	Strongly agree
7. Our organization has encouraged employees to discuss about emerging market trend within departments to offer new service for our customers.	1	2	3	4	5
<b><u>Organizational Learning</u></b>					
8. Personal have freedom to share and exchange information among departments.	1	2	3	4	5
9. Personal can easily access to the company information.	1	2	3	4	5
10. Provide the supporting system to share knowledge in the organization.	1	2	3	4	5
11. Organization encourages a brainstorming and team working for a new service innovation.	1	2	3	4	5
12. Organization uses existing data to develop the new knowledge.	1	2	3	4	5
13. Organization applies information in both internal and external successfully.	1	2	3	4	5
<b><u>Coordination</u></b>					
14. They are working together very well in the processes.	1	2	3	4	5
15. A company is sharing information for the decision making.	1	2	3	4	5
16. Staffs are working on the assignments according to their knowledge and expertise.	1	2	3	4	5

Dynamic Capability	level				
	Strongly disagree	disagree	neutral	agree	Strongly agree
17. Employees have a combination of skills in the working process and job performance.	1	2	3	4	5
18. Our organization has been flexible for resource allocation.					
<b><u>Integration</u></b>					
19. All departments in an organization cooperate to management in every situation changing efficiently.	1	2	3	4	5
20. Our organization can manage and perform in any situation.	1	2	3	4	5
21. Departments' goals are agreeable with an organizational goal.	1	2	3	4	5
22. Each department has responsibilities to customer's satisfaction and its business practice.	1	2	3	4	5



**Part 5 Please rate how much you agree or disagree with the following statement about firm performance in our organization**

Firm Performance	Level				
	Strongly disagree	disagree	neutral	agree	Strongly agree
<b>Financial performance</b>					
1. Our profitability has increased in the past years	1	2	3	4	5
2. Our market share has increased in the past years	1	2	3	4	5
3. Our sales volume tends to increase in the recent years	1	2	3	4	5
4. Our return on asset (ROA) tends to increase in the past years	1	2	3	4	5

**Additional Opinions**

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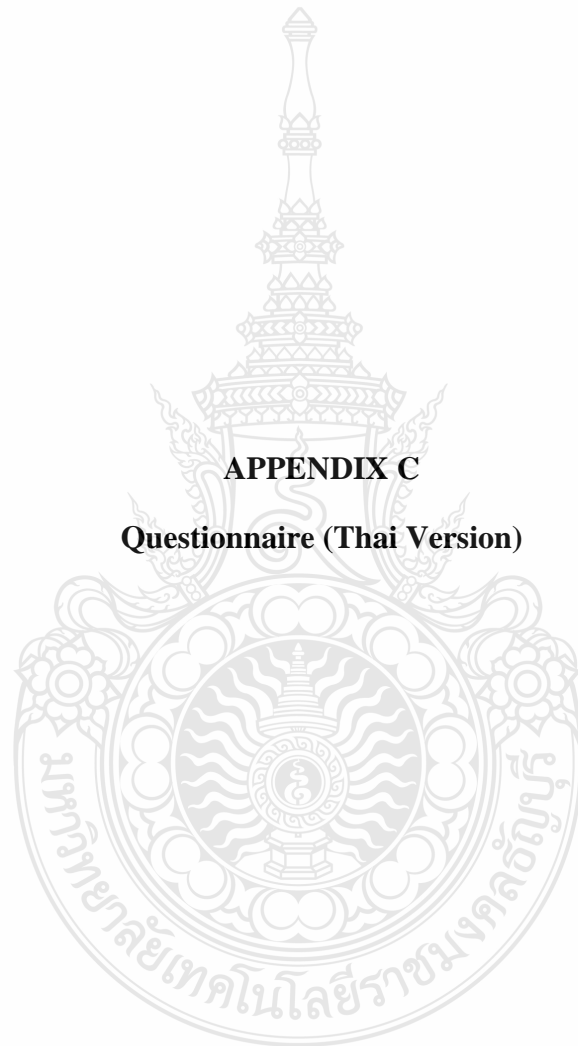
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Thank you for your participation in this survey



**APPENDIX C**

**Questionnaire (Thai Version)**

แบบสอบถามเพื่อการวิจัย

เรื่อง : ผลกระทบของการมุ่งเน้นการเป็นผู้ประกอบการ ต่อประสิทธิผลของผลการดำเนินงาน  
ผ่านความสามารถเชิงพลวัต ในธุรกิจโรงแรม

(The Effect of Entrepreneurial Orientation to Firm Performance Effectiveness  
through Dynamic Capabilities for the Hotel Industry)

คำชี้แจง กรุณา  ลงในช่อง  หน้าข้อความที่ตรงกับท่านมากที่สุด

ตอนที่ 1 : ข้อมูลเกี่ยวกับผู้ตอบแบบสอบถาม

1. เพศ  
 ชาย  หญิง
2. อายุ  
 น้อยกว่า 30 ปี  30 ปีแต่ไม่ถึง 40 ปี  
 40 - 50 ปี  มากกว่า 50 ปี
3. ระดับการศึกษา  
 ต่ำกว่าปริญญาตรี  ปริญญาตรี  
 สูงกว่าปริญญาตรี
4. ตำแหน่งงานในปัจจุบัน  
 กรรมการผู้จัดการ  กรรมการบริหาร  
 อื่นๆ โปรดระบุ.....
5. ระยะเวลาการทำงานในโรงแรม  
 น้อยกว่า 5 ปี  5 ปีแต่ไม่ถึง 10 ปี  
 10 - 15 ปี  มากกว่า 15 ปี

**ตอนที่ 2** แบบสอบถามเกี่ยวกับข้อมูลทั่วไปเกี่ยวกับธุรกิจโรงแรม

1. รูปแบบของธุรกิจ

- บริษัทมหาชน                                       บริษัทจำกัด                                       ห้างหุ้นส่วน

2. ลักษณะการดำเนินธุรกิจ

- กิจการคนไทย  
 กิจการร่วมทุนกับต่างประเทศ โปรดระบุประเทศ .....

3. จำนวนพนักงานของธุรกิจ

- น้อยกว่า 50 คน                                       50-100 คน  
 101-200 คน                                       มากกว่า 200 คน

4. ระยะเวลาของการดำเนินงานของโรงแรม

- น้อยกว่า 10 ปี                                       10 ปี แต่ไม่ถึง 15 ปี  
 15 - 20 ปี                                       มากกว่า 20 ปี

5. มูลค่าของสินทรัพย์ของโรงแรม

- น้อยกว่า 50 ล้านบาท                                       50 ล้านบาท แต่ไม่เกิน 100 ล้านบาท  
 100 - 200 ล้านบาท                                       มากกว่า 200 ล้านบาท

6. กลุ่มลูกค้าหลักในต่างประเทศ

- เอเชีย                                       ยุโรป  
 อเมริกา                                       อื่นๆ โปรดระบุ .....

7. สัดส่วนกลุ่มลูกค้าต่างประเทศเปรียบเทียบกับกลุ่มลูกค้าในประเทศ

- ต่างประเทศ เท่ากับ ในประเทศ                                       ต่างประเทศ มากกว่า ในประเทศ  
 ต่างประเทศ น้อยกว่า ในประเทศ



**ตอนที่ 3** กรุณาประเมินว่าโรงแรมท่านมีความคิดเห็นเกี่ยวกับการมุ่งเน้นการเป็นผู้ประกอบการ

(Entrepreneurial orientation) มากน้อยเพียงใด

การมุ่งเน้นการเป็นผู้ประกอบการ	ระดับความเห็น				
	น้อยที่สุด	น้อย	ปานกลาง	มาก	มากที่สุด
1. ใน 5 ปีที่ผ่านมา โรงแรมท่านมีบริการใหม่ออกสู่ตลาดจำนวนมาก	1	2	3	4	5
2. ใน 5 ปีที่ผ่านมา โรงแรมท่านมีการเปลี่ยนแปลงในการให้บริการเพื่อให้เกิดความโดดเด่นอยู่เสมอ	1	2	3	4	5
3. โดยทั่วไป ผู้บริหารของ โรงแรม ให้ความสำคัญด้านวิจัยและพัฒนา รวมถึงด้านเทคโนโลยี และนวัตกรรมใหม่ๆ	1	2	3	4	5
4. โดยทั่วไป ผู้บริหารของ โรงแรม ให้ความสำคัญกับโครงการที่มีโอกาสที่จะได้รับผลตอบแทนที่สูง แต่ก็มีความเสี่ยงสูง ตามไปด้วย	1	2	3	4	5
5. โดยทั่วไป ผู้บริหารของ โรงแรม เชื่อว่า การกระทำต่างๆ จะต้องบรรลุตามวัตถุประสงค์ขององค์กร แต่ต้องสอดคล้องให้ทันกับธรรมชาติของสภาพแวดล้อม	1	2	3	4	5
6. เมื่อต้องเผชิญกับสถานการณ์ ที่เกี่ยวข้องกับความเสี่ยงแน่นอน โดยปกติการตัดสินใจของผู้บริหารจะเน้นความกล้าเสี่ยง โดยดูจากความน่าจะเป็นและโอกาสที่เป็นไปได้	1	2	3	4	5
7. โดยปกติโรงแรมท่านจะเริ่มดำเนินกลยุทธ์การแข่งขันก่อนแล้วคู่แข่งจะดำเนินกลยุทธ์ตาม โรงแรมท่าน	1	2	3	4	5
8. บ่อยครั้งที่โรงแรมท่านเป็นธุรกิจแรกที่นำเสนอบริการใหม่ๆ รวมถึงเทคนิคการบริหารใหม่ๆ	1	2	3	4	5
9. โดยทั่วไปแล้วโรงแรมท่านจะหาวิธีการที่จะต่อสู้เพื่อแข่งขันกับคู่แข่งกันอยู่ตลอดเวลา	1	2	3	4	5

**ตอนที่ 4** กรุณาประเมินว่าโรงแรมท่านมีความคิดเห็นเกี่ยวกับความสามารถเชิงพลวัต (Dynamic capabilities) มากน้อยเพียงใด

ความสามารถเชิงพลวัต	ระดับความเห็น				
	น้อยที่สุด	น้อย	ปานกลาง	มาก	มากที่สุด
<b>การตอบสนองตลาด</b>					
1. องค์กรของท่านมีความรวดเร็วในการตอบสนองความต้องการใหม่ๆ ของลูกค้า	1	2	3	4	5
2. องค์กรของท่านมีการสำรวจสภาพแวดล้อมเพื่อหาโอกาสทางธุรกิจใหม่อยู่เสมอ	1	2	3	4	5
3. องค์กรของท่านมีการพัฒนาการให้บริการสำหรับความต้องการของลูกค้าในแต่ละบุคคล	1	2	3	4	5
4. องค์กรของท่านมีการพัฒนาขยายตลาดใหม่ๆ ได้อย่างรวดเร็ว	1	2	3	4	5
5. องค์กรของท่านให้ความสำคัญกับการใช้กลยุทธ์ด้านราคาของคู่แข่งอยู่เสมอ	1	2	3	4	5
6. องค์กรของท่าน มีการปรับปรุงกระบวนการทำงานได้ทันต่อเทคโนโลยีที่มีการพัฒนาอย่างรวดเร็ว	1	2	3	4	5
7. องค์กรส่งเสริมให้หน่วยงานต่างๆ แลกเปลี่ยนความเห็นเกี่ยวกับแนวโน้มตลาด เพื่อนำไปสู่การสร้างบริการใหม่ๆ ให้กับลูกค้า	1	2	3	4	5
<b>องค์กรแห่งการเรียนรู้/การเรียนรู้ในองค์กร</b>					
8. พนักงานในองค์กรของแต่ละหน่วยงาน มีการแลกเปลี่ยนข้อมูลสารสนเทศได้อย่างอิสระ	1	2	3	4	5
9. พนักงานในองค์กรสามารถเข้าถึงข้อมูลสารสนเทศของหน่วยงานได้โดยง่าย	1	2	3	4	5
10. องค์กรมีการสนับสนุนและอำนวยความสะดวกในการแบ่งปันความรู้ในองค์กร	1	2	3	4	5

ความสามารถเชิงพลวัต	ระดับความเห็น				
	น้อยที่สุด	น้อย	ปานกลาง	มาก	มากที่สุด
11. องค์กรมีการระดมสมอง และการทำงานเป็นทีม เพื่อสร้างแนวคิดผลิตภัณฑ์	1	2	3	4	5
12. ในองค์กรมีการนำข้อมูลที่มีอยู่มาพัฒนาให้เกิดองค์ความรู้ใหม่	1	2	3	4	5
13. องค์กรมีการประยุกต์ใช้ข้อมูลภายในและภายนอกอย่างเป็นรูปธรรม	1	2	3	4	5
<b>การประสานงาน/การทำงานร่วมกัน</b>					
14. ในองค์กรมีกระบวนการทำงานร่วมกันเป็นอย่างดี	1	2	3	4	5
15. ในองค์กรมีการใช้ฐานข้อมูลเดียวกันเพื่อใช้ประกอบการพิจารณาตัดสินใจ	1	2	3	4	5
16. มีความสอดคล้องในการกำหนดงานของพนักงานให้ตรงกับความรู้และทักษะ	1	2	3	4	5
17. มีการผสมผสานระหว่างความเชี่ยวชาญในการทำงานของพนักงาน และกระบวนการทำงาน	1	2	3	4	5
18. องค์กรมีความยืดหยุ่นในการจัดสรรทรัพยากรให้เหมาะสมได้อย่างมีประสิทธิภาพ	1	2	3	4	5
<b>การบูรณาการ/การทำงานแบบบูรณาการ</b>					
19. หน่วยงานต่างๆ ในองค์กร ให้ความร่วมมือในการจัดการตามสภาพการเปลี่ยนแปลง ได้อย่างมีประสิทธิภาพ	1	2	3	4	5
20. องค์กรของท่าน สามารถดำเนินกิจกรรมร่วมกันในแต่ ละสถานการณ์ที่เกิดขึ้น	1	2	3	4	5
21. เป้าหมายของแต่ละหน่วยงานมีความสอดคล้องกับเป้าหมายขององค์กร	1	2	3	4	5
22. แต่ละหน่วยงานมีความเข้าใจร่วมกัน ในการตอบสนองความต้องการของลูกค้าและการปฏิบัติตามหน้าที่ของตัวเอง	1	2	3	4	5

**ตอนที่ 5** ความคิดเห็นเกี่ยวกับผลการดำเนินงานขององค์กร

ผลการดำเนินงานของกิจการ	ระดับความเห็น				
	น้อยที่สุด	น้อย	ปานกลาง	มาก	มากที่สุด
<b>ผลการดำเนินงานด้านการเงิน (Financial performance)</b>					
1. การทำกำไรของกิจการมีแนวโน้มที่เพิ่มขึ้นจากปีที่ผ่านมา	1	2	3	4	5
2. ส่วนแบ่งตลาดของกิจการมีแนวโน้มที่เพิ่มขึ้นจากปีที่ผ่านมา	1	2	3	4	5
3. ยอดรายได้ของกิจการมีแนวโน้มที่เพิ่มขึ้นจากปีที่ผ่านมา	1	2	3	4	5
4. อัตราผลตอบแทนจากสินทรัพย์ (ROA) มีแนวโน้มที่เพิ่มขึ้นจากปีที่ผ่านมา	1	2	3	4	5

**ตอนที่ 6** ข้อเสนอแนะ

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ขอขอบพระคุณท่านได้กรุณาใช้เวลาเพื่อตอบแบบสอบถามนี้

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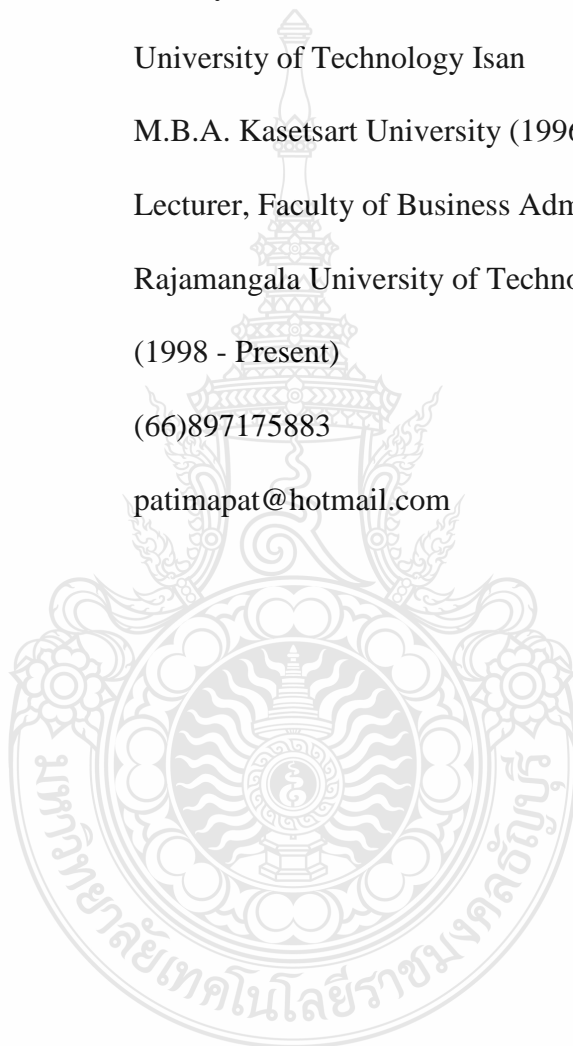
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## Declaration

This work contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and beliefs, contains no material previously published or written by another person, except where due reference has been made in the text.

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Patima Tanimkarn

