

An empirical study for customer orientation and its impact on hotel industry

Gargi Pant Shukla

Department of Management Studies

Doon Business School

Dehradun 248001

Uttarakhand

India

Abstract

In this research study, the authors examine the impact of Entrepreneurial Orientation (EO) on hotel performance, specifically in the context of Jaipur, Rajasthan, India. A quantitative approach was taken, surveying 88 hotel managers who rated the structures on a 7-point scale. The dimensionality of the scales was evaluated using factorial analysis, and the authors investigated the effect of absorptive abilities on entrepreneurial propensity using factorial scores generated from Exploratory Factor Analysis. The results suggest a direct relationship between EO, Business Performance (BP), and absorption capacity (ACAP*EO) on BP. However, there was no direct relationship found between ACAP and BP, indicating that the association discovered in this study is a moderator-only effect. The interaction regression coefficient was negative, indicating that absorptive capacity reduced the effects of EO on beach hotel performance, likely due to their competitive aggressiveness. The study identifies EO attributes of “innovation, risk-taking, proactivity, and autonomy” positively impacted performance. These findings suggest that entrepreneurial strategies can significantly impact hotel performance, and that absorptive capacity plays a moderating role in this relationship.

Subject Classification: 90B60.

Keywords: Market orientation, Capacity management, Customer satisfaction, Hotel industries.

Introduction

Recent research has focused on the impact of absorptive capacity on entrepreneurial orientation and firm performance. Absorptive capacity can moderate the relationship between entrepreneurial approach and company economic performance. According to [1,] the absorption capacity can be

E-mail: gargipant87@gmail.com

a major component in evaluating the efficiency of the EO. The authors contend that the potential and realized dimensions of absorptive capacity modify the association between entrepreneurial inclination and company success. Moderation is described as a variable that alters the direction and/or strength of the relationship between the independent variable and the dependent variable. In this way, absorptive capacity can amplify the effects of entrepreneurial attitude, thereby enhancing corporate success. Further imply that absorptive capacity may play a mitigating effect in the link between entrepreneurial orientation and firm performance. Another study that discovered evidence of absorptive capacity's moderating link is the study by [2], which demonstrates that absorptive capacity has a moderating influence in relation to intellectual capital and innovation.

As can be proven, some writers have proposed that absorptive ability can operate as a moderating variable, explaining its influence on the link between certain factors and performance, such as a firm's potential for innovation and entrepreneurial attitude. Although nothing is known about such partnerships in hotel corporations operating in India. In this context, the goal of this research is to examine the relationship between entrepreneurial orientation and performance, as modified by the absorptive capacity of Jaipur hotels in Rajasthan, and to assess the impact that these variables have on performance. Because of the high degree of competition among hotel firms, administrators have established imaginative measures with the goal of promoting the development of these companies' organizational capacities. However, there is little evidence in this area of research on absorptive capacity in the hotel sector, a theoretical gap that drives the conduct of new investigations.

In this way, this study is justified by contributing to the advancement of existing knowledge on the topics investigated, demonstrating the absorptive capacity as a moderating variable in the hotels under study, as well as the effects of absorption capacity and entrepreneurial orientation on their performance. Furthermore, it enables evaluating the level of existing absorption capacity in the hotels participating in the research, as well as testing the theoretical model of analysis of the development of absorption capacity proposed by [3] (acquisition, assimilation, transformation, and application) in this context. As practical and social contribution, the findings of this study enable hotels and their management to assess the influence of the variables researched on their performance. Similarly, it enables us to comprehend the consequences of entrepreneurial orientation on performance, as well as the moderating effects of absorptive capacity in this relationship. As a result, it is feasible to establish management strategies

that might encourage the development of organizational capacities in order to achieve improved performance. This article began with an introduction, followed by a presentation of the theoretical framework focusing on absorptive capacity and entrepreneurial orientation. The approach and methods for conducting the study are then established.

Literature Review

An alternative explanation of competitive advantages focuses on the dynamic capabilities of the company. Dynamic capabilities are the routines that continually reconfigure and reassess organizational capabilities, but include the perspective of change by stating that when these organizations are inserted in dynamic and unpredictable environments, they require changes in routines to integrate them into their operations. [4] argue that dynamic capacity is represented by three components: Adaptive Capacity, Absorptive Capacity and Innovation Capacity, which together with the oriented and constant process of companies to integrate, reconfigure, renew and recreate their resources and capacities in response to changes in the environment, it would represent the dynamic capacity of companies. Initially, we define absorptive capacity as the ability of the organization to assess the value of new external knowledge, assimilating it and applying it for commercial purposes.

Years later, we created another model of absorptive capacity, composed of three processes: (1) Recognize and understand potentially valuable new external knowledge through investigative learning; (2) Assimilate valuable new knowledge through transformative learning; and (3) Use assimilated knowledge to create knowledge and business results through learning. The model proposed by Lane, Koka & Pathak (2006) differs from the division proposed by [4] into Potential Absorptive Capacity (PACAP) and Realized Absorptive Capacity (RACAP). Thus, they return to the initial vision of Cohen & Levinthal (1989; 1990) three-dimensional.

As can be seen, different theoretical models of analysis emphasize different elements for the interpretation of the development of absorptive capacity. Thus, it is necessary to consider that its operability has been questioned by various authors due to the difficulty of measuring these concepts [5]. Studies on absorptive capacity and its forms of measurement have grown but their results cannot yet be considered conclusive. This theoretical vacuum stimulates further research.

An investigation carried out by [6] developed a measure using the scale proposed by Flatten et. al., as the main basis, but directed to the

Brazilian context. It observes the absorptive capacity in accordance with the proposition of the theoretical model of analysis elaborated by [7], in which the absorptive capacity is evaluated from two dimensions (potential and realized absorptive capacity) and four variables (acquisition, assimilation, transformation and application).

Entrepreneurial Orientation

The moderating effects of absorptive capacity investigated here refer to its influence on the relationship between entrepreneurial orientation and performance. Entrepreneurial orientation (OE) is defined by [8] as the activity of a company subject to risk. The author affirms that the companies that have EOs are pioneers in innovation, proactive in attitudes of attacking the market and with a high capacity to take risks. On the other hand, the author argues that companies that do not have an entrepreneurial orientation are the most conservative, innovate little and are cautious in relation to changes.

Author of [9] argue that the entrepreneurial orientation is a business attitude determined by constant innovations in products and technology, high competition and a high acceptance of taking risks. The authors argue that OE can be defined as the organizational posture of accepting risks reflecting innovation in the organization.

The entrepreneurial orientation corresponds to the practices of strategies in conducting business through processes, actions and decision making, with the intention of creating opportunities. The EO can be understood as a dynamic strategy of the organization that seeks to generate new business. The authors argue that an organization with an entrepreneurial orientation must possess three specific characteristics: emergence of new existing businesses within the organization; development of new product ideas within the company; and the philosophy and culture of the company focused on entrepreneurship. [10] define the EO as a strategic construct related to managerial preferences and behaviors within the organization. Thus, entrepreneurial orientation is an important issue in identifying the company's entrepreneurial profile and its influences on organizational strategies and performance (Rauch et. al., 2009).

Analysis and Discussion of the Results

Initially, the frequency information related to the categorical variables was analyzed. Then the descriptive results of the observable variables

Table 1
Distribution of the hotels in the sample in terms of location

	Frequency	Percentage	Valid percentage	Cumulative percentage
Vaisli, Mansarover, Malviya Nagar	27	30.7	30.7	30.7
Pratap Nagar, jagatpura, Sitapura	8	9.1	9.1	39.8
Old Jaipur	53	60.2	60.2	100
Total	88	100	100	

obtained in the data collection were presented. For this research, 88 participants were gathered.

Table 1 shows the location of the hotels comprising the central area of the Jaipur city. It is observed that more than 30% of the analysed sample was concentrated in Vaisli, Maansarover, Malviya Nagar. Pratap Nagar, jagatpura, Sitapura area presented only 9% of the analysed sample. The hotels located in the Old Jaipur area covered more than 60% of the sample considering the neighborhoods of Hawamahal, Jal Mahal, Amer Fort, Naargarh, Jaigarh, Jantar Mantar City Palace. Table 2 presents the results of the hotels in relation to the segment of activity of the research participants.

Gotel with Leisure and fitness facilities with more than 36% (more than 60% of the hotels are located) and 25% showed a perfect balance between business and pleasure. These results reveal that hotels serve

Table 2
Distribution of the hotels in the sample in terms of the segment of action

Frequency	Percentage	Valid percentage	Cumulative percentage	Cumulative Sum
totally business	18	20.5	20.5	20.5
predominantly business	16	18.2	18.2	38.6
Business and leisure in equal proportions	22	25	25	63.6
Hotel with Leisure and fitness facilities	32	36.4	36.4	100
Total	88	100	100	

Table 3
Descriptive analysis of the data of the construct characteristics of the hotels

	N	Minimum	Maximum	Half	Deviation Pattern
AGE of Hotel	88	22	71	40.68	11999
Maximum Capacity	87	1	52	9.43	10851
wow	88	6	700	74.83	83667
FOUNDATION	88	1963	2014	1993.85	12491
No employees in low season	88	2	150	24.78	28068
No employees in High season	88	3	250	40.27	50715
Valid N (from list)	87				

different segments. However, by virtue of their location, they tend to receive predominantly tourists seeking lodging for leisure and vacations. After characterizing the companies participating in the study, a descriptive statistical analysis of the information collected was carried out by presenting the frequency distribution and the measures of central tendency and dispersion, such as mean and standard deviation. Table 3 presents the verification of the construct related to the characteristics of the hotels.

Table 3 shows that most managers are 40 years old on average. The average duration spent in that role was around 9 years. The standard deviation result showed that neither result was homogeneous. The average HU (housing unit) size of the hotels in the investigated sample was 74.83 units. The sample is not homogeneous in this metric, since the standard deviation is 83.667. Questions Q11 and Q12, which refer to the number of employees in peak and low season, likewise confirmed the absence of homogeneity. Similarly, to the number of UH, the number of workers showed substantial seasonal pattern variability (50,715).

After the descriptive analysis, the measurement constructs were explored factorial.

1. All evaluated indicators had factor loads above 0.5.
2. A low communality ruled out two indications from the absorption construct.

The final studied construct has 67.86 percent total explained variance, 0.882 Kaiser-Meyer-Olkin sample adequacy, and a statistically significant

Bartlett sphericity test (1170.249, Df 153). Four indicators were eliminated from the entrepreneurial orientation construct due to poor communalities. The final construct analyzed had 67.21 percent total explained variance, a Kaiser-Meyer-Olkin sample adequacy of 0, 863, and a statistically significant Bartlett's sphericity test (671.858, Df 120). All dimensions of the validated constructs have a Cronbach's Alpha coefficient greater than 0.7. Following the validation of the measuring constructs, the Exploratory Factor Analysis factor scores were evaluated.

Initially, we used the entire study sample, with no statistically significant findings.

1. So, hotels in the city and on the beach were studied.
2. No statistically significant findings were found in the central area.
3. However, the research of hotels near the shore had significant outcomes.

These findings have relevance for the study of hotel enterprises because they reflect their diverse organizational structures and entrepreneurial orientations. Similarly, [11] found that this segment's absorptive ability varies, which affects its performance. This result underlines the necessity to stratify the samples evaluated in the research performed in this field to better understand the existing correlations between the variables selected for new studies. Assimilation: 5.78; transformation: 5.52; and application: 5.82. Among the hotels in the study, the general mean of responses is 5.75. The results show that majority of the respondents have absorptive capacity in their perception, since the means of their replies are higher than the midpoint. However, evidence suggests that not all hotel firms grow their absorptive capacity in the same way, and that it may be observed as a set of routines and organizational processes, as described by Zahra & George (2002). So, to infer the effects of absorptive capacity on performance, we ran regressions for each dimension of absorptive capacity as predictors of performance (Table 4).

According to these simple regression studies, acquisition ($p=0.060893$) and application ($p=0.058766$) have a favorable impact on performance, although only by 0.10. With all dimensions together with performance as the dependent variable, no dimension has statistical significance in multiple regression analysis, resulting in the same results as [12].

Table 4
Dimensions of absorptive capacity as predictors of performance

N=53	B	Std. Err.	B	Std. Err.	T(48)	P-level
intercept			0	0.1303	0	10000
Acquisition	0.462366	0.2408	0.4626	0.2406	1.919	0.060
Assimilation	-0.57452	0.2967	-.5745	0.2967		0.0587
Transformation	0.080831	0.1736	0.0801	0.1736	0.465	0.6436
Application	0.380053	0.2465	0.3803	0.2465	1.541	0.1298

These results may indicate that in the hotels participating in the research, the absorptive capacity does not exert a significant direct influence on performance. These results diverge from those found in existing studies on the subject such as those by [5], who found a positive significance between these two constructs. A possible explanation for these results may be related to the difficulty of some hotel companies to develop their potential and realized capacities, as indicated by [10]. A beneficial impact of these variables on performance was found in hotel companies that developed their acquisition ($p=0.060893$) and application ($p=0.058766$) capacities.

Not all hotel organizations, however, manage to apply the new knowledge in their daily activities, they say. Because some hotels lack this capacity, it is difficult to learn and apply new knowledge. Because the absorptive capacity has a minor impact on performance, hotels with lower absorptive capacity may have more trouble profitably leveraging fresh existing information. After analyzing the effects of absorptive capacity on performance, the relationships between each of the five dimensions of entrepreneurial orientation and the performance of the companies participating in the study were considered. As in the results found in the analysis of the effects of the absorptive capacity of the hotels in the central zone, there was no significant influence of those dimensions on performance. However, when analyzing these relationships for beach hotels, it was observed that the dimensions innovation, ability to take risks, proactivity and autonomy have a positive influence on performance (Table 5).

These two dimensions are intimately linked to innovation and indicate a company's desire and daring to devote substantial amounts of resources, or even take out loans, in order to maximize return. In this scenario, they improved performance. Proactivity showed a statistically

Table 5
Dimensions of entrepreneurial orientation as individual predictors of performance

	N=53	B.	Std. Err.	B.	Std. Err.	T (51)	p-level
a	intercept			0	0.12887	0	1
	Innovation	0.36986	0.1301	0.36986	0.1301	2.84296	0.00641
b	intercept			0	0.13271	0	1
	Risk	0.40544	0.128	0.40544	0.128	3.16744	0.0026
c	intercept			0	0.12165	0	1
	Proactivity	0.48036	0.12282	0.48036	0.12282	3.91123	0.00027
d	intercept			0	0.12568	0	1
	Autonomy	0.4231	0.12688	0.4231	0.12688	3.33469	0.0016

significant result for performance. Aspects of this dimension relate to business environment monitoring and opportunity interpretation, indicating that in the analyzed industry, this initiative to explore opportunities impacts hotel performance. Customer demands are met by proactive activities that promote customer satisfaction and tend to boost performance. Performance showed a statistically significant result for autonomy. The dimension relates to how the corporation fosters employee autonomy through work organization and entrepreneurial efforts. Thus, the results demonstrate that promoting employee autonomy improves the business performance of the hotels analyzed. Contrary to the other four dimensions, the competitive aggressiveness dimension had no individual relevance. Table 6 shows that when the five variables are combined, only competitive aggressiveness has statistical significance, negatively affecting performance.

Table 6
Dimensions of entrepreneurial orientation as predictors of performance

N=53	B	Std. Err.	B	Std. Err.	T (47)	P-Level
intercept			0	0.116008	0	1000000
Innovation	0.213248	0.196751	0.213248	0.196751	1.08384	0.283963
Risk	0.07314	0.152466	0.07314	0.152466	0.47971	0.633656
Proactivity	0.389582	0.248977	0.389582	0.248977	1.56473	0.124355
Autonomy	0.229266	0.203893	0.229266	0.203893	1.12444	0.266535
competitive	- 0.459960	0.171873	0.171873	0.171873	-2,67615	0.01022

These results reveal that this variable individually is not capable of explaining the performance of the hotel companies participating in the research. In the same way, they reveal that when comparing the other dimensions, there are indications that greater competitive aggressiveness does not necessarily result in better performance. According to [10] competitive aggressiveness is an important skill, since it contributes to overcoming the competition and seeking market gains.

Conclusion and future work

This study aimed to analyze the relationship between entrepreneurial orientation and performance, moderated by the absorptive capacity of hotels in Florianopolis. Through a quantitative survey with 88 hotel managers, the study found that absorptive capacity plays a moderating role in the relationship between entrepreneurial orientation and organizational performance in the hotels studied. Moving forward, further empirical investigations could explore the impact of customer orientation on the hotel business. Factors such as the type of hotel, type of customer, and location of the hotel may influence the nature of this relationship. Customer orientation has been widely associated with customer satisfaction, and future studies could investigate how these variables affect the link between customer satisfaction and customer orientation. Additionally, exploring the relationship between client orientation and staff retention in the hotel sector could provide valuable insights. With the changing landscape of technology in the hotel industry, future studies could also explore how technology impacts customer orientation, from smartphone check-in to tailored guest suggestions. Furthermore, the impact of customer-oriented behavior on financial indicators such as revenue per available room (RevPAR), occupancy rate, and return on investment (ROI) could be investigated to better understand the financial implications of customer orientation in the hotel industry.

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