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The Mediating effect of Innovativeness on Innovation Strategy, Atmosphere, Culture and Organizational Performance: Proposed theoretical Framework

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Abstract: This study aims to propose the theoretical framework of “The Mediating Effect of Innovativeness on The Relationship between Innovation Strategy, Atmosphere, Culture and Performance of Hospitality Industry in Thailand”. The primary data will be gathered through a questionnaire survey will send 254 hotel executive at three to five star rating hotels in Thailand. This study will offer clarity on the mediating effect of innovativeness on the relationship between innovation strategy (IS), organizational atmosphere (OA), organizational culture (OC) and performance of hospitality industry in Thailand. The significance of this study will support to the government and the relevant organizations in proposing policies related to improving and developing hospitality industry performance in Thailand. Furthermore, the finding will be contribute for the owner manager and executive of hotel to better understanding the key factors that should be encouraged in order to improve firm performance and factors that should be avoided. The study will also contribute to the theory development the Resource-Based View (RBV) and Dynamic Capabilities (DC).

Keywords: innovativeness, innovation strategy, atmosphere, culture, hospitality industry

I. INTRODUCTION

Presently, the increasing of travel and tourism has shown crucial in business all around the world. The number of foreign tourists in Thailand increased to 20.6% in 2016 [1], whereby the accommodation and related service activities make a 4.75% of GDP in 2015 and it's worth 582,735 Millions of Baht. Instead, there are a several of the challenges effecting the hotels in Thailand such as the complaints on quality of service and other standards to the lower and middle level of the hotel [2]. Moreover, the performance of hotels in Thailand affected by its high operating cost, sale and marketing issues, management issues, employee

low skill and lack of information technology [3]. This is supported [4] who revealed a number of hotel management have a traditional service and not emphasized by using technology and skill labor.

According to [5] and [6], innovativeness can enhance organization competitiveness and reflects a firm's tendency to engage and support new ideas, novelty, experimentation, creative processes and firm's performance [7, 8]. Furthermore, [9] revealed that higher levels of organizational innovativeness were significant with greater capacity for firm's adaptation and innovation. Therefore, firms are suggested to maintain a continuous state of innovativeness in the organization [10].

Among organizational intangible resources, an innovation strategy (IS), atmosphere and culture are crucial to success of hotel industry and play a role in supporting and hamper the productivity levels, creativity of the employees [11]. According to [12], hospitality industry seeks to increase their IS capabilities in order to rise a sustainable competitive advantage and create and offer the new services. Thus, IS is determining strategies to shape the approach and aims the ways to enhance and improve the innovative potential of the firm [11]. Likewise, most of the researcher found a significant relationship between IS and firm performances [13, 12, 14, 15].

According to [16], organizational atmosphere (OA) influenced the organization outcomes (including generation of ideas and innovation support's environment). Whereby, the supportive innovation atmosphere will encourage creative behavior and high creative-self-efficacy [17] and creates general benefits such as employee and consumer satisfaction and perceived service effectiveness [16]. This has been supported by numerous studies which reported a significant relation between innovation atmosphere with firm innovativeness and firm performance [18, 19].

Besides the atmosphere, organizational culture (OC) also found affecting the firm's performance [20, 21]. For enhancing firm performance through innovativeness, firm need to improve the OC [22]. In addition, OC, especially the innovation culture can support and facilitating for employee' innovative behavior and problem solving skill [21] and effective innovation [23]. This has been supported by many studies which found a positive relationship between OC and organizational performance [21, 24, 25].

Furthermore, some studies found firm innovativeness plays a mediating role for organizational performance [26, 8]. Whereas, the research relevant with an importance of innovation and innovativeness in hospitality sectors is still limited and insufficient when compared with manufacturing industry [28]. Moreover, many research attended in large-scale firms in developed countries and ignored small and medium-sized business particular in developing countries [29]. Hence, in view of the earlier mentioned gaps in order to enhance the organization competitiveness and performance, the researcher proposes to study the mediating role of organizational innovativeness between innovation strategy, atmosphere, culture and organizational performance in the hospitality industry in Thailand.

II. LITERATURE REVIEW

(A) Innovation Strategy

It is generally acknowledged that IS can improve the management of a company's innovation capability in order to create and enhance sustainable competitive advantage [12] for leading to better organizational performance [30]. Similarly, [30] concluded that having innovation as a core part of a firm's strategy could

affect innovativeness. Likewise, IS can help the hotel to improve service quality, customer satisfaction and increases the level of innovation within the hotel [12].

There have a lot of studies pertaining to the relationship between the IS and performance. For instance, [11, 31, 32, 33] found that IS had a positive effect on organizational performance. While, [34] reported that IS significantly positive to competitive marketing advantage among 180 manufacturing firms in China. Consistent with the result of a study of 241 CEO's in the Norwegian wood industry indicated an IS positively related to financial performance [11]. Furthermore, the studied from 600 manufacturing SMEs in Australia found that IS a positive and significant relationship with SMEs performance [35]. In addition, [36] analyzed the effects of different innovation strategies on the performance of firms and the result showed that the firms which choose a complex IS have the future productivity significantly better than firms that choose simple innovation strategies.

In Malaysian hospitality industry, [33] has conducted a survey among 475 three to five star rated hotels in Malaysia industry used process innovation and service innovation as their functional-level strategy and both of dimensions positively linked to performance. Similarly, [31] reported the results of studies from 97 four stars and five star hotels in Thailand founded that some IS dimension of IS indirect influence on performance. Therefore, this study proposed that:

Proposition 1: IS has a positive relationship with organizational performance.

Proposition 2: IS has a positive relationship with innovativeness.

(B) Organizational Atmosphere

The OA is one of the components of the work environment [11] that support organizational goal and improved implementation of ideas in organizations. Furthermore, greater organizational innovation creates more general benefits to the organization such as employee and consumer satisfaction and perceived service effectiveness [16].

According to [37], personal level of motivation depends on OA. In addition, [38] stated that a suitable OA leads to innovation and inspiration in the organization and has a positive role in reaching organizational objectives. Thus, OA and work environment are both supported and hamper the creativity of the employees and enhance productivity levels of employees [39, 11]. One of the most important roles that leaders play within organizational settings is to create the atmosphere for innovation [40]. Therefore, managers or executive should know the art of managing OA, because if a manager feels that because of OA employees are suffering and their productivity is decreasing, he/she should change the climate [39]. Similarly, [41] suggested that if the hotel industry wants to employees to be creative and innovative, the organization needs to improve atmosphere that fosters creativity and innovation.

Most of the studies confirmed the positive relationship between OA with firm performance and firm innovativeness [11, 18]. Likewise, [42] survey of 202 managers in Malaysian companies found that OA for innovation was positively associated with organizational performance. In the hotel industry, [43] reveals positive effect between OA and firm efficiency, reflexivity, innovation and quality in 24 Greek hotels. Similarly, [41] found a significant relationship between OA and organizational innovation in the Australian hotel industry. However, [26], who study the relationship between the OA and the organization innovativeness

of hotel in Southern Thailand revealed that OA was nonsignificant influences towards innovativeness. Therefore, based on the above literature. It is proposed that:

Proposition 3: OA has a positive relationship with organizational performance.

Proposition 4: OA has a positive relationship with organizational innovativeness.

(C) Organizational Culture

OC was defined from different researcher's perspective. For instance, [44] defined OC as a set of norms, attitudes, values and behavior patterns that form the core identity of an organization or operating unit. Furthermore, most scholars such as, [45] and [46] defined common definitions of OC as a sum of shared values, beliefs, practices, rituals, story, expectations and norms by employees within a firm, which make an organization unique. Each researcher differentiated OC dimension based on the definitions, measures and aims of their studies [47]. For instance, [48] offered the sub-dimensions of OC comprise four dimensions are rational culture, developmental culture, consensual culture and hierarchical culture. Reference [49] suggested the use of Competing Values Framework (CVF) and [50] introduced The New Label for Culture type which adapt from [51] consisted consensual (clan), bureaucratic (hierarchy), competitive (market) and entrepreneurial (adhocracy). Based on previous studies, various researchers applied and developed the main organizational cultural dimension appropriate for their work.

Numerous studies stated that OC plays role in innovation, performance and maintaining a sustainable competitive advantage for organizations [23, 24]. In addition, the power of the OC influencing organization, it is a deep impact on the performance of employees that can cause to improve in the productivity and enhance the employee's job performance [52]. Firms must make efforts to develop a culture, which fosters creativity because creativity could generate new ideas [45]. In addition, [23, 53] claimed that organizational innovative culture as an intention to be innovative to create new idea, products, services, process and system which can enhance organizational performance, which a crucial factor to enhance speed and frequency of innovation is organizational culture.

Prior research also pointed out that organizational innovation culture strongly influenced organizational performance [15, 23, 54]. Although several studies stated culture as a assert positive relationship on organizational performance, but there were still unclear the influence of other sub-cultures [45] especially organizational innovation culture in the hospitality industry.

Apparently, prior research on OC mostly developed in Western (Turkey, UK and Spain) [45, 55], compared to Asian countries. Among Asian research is [54] who introduced three dimensions of OC which is knowledge sharing, team decision-making and organizational change. The study investigated 175 manufacturing firms and found that organizational innovation culture positive relationship to innovation performance. Therefore, this research will use organizational innovation culture that proposed by [54] which focuses on innovation culture and probably appropriate for developing countries to investigate the effect with organizational performance in the hospitality industry in Thailand. Therefore, it is proposed that:

Proposition 5: OC has a positive relationship with organizational performance.

Proposition 6: OC has a positive relationship with organizational innovativeness.

(D) Innovativeness as Mediator

Innovativeness is an organization's overall innovative capability, tendency to willingness to change, receptivity to newness, new ideas, experiment and innovation to develop a firm competitive advantage and display innovative behavior constantly over time [7, 9, 55, 56, 57, 58, 59, 60]. Consequently, innovativeness can improve organizational performance, creating differentiated, competitiveness and enhance firm ultimate goal as a long-term survival [5, 6, 30, 45]. Innovativeness play a role to support a new and novelty ideas, experimentation and creative process [56]. Reference [61] revealed that innovativeness significant influence to the organizational performance. Despite the performance of the business will depend on many factors, many methods and techniques, but innovativeness has become one of the most widely used method [8].

According to [62] the relationship between degree of innovativeness have an important variable in the changes in organizational performance as well as market performance. Moreover, innovativeness has a positive effect on the operating effectiveness, especially service quality and cost efficiency. Similarly, [63] proposed that the stronger the innovativeness possessed by a firm, the more effective will be their innovation performance. Apparently, most of recent studies revealed that the positive relationship between innovativeness and organizational performance [26, 32, 64].

In Thailand hospitality industry, [26] found that hotels in Southern Thailand have a high level of innvativeness in their product/service innovation, marketing innovation, process innovation and organizational innovation, but lack of study has been done on innovtiveness between independent variable and dependent variable. Although, some previous studied showed the mediating role of innovativeness between several different independent variables [65, 66], but lack of linking mediating tests of innovativeness between IS, OA, OC and organizational performance in a single study model, especially in the hospitality industry of Thailand. Therefore, it is proposed that:

Proposition 7: Innovativeness has a positive relationship with organizational performance.

Proposition 8: Innovativeness mediates the relationship between IS and organizational performance.

Proposition 9: Innovativeness mediates the relationship between the OA and organizational performance.

Proposition 10: Innovativeness mediates the relationship between the OC and organizational performance.

(E) Underpinning Theory

This study focuses on intangible resources as predictors of organizational performance whereby the theory of Resource-Based View (RBV) will underpin the framework [e.g. 28, 67]. Each variable in this study are found valuable, rare, inimitable and non-substitutable, but it is not enough to lead the organizational competitive advantage. Thus, firms must support for the resources development by identifying dynamic capabilities, particularly innovative capabilities of the resources [67] follow the Dynamic Capabilities Theory. As stated by [68], organizational resources and capabilities lead to an organizational competitive advantage which will help to create differentiation from the competitors. Furthermore, analysis of [28] regarding the hotel's innovation development confirmed that higher level of knowledge can support firm resources and capabilities to adapt the organization consistent with rapid change environment and create innovation.

III. THEORETICAL FRAMEWORK

Based on the literature reviewed and suggestions by several scholars, this study has developed a research framework which conceptualized the mediating role of innovativeness between IS, OA, OC and organizational performance of the hospitality industry in Thailand (Fig. 1). In this study, the independent variables consist of three variables which are IS, OA and OC. As for the dependent variable, it is organizational performance, which measured both financial performance and non-financial performance. In addition, innovativeness act as mediating variable in this framework.

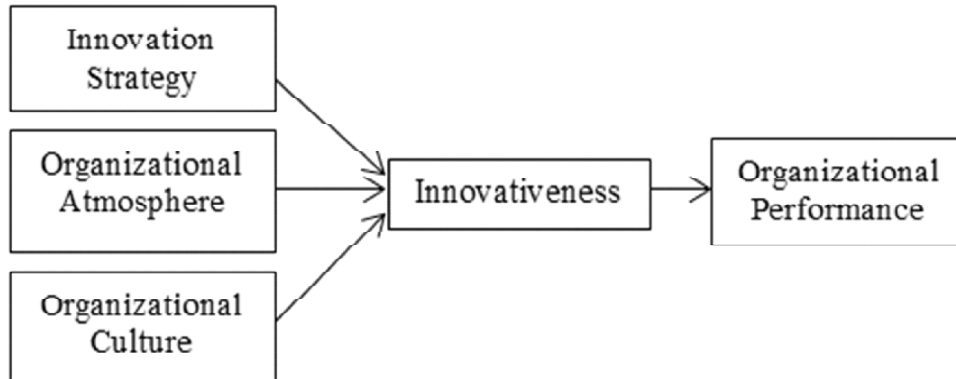


Figure 1: Proposed Theoretical Framework

IV. RESEARCH METHODOLOGY

(A) Sampling Design

The target population of this study will be three to five star rating hotels in Thailand. As documented in Tourism Authority of Thailand 2016, there were 5,281 hotels in Thailand, which has been registered as members with the Thai Hotels Association and among those populations were 752 three to five star hotels. The star rating is a type of the hotel ranking that indicate of standard of luxury hotels, which worldwide accepted [69]. This study will be focusing on the three to five star hotels as the literature confirmed that those hotel types adopted IS, atmosphere and culture to ensure better performance [12, 24, 42, 52, 70]. A total of 254 hotels will be selected based on suggested sample size by [71], using stratified random sampling. The respondents of this study will be the top hotel managerial level as the highest managerial level will be having enough information on the hotel's execution and performance level [33].

(B) Research Procedure

This study will collect primary data which will be gathered through questionnaire survey. In order to investigate each variable, the researcher will adopt several measures from previous studies: Organizational performance constructs will be using four perspectives of a Balance Scorecard (BSC) comprised of financial, customer perception, internal business process and learning and growth [72]. The measurement will be adapted 17 items from [73]: IS will be comprised of 9 items adapted from [14]: OA will be comprised of 20 items adapted from [74]; OC will be encompassed of 12 items adapted from [54] and finally, innovativeness will be measured by 25 items which will be adapted from [60, 75].

V. DATA ANALYSIS TECHNIQUE

All data will be coded into the Statistical Package for the Social Sciences (SPSS) in order to describe demographic characteristics of the sample such as frequency, percentage, mean and standard deviation. Subsequently, Partial Least Squares Structural Equation Modeling (PLS-SEM) will be used to test the hypotheses. PLS-SEM has the ability to measure the relationship between multiple level factors, both inner model and outer model together, in particular to assess latent variable's relationship, which differ with first generation modeling. Furthermore, it can help the researchers to incorporate unobservable variables measured indirectly by indicator variables [76].

VI. CONCLUSION

This proposed research framework offers clarity on the mediating effect of innovativeness on the relationship between IO, OA, OC and performance of hospitality industry in Thailand. Furthermore, it will expand the knowledge and the complexity of innovativeness in the hospitality industry in various aspects. Based on the RBV, IS, OA and OC are crucial intangible resources to firm's competitive advantage. This study will consider seeking the new approach for enhancing the value add for all resources for gaining competitive advantage, especially innovativeness. Thus, this study will investigate the mediating role of innovativeness between the three variables and performance in the hospitality industry in Thailand.

Practically, the finding of this study will support to the government and the relevant organizations in proposing policies related to improving and developing hospitality industry performance in Thailand. Furthermore, the finding will help the top management of the hotels to better understanding the key factors that should be encouraged in order to improve firm performance. In addition, the finding will provide an important solution to the factors affecting firm performance and enhance the potential of competitive advantage of three to five star hotel in Thailand.

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