A Causal Relation Model of Market Orientation and Extended Market Orientation Factors Affecting Strategic through Performance for Thai Health Establishments in Bangkok

รูปแบบความสัมพันธ์เชิงสาเหตุของทิศทางตลาดและการขยายทิศทางตลาดส่งผลต่อการจัดการกลยุทธ์ต่อประสิทธิภาพสถานประกอบการเพื่อสุขภาพในเขตกรุงเทพมหานคร

Wirut Nakkhasin
Sangkae Punyasiri
Poonpong Suksawang
National Institute of Development Administration

Abstract

The research was done in Bangkok, Thailand due to high competition and the presence of a majority of Thailand's health establishments, which aims 1) to review market orientation, extended market orientation and strategic management affecting health establishment performance in Bangkok 2) to study the relationship between market orientation, extended market orientation and strategic management affecting health establishment performance in Bangkok 3) to investigate of concept for causal relation model of market orientation and extended market orientation effecting health establishment performance in Bangkok. Research method of this study is a mixed methods research methodology, which quantitative and qualitative approaches. The population is Thailand's health establishments managers. Sample size was 412 managers, derived using statistical methods to determine a size which yields validity and reliability. The results reveal causal relationship model between market orientation, extended market orientation, strategic management, and health establishment performance as follow structured equation: SM = 0.84MO + 0.40EMO and PER = 0.80SM

Keywords : market orientation, extended market orientation, strategic management, health establishment's performance

บทคัดย่อ

การวิจัยนี้ได้ดำเนินการในกรุงเทพมหานคร ประเทศไทย เนื่องจากมีการแข่งขันของสถานประกอบการเพื่อสุขภาพสูงและมีจำนวนสถานประกอบการเป็นส่วนใหญ่ของประเทศไทย มีวัตถุประสงค์เพื่อ 1) ศึกษาปัจจัยทิศทางตลาด ปัจจัยการขยายทิศทางตลาด และการจัดการกลยุทธ์ที่ส่งผลต่อการสร้างประสิทธิภาพของสถานประกอบการเพื่อสุขภาพในกรุงเทพมหานคร 2) เพื่อศึกษาความสัมพันธ์ของปัจจัยทิศทางตลาด ปัจจัยการขยายทิศทางตลาด และการจัดการกลยุทธ์ที่ส่งผลต่อการสร้างประสิทธิภาพของสถานประกอบการเพื่อสุขภาพในเขตกรุงเทพมหานคร 3) เพื่อศึกษารูปแบบความสัมพันธ์เชิงสาเหตุของปัจจัยทิศทางตลาด และปัจจัยการขยายทิศทางตลาดที่ส่งผลต่อการสร้างประสิทธิภาพ การศึกษาใช้วิธีการวิจัยแบบผสมผสานระหว่างเชิงปริมาณและเชิงคุณภาพ ประชากรคือผู้จัดการสถานประกอบการเพื่อสุขภาพ โดยกำหนดกลุ่มตัวอย่างผู้ประกอบการจำนวน 412 คน ด้วยวิธีการทางสถิติเพื่อกำหนดขนาดที่ให้ความถูกต้องและความน่าเชื่อถือ ผลการวิจัยพบว่า รูปแบบความสัมพันธ์เชิงสาเหตุระหว่างปัจจัยทิศทางตลาด ปัจจัยการขยายทิศทางตลาด การจัดการกลยุทธ์ และประสิทธิภาพของสถานประกอบการเพื่อสุขภาพ มีสมการโครงสร้าง คือ SM = 0.84MO + 0.40EMO และ PER = 0.80SM

คำสำคัญ : ทิศทางตลาด การขยายทิศทางตลาด การจัดการกลยุทธ์ ประสิทธิภาพของสถานประกอบการเพื่อสุขภาพ

Introduction

The Thai government has been setting new expectation levels through its campaigns of “Thailand as World Class Healthcare Destination” and “Spa Capital of Asia”. A strong and proactive public relations strategy has brought Thai healthcare and wellness tourism to the forefront in global awareness, making joint ventures attractive and bringing economic benefits to the country. The government has therefore shown considerable support to this particular industry through its strategic planning (Department of Trade Negotiation, 2011). In addition, the Department of International Trade Promotion under the Ministry of Commerce has lent its support to the endeavours, believing the country will benefit from cultivating an image as a world-class operator in the field. The local industry has emphasized Thainess as one of its unique selling points when promoting its services to the target audience. The key is to encourage visitors to Thailand to spend on services related to health, wellness, and recreation, such as Thai spas and massage. Support is also given to entrepreneurs who wish to set up such businesses in the country (Department of Trade Negotiation, 2011).

Market orientation is the method used in analyzing data from customers in order to understand the market demand (Kohli & Jaworski, 1993). In day health establishments, managers need to notice the demand from customers in order to develop services which

satisfy customer needs. Once managers have developed new services for their day health establishments it is the duty of the managers to communicate with their staff to teach them about the objectives in providing the right services to customers. They must also respond to customer feedback about their new services based on customer satisfaction in order to ensure customer retention. Moreover, when developing a new business, managers also need to understand employee satisfaction. These developments would improve performance and provide a competitive advantage for day spas as a result.

Not only must day spas consider market orientation but also the strategy that each day spa uses will also be important in setting the direction of the business in the market. For example, when considering the day spa as "prospector", managers need to find their new opportunity for developing a new product and service to attract their customers. There is also the day spa as "defender", where managers need to retain their customers and push customers to re-patronize their spa. However, the question remains as to what strategy will be the most appropriate in order to enhance day spa performance, and the previous literature provides little insight on this question.

The proposed dissertation extends this body of research and empirically investigates the relevance of market orientation, extended market orientation and strategic management in determining spa performance. Specifically, this research attempts to address three components. The first component examines the causal relationship of factors affecting market orientation for Thai spa businesses. The second component evaluates the causal relationship of factors affecting strategic management for Thai spa businesses. The third component considers the causal relationship of factors affecting performance for Thai spa businesses. It is possible to measure these components in order to improve the performance of spas in Bangkok, Thailand.

1.1 Purpose of the study

The principal study objectives are described as follows:

1) Examine market orientation, extended market orientation, strategic management and health establishment performance in Bangkok

2) Evaluate the relationship between market orientation, extended market orientation, strategic management and health establishment performance in Bangkok

3) Create the causal relationship model of market orientation and extended market orientation affecting strategic management through health establishment performance in Bangkok.

2. Literature review

In this section, the researcher studied the theory and elements of research variables from book and related article, which can dividing the data according to the research variables as :

2.1 Market Orientation and Extended Market Orientation (MO and EMO)

Market orientation recommends an overall philosophy which focuses outwardly on the creation of value for customers and staff. Kohli and Jaworski define market orientation based on the generation of information and intelligence, dissemination of information and intelligence throughout the organization, and timely response. Intelligence Generation is defined as Development, designing and modifying products, services, system using segmentation, and product/services differentiation. Intelligence Dissemination is defined as Gathering, collecting and analyzing information related to: customer, environment factors through formal and informal means. Intelligence Responsiveness is defined as Sharing of information related to customers, environmental factors ensuring the proper horizontal and vertical flow of information, participation of all departments using marketing tools.

Two prominent works concerning market orientation which offer extensive guidance on the issues are the studies of Kohli and Jaworski (1993). The centre of this latent variable is the extended market orientation (EMO) construct. The EMO construct captures a set of business intelligence–related activities pertaining to a broader or extended range of market factors than those of the existing market orientation constructs, included as market factors in the EMO which are customer, competition, suppliers, regulatory environment, social movements and trends, macroeconomic factors.

2.2 Strategic Management (SM)

The review of the literature suggests the existence of moderating effects of strategic management through performance. The reason is that implementing a particular strategy is essentially a process adaptation resulting in health establishment performance adjusting to the market environment (Miles & Snow, 1978; Eisingerich, Auh & Merlo, 2014). Since the strategic management described by Miles and Snow (1978) is a planned pattern of the adaptation with a particular set of performance criteria, market orientation in relation to performance should vary depending on the strategic management as prospector, analyzer, and defender.

Prospectors operate within a broad service market. This type of health establishment values being the first to enter with regard to new services and markets, despite the fact that some of these efforts do not result in high profits according to the product life cycle focusing on the introduction stage.

The analyzer's main concern is how to identify and capitalize on new product and market opportunities while at the same time preserving a stable core of services and market segments. Their performance criteria are a combination of those of the defenders and prospectors.

Defenders try to find and maintain a safe niche market in a relatively stable service. These health establishments tends to offer a more selective range of services compared to their competitors.

Based on the preceding arguments, the following hypotheses were developed to test the moderating effect of strategic management on the relationship between market orientation and extended market orientation through the performance of the health establishment.

2.3 Health Establishment Performance (PER)

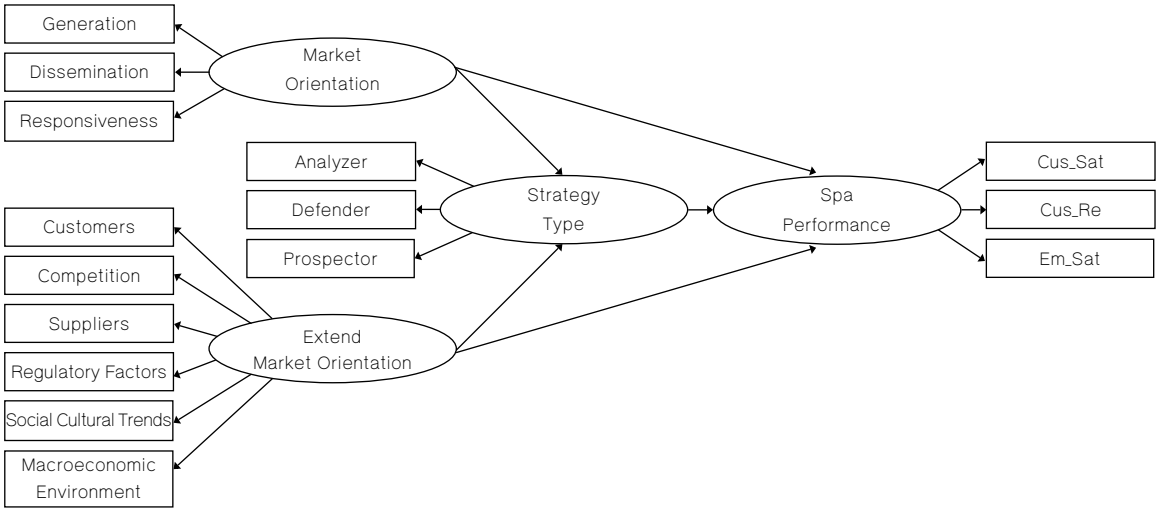
Health establishment performance is complicated by the variety of applications in the health establishment strategy literature, a variety that reflects a multitude of health establishment disciplines and concomitant diversity of research questions employed to measure outcomes (Fornell, Morgeson & Hult, 2016). Doorn, Onrust, Verhoef & Bügel (2017) offer a primary distinction between measures of effectiveness and efficiency where "the former refer to the consolidation of a strong market position, for example, customer satisfaction, and customer retention" (Degbey, 2015). It is possible to operationalize a dimension of non–financial performance measures which are leading indicators of performance, such as customer satisfaction, customer retention, and employee satisfaction.

Customer satisfaction is strong evidence that superior quality drives the bottom line and value. Performance contains information enabling many health establishments to measure whether there is correlation (Al–Refaie, 2015).

Customer retention refers to the ability of a company or product to retain its customers over some specified period. High customer retention means customers of the product or business tend to return to, continue to buy, or in some other way not defect to another product or business, or to non–use entirely. Selling organizations generally attempt to reduce customer defections (Rust, Moorman & Beuningen, 2016).

Pousa and Mathieu (2015), and of Atmojo (2015) who concluded that employee satisfaction is one factor of performance. It is a common sentiment that employee satisfaction is necessary for health establishment performance.

2.4 Research Conceptual Framework



3. Methodology

The mixed methods research methodology of this research can be applied in two section as follow:

3.1 Quantitative Method

The main objectives of this section were measure the relationships of market orientation, extended market orientation, strategic management, health establishment performance, and create the structure equation model. The research tool of this section was 5–point Likert scale questionnaire, which obtained from synthesis literature review and consultation with professional and research advisor. The questionnaire were tested by validity of the content and 30 pilot study, which has cronbach's alpha of all item between 0.848 – 0.924 or interpretation as good question. The population of research are managers, who working in health establishments in Bangkok, which researcher does not know exact population. Therefor research was use G–power statistic program to defined appropriate sample size at 95% reliability, with shown 412 sample as appropriate sample size.

The 412 sample of manager was choose by simple random sampling method from company list, which researcher gather data from Department of Trade Negotiation (Not have all health establish company in Bangkok) and sent questionnaire via email to samples. The feedback of questionnaire were used a framework for conceptualizing by using exploratory factor analysis (EFA). In addition, the evaluation of the research instruments confirmed factors that resulted from the development of the questionnaire elements as part of the conceptual framework for the creation of tools for data collection. The samples were then analyzed by means of statistical analysis and confirmatory factor analysis (CFA) and Path analysis was also performed in order to understand the influence of the variables according to the conceptual framework.

3.2 Qualitative Method

This section was aim to extract important information about research variable from key person and confirm relationship of variables in structure equation model. The population are managers, who working in health establishments in Bangkok. The Purposive sampling technic was used to select best sample by select only manager, who have more than 5 year experience in health establishments. The researcher determined that the sample group of 30 sample was large enough for qualitative data collection and use structure interview from as research tool for gather data. Data analysis involved qualitative to analysis the content of latent variable by using content analysis method.

4. Results and discussion

4.1 Exploratory factor for latent variables

Exploratory factor analysis has been used to identify and choosing only important factors form many factor that present by review literature. This research found that some of factor can be exclude from equation model as follow (table 1):

1) Market orientation: has 3 observe variable consist of Generation (G), Dissemination (D), and Responsiveness (R).

2) Extended market orientation: has 4 observe variable consist of Customer (CUS), Suppliers (SU), Regulatory Factors (RE), and Social Cultural Trends (SO), which exclude Competition (CO) and Macroeconomic Environment (MA) from observe.

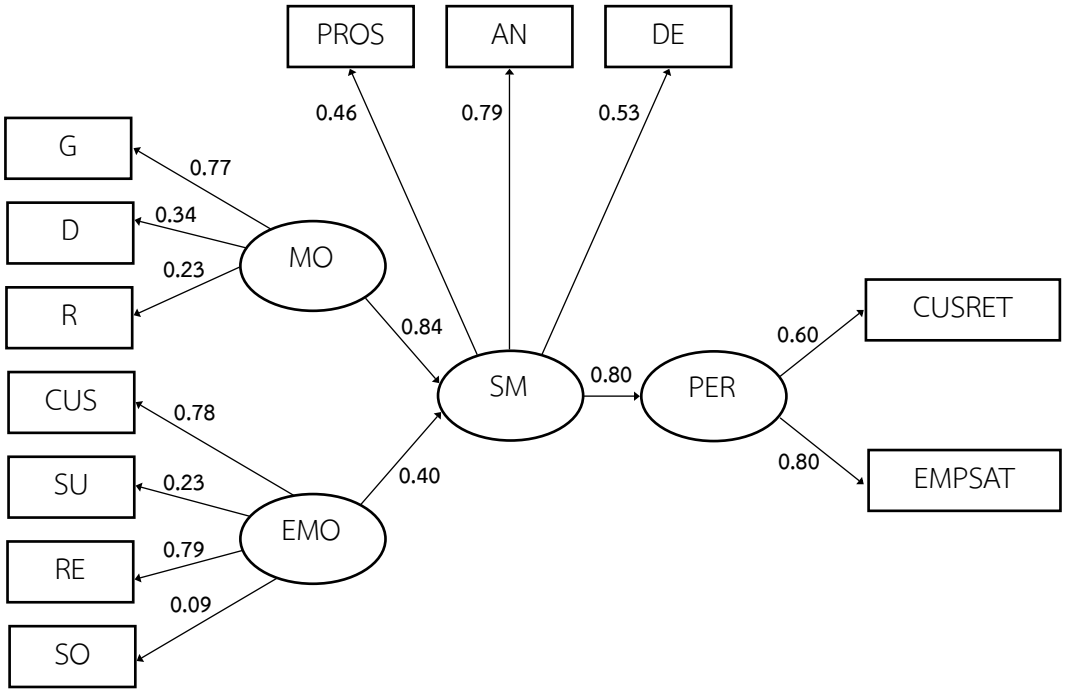
3) Strategic management: has 3 observe variable consist of Prospector (PROS), Analyzer (AN), and Defender (DE).

4) Health establishment performance: has 2 observe variable consist of Customer Retention (CUSRET), and Employee Satisfaction (EMPSAT), which exclude Customer Satisfaction (CUSSAT) from observe.

Table 1 Summarized of relationship between variables of exploratory factors.

Variable	Observe			KMO	Bartlets	Sig	Cumulative%	Conclusion
	Num	Include	Exclude					
MO	3	D, G, R	–	0.57	118.15	0.00	53.17	Appropriate
EMO	4	CUS, SU, RE, SO	CO, MA	0.53	135.81	0.00	52.90	Appropriate
ST	3	PROS, AN, DE	–	0.59	121.36	0.00	53.83	Appropriate
PER	2	CUSRET, EMPSAT	CUSSAT	0.50	186.35	0.00	80.23	Appropriate

4.2 Structural equation model



Chi–Square = 32.98, df = 26, P–value = 0.16267, RMSEA = 0.026

Figure 1 Path analysis after model modification

The final SEM model in Figure 1 was consistency with empirical data, with has consistency index as follow:

– Absolute fit index: the Chi-Square was equal to 32.98, degree of freedom (df) was 26, the relative Chi–Square equal to 1.27, goodness of fit index (GFI) was equal to 0.99, and AGFI was 0.96.

– Relative fit index: NFI was equal to 0.99. The CFI and RFI was equal to 0.99 and 0.98 respectively.

– Consistency Index of Error: RMSEA was 0.03 and RMR was 0.02,

It was found that all of indices were in the standard values range, so it could be implied that the model was in agreement with the empirical data.

Table 2 Results of factor loading of observed constructs

Observed Variables	Standard Factor Loading	t–value	Error of Variance	Coefficient of determination
MO				
G	0.77	–	–	0.65
D	0.34	7.28	0.89	0.11
R	0.23	4.84	0.95	0.05
E				
CUS	0.78	–	–	0.67
SU	0.25	4.76	0.94	0.06
RE	0.79	8.51	0.01	0.69
SO	0.10	2.11	0.99	0.01
SM				
PROS	0.46	–	–	0.22
AN	0.79	10.75	0.02	0.68
DE	0.53	4.57	0.72	0.28
PER				
CUSRET	0.60	–	–	0.36
EMPSAT	0.80	15.37	0.00	0.64

Table 3 Result analyzing influence of factors

Independent variable	SM			MO			EMO		
Dependent variable	TE	DE	IE	TE	DE	IE	TE	DE	IE
SM	–	–	–	0.84**	0.84**	–	0.40**	0.40**	–
	–	–	–	(0.22)	(0.22)	–	(0.12)	(0.12)	–
	–	–	–	3.80	3.80	–	3.44	3.44	–
PER	0.80**	0.80**	–	0.67**	–	0.67**	0.32**	–	0.32**
	(0.20)	(0.20)	–	(0.07)	–	(0.07)	(0.06)	–	(0.06)
	4.10	4.10	–	9.28	–	9.28	5.65	–	5.65

**significant at 0.01

According for direct effect can conclude Structural Equation model of this research. The latent variable of Strategic Management (SM) has direct effect from Market Orientation (MO) and Extended Market Orientation (EMO). The sizes of direct effect are 0.84 and 0.40.

The latent variable of Health Establishment Performance (PER) has direct effect from Strategic Management (SM). The size of direct effect is 0.80, which can be create structure equation as follow:

$$SM = 0.84MO + 0.40EMO \qquad R2^2 = 0.96 \qquad (1)$$

$$PER = 0.80SM \qquad R2^2 = 0.64 \qquad (2)$$

5. Conclusion

Strategic Management (SM) has positive direct effect from Market Orientation (MO) and Extended Market Orientation (EMO). These was exactly as reviewed theory (Goetsch & Davis, 2014) which health establishment's specific situational factors or strategic management was depend on relationships between intelligence–related activities investigation and results of market performance. The moderators are assumed to be impermanent and less stable when limit data, which results in such behavioral activities, that may take the forms of performance outcome in strategic management (Nunan, Sibai & Schivinski, 2018).

Latent variable Strategic Management (SM) consist of 3 observe which are analyzer, defender, and prospector with factor loading of 0.79, 0.53 and 0.46 respectively. The cause that made analyzer was highest factor loading maybe analyzer was combination of the strengths of the two strategies of prospecter and Defender by minimizes risk while maximizing profit performance. The analyzer will concerned developing new services and markets opportunities only after their feasibility has been verified. The new products strategic will assist attention of customer, made them interest, feel attentiveness, and want to experimental, these help directly to continuously growth and developing of organization.

Latent variable Market Orientation (MO) consist of 3 observe which are generation, dissemination, and responsiveness with factor loading of 0.77, 0.34 and 0.23 respectively. The reason which generation or Intelligence Generation has highest coefficient of determination was it's the responsibility of marketing and non–marketing plan. The Intelligence Generation was formal and informal mechanisms to gather and monitor information related to customers, competitors, and environmental forces and for the availability of the gathered intelligence at one location to be disseminated effectively to business (Appiah–Adu & Djokoto, 2015; Ozkaya, Droge, Hult & Calantone, 2015). In addition, managers must taking action from customer's information such as selecting target markets, designing and offering products, and producing, distributing, and promoting the needed product in response to intelligence that is generated and disseminated in order to develop a customer satisfaction, customer retention and employee satisfaction.

Latent variable Extended Market Orientation (EMO) consist of 4 observe which are regulatory factor, customer, supplier factor loading, and social cultural trends with factor loading of 0.79, 0.78, 0.23 and 0.09 respectively. The regulatory environment factor was most important because, it can affect performance through indirect items such as patents, tariffs and taxes in ways that make customer satisfaction, customer retention, and employee satisfaction (Nechaev & Antipina, 2016). The impact of taxes can direct affect pricing of service varies on market or location, which can have a significant influence on efforts of employ performance. Regulatory environments that have taken the form of host political interference can be a driver of modifications in health establishments' operations, policies and strategies in ways that can negate the benefits of performance.

Health Establishment Performance (PER) has positive direct effect from strategic management (SM). As structure equation model from empirical data analysis shown that there is very high positive effect of 0.8 coefficient of determination, maybe cause as reviewed theory of Miles & Snow (1978) which has described strategic management as pattern of the adaptation with a particular set of performance criteria for target, these mean performance should vary depending on the strategic management directly. The health establishment performance was consist of 2 observe which are employee satisfaction and customer satisfaction with factor loading of 0.80 and 0.60 respectively. These mean the employee satisfaction was important than customer satisfaction due to type of business as health establishment has few expert employees (skill and characteristic), but plenty of customer with low competition in business. To keep employees satisfied and protected from resignation, or moving to other workplace is the best method to preserve performance.

6. Recommendation

To development of Health Establishment Performance should develop from basic factor as market orientation and extend market orientation, which should be weight to develop in the market orientation factor first.

The alternative way to increase health establishment performance is improve strategic management in prospector, analyzer, and defender, which should focus on prospector factor.

References

Al–Refaie, A. (2015). Effects of Human Resource Management on Hotel Performance Using Structural Equation Modeling. *Computers in Human Behavior*, 43, 293–303.

Appiah–Adu, K. & Djokoto, J.G. (2015). Publication Bias and the Market Orientation–Performance Nexus Literature. *African Journal of Management Research*, 23(1), 73–96.

Atmojo, M. (2015). The Influence of Transformational Leadership on Job Satisfaction, Organizational Commitment, and Employee Performance. *International Research Journal of Business Studies*, 5(2), 113–128.

Degbey, W.Y. (2015). Customer Retention: A Source of Value for Serial Acquirers. *Industrial Marketing Management*, 46(1), 11–23.

Department of Trade Negotiation. (2011). **Business Services: Spa & Thai Massage**. Department of Health Service Support.

Doorn, J., Onrust, M., Verhoef, P.C., & Bügel, M.C. (2017). The Impact of Corporate Social Responsibility on Customer Attitudes and Retention–the Moderating Role of Brand Success Indicators. *Marketing Letters, Springer,* 28(4), 607–619.

Eisingerich, A.B., Auh, S. & Merlo, O. (2014). Acta Non Verba? The Role of Customer Participation and Word of Mouth in the Relationship between Service Firms' Customer Satisfaction and Sales Performance. *Journal of Service Research*, 17, 40–53.

Fornell, C., Morgeson, F.V. & Hult, G.T.M. (2016). Stock Returns on Customer Satisfaction Do Beat the Market: Gauging the Effect of A Marketing Intangible. *Journal of Marketing*, 80(5), 92–107.

Goetsch, D.L. & Davis, S.B. (2014). **Quality Management for Organizational Excellence**, Pearson.

Kohli, A.K., Jaworski, B.J. & Kumar, A. (1993), MARKOR: A Measure of Market Orientation. *Journal of Marketing Research*, 30(November), 467–477.

Miles, R.E. & Snow, C.C. (1978). **Organizational Strategy, Structure, and Process**. New York: McGraw–Hill, Inc.

Nechaev, A. & Antipina, O. (2016). Analysis of the Impact of Taxation of Business Entities on the Innovative Development of the Country. *European Research Studies Journal*, 19(1), 71–83.

Nunan, D., Sibai, O. & Schivinski, B. (2018). Reflections on "Social Media: Influencing Customer Satisfaction in B2B Sales" and a Research Agenda. *Industrial Marketing Management*, 75, 31–36.

Ozkaya, H.E., Droge, C., Hult, G.T.M. & Calantone, R. (2015). Market Orientation, Knowledge Competence, and Innovation. *International Journal of Research in Marketing*, 32(3), 309–318.

Pousa, C. & Mathieu, A. (2015). Is Managerial Coaching a Source of Competitive Advantage? Promoting Employee Self–Regulation through *Coaching. Coaching: An International Journal of Theory, Research and Practice*, 8(1), 20–35**.**

Rust, R.T., Moorman, C. & van Beuningen, J. (2016). Quality Mental Model Convergence and Business Performance. *International Journal of Research in Marketing*, 33(1), 155–171.