Entrepreneurial Orientation and Customers Satisfaction: Evidences nearby Khao San Road

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Abstract—The study aims to determine which factors account for customer satisfaction and to investigate the relationship between entrepreneurial orientation and business success, in particular, context of the information understanding of hostel business in Pranakorn district, Bangkok and the significant element of entrepreneurship in tourism industry. This study covers 352 hostels customers and 61 hostel owners/managers nearby Khao San road. Data collection methods were used by survey questionnaire and a series of hypotheses were developed from services marketing literature. The findings suggest the customer satisfaction most influenced by image, service quality, room quality and price accordingly. Furthermore the findings revealed that significant relationships exist between entrepreneurial orientation and business success; while competitive aggressiveness was found unrelated. The ECSI model’s generic measuring customer satisfaction was found partially mediate the business success. A reconsideration of other variables applicable should be supported with the model of hostel business. The study provides context and overall view of hostel business while discussing from the entrepreneurial orientation to customer satisfaction, thereby reducing decision risk on hostel investment.

Keywords—Customer satisfaction, ECSI Model, entrepreneurial orientation, small hotels, hostel, business performance.

I. INTRODUCTION

Now the tourism is recognized as the most favorite service industry since it is contributed to job creation, income distribution and foreign exchange earnings. According to the Tourism Authority of Thailand [46], Thailand recently won the Best Value Destination (International) conferred by Lonely Planet Magazine India. Moreover in 2015, the emergence of the ASEAN Economic Community and prospects of free movement of tourist will be the most opportunity for the hostel business. Parallel with the growth of national tourist sector the number of hostels in the area nearby Khao San Road rose significantly from time to time. The demand of these hostels has been remarkably increasing as customers largely keep their budget for accommodation in control and length of their stay. The industry has been doing well so far but it is also becoming an increasingly competitive market.

However Fornell, Johnson, Anderson, Cha & Bryant [7] pointed that in the hotel industry, entrepreneur should play a significant role and pay more attention to customer satisfaction since it had a significant effect on business success and Vilares & Coelho [39] also presented that understanding customer needs sustained and provided the company competency. Few researches have covered on hostel business which considering on entrepreneurial orientation to survive in the high competitive hostel industry [27], [32].

Those studies [8], [9], [31] have focused only on customer satisfaction, but not the entrepreneur characteristics or entrepreneurial orientation in small business. This study attempts to indemnify both the entrepreneurial orientation and customer satisfaction in the hostel sectors.

In recent years, customers demand for hostel with good services is overwhelming and their satisfaction has been shown as the important issue for the sustainable business (Abdullah, Al-Nasser, Husain) [34]. Specifically Carson’s level of activity model [12] was used to support the finding of customer satisfaction model. The small hotel industry significantly plays the international role. Morrison [3] shows a small hotel sector as one individually financed, directly supervised by entrepreneur orientation and their effect on business performance. In worldwide, 90 percent of tourism accommodation establishments are managed by such small enterprise. The empirical study of Moriarty, Jones, Rowley, Kupiec-Teahan [27] analyzed that the hostel market is suited to a small firm with using family labor and small hotel entrepreneur are happy to accept a compromised profit with quality life experiences.

This study presented the key findings from hostels’ entrepreneurial orientation and customer satisfaction from area nearby Khao San road, which are a favorable tourist destination and the most famous as being “backpacker ghetto”.

II. LITERATURE REVIEW AND RESEARCH HYPOTHESES

A. The Entrepreneurial Orientation (EO)

Miles & Munilla [38] suggested that entrepreneurial orientation bound and define the relationships between a firm performance, its stakeholders, and customer satisfaction. Individual approaches to entrepreneurship have been widely criticized as explanatory value for entrepreneurial behavior [8]. Ginsberg [2] defined EO as entrepreneurs’ intention and preferences in the dynamic entrepreneurial attitude which can be described an autonomous, innovative, risk-taking and proactive action. Meanwhile the concept of entrepreneurial orientation was developed by Miller [16] as comprising three dimensions; innovativeness, proactiveness, risk taking. Covin & Slevin [25] also adopted these three EO dimensions as one dimension construct and can be combined into a single scale. On the other hand, Lumpkin and Dess [19] and Kreiser et al [41] claimed that EO dimension can be independently on each other. As a starting point, we drew on Lumpkin’s and Dess’s

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concept of EO which consists of autonomy, innovativeness, risk-taking, proactiveness and competitive aggressiveness orientation. Covering for the whole entrepreneurial task, Krause et al. also added learning and achievement orientation in their model of successful business [44]. Therefore the final measurement of this study is constituted of seven dimensions.

Learning orientation has been related to business success and owners must develop their knowledge base independently and learn from experiences to succeed in small firm [37]. Entrepreneur with strong achievement orientation was found related to customer satisfaction and to company success [21]. Hostel owners are also driven by the vision to establish their own realm and their daily tasks include taking on acquiring new customers. Therefore their autonomy orientation shows the value in self decision making and vision [19]. Entrepreneurial business owners want to enjoy competition and a competitive aggressive orientation is one of successful entrepreneurial characteristics [23]. According to West & Farr [33], an innovative orientation implies a positive mind-set toward their new ideas of products and services or technology processes which entrepreneurial business owners enjoy shaping their industry. Risk-taking orientation has much influenced on business owner’s consideration in term of business enter, pursuit profit and business growth. While taking calculated risks can reduce the probability of failure, a positive orientation towards risk should help the owner to take unavoidable risks [45]. Personal initiative is a proactiveness orientation. Whereas this EO is persistent in particular it has been a useful extension of pro-activeness for external encouragement and successful entrepreneur [36], [35].

Personal initiative of the person in charge has been related to entrepreneurial success in Austria [10]. Finally we summarized dimensions of entrepreneurial orientation address to business performance as in Table I.

<table>
<thead>
<tr>
<th>Researchers/Date</th>
<th>EO dimension Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millner (1983)[16]</td>
<td>Innovation, pro-activeness, and risk-taking</td>
</tr>
<tr>
<td>Covin et al (1989)[26]</td>
<td>Innovation, pro-activeness, and risk-taking</td>
</tr>
<tr>
<td>Kreiser, Marino &amp; weaver (2002)[41]</td>
<td>Innovative, pro-activeness, and risk-taking</td>
</tr>
<tr>
<td>Krauss, Frese, Friedrich &amp; Unger (2005) [44]</td>
<td>Learning, achievement, autonomy, risk-taking, competitive aggressiveness, innovative, pro-activeness</td>
</tr>
</tbody>
</table>

Glancey & Pettigrew [28] pointed that entrepreneurs do their business as one-man show. Their firm does not expect on high growth rate but they professionally operate their services to be better than their competitor and generally have less than 20 employees. In the meantime, entrepreneur manage their firm on skill development, business growth, and innovative evolution. The hostel business movement is continuous, systematic and distinctive. Hostel entrepreneurs have different model of operation: they use their working skill, flexible schedule, own lifestyle; however entrepreneur have central vision, develop their mutual skill and highlight on work process.

Small firm entrepreneurs were played as the important role which encourage and support employee in dynamism and competitive aggressiveness. During this time of global economic unpredictability, Abdullah et al [34] reported that they should develop strategies quickly and focus on the quality of enhancing qualitative growth. While Blankson and Omar [6] noted that the small business success and survival are dependent on entrepreneurial marketing efficiency and many research like McLarty [43], Murdoch et al. [22] showed that lack of customer satisfaction cause the firm failure. Entrepreneurs influence and informally implement customer satisfaction for their business and they tend to use short term approach due to time indicated by Beaver and Harris [20], financial and human resource constraints as mentioned by Gilmore, Carson and Grant [1]. The owner/manager mostly makes decision on operation and management style and they also have the limitation on their own expertise of small business as shown in Carson and Cromie [11]

There has been no agreement among researchers on an appropriate measure of performance, but previous studies suggested that performance measures have been generally recognized that objective measures of performance are more appropriate than subjective evaluation of performance [42]. However collecting objective data is largely difficult since owner/managers are not generally willing to release firm’s information to outsiders. Therefore, subjective approach was adopted in this study where the performance of the hostel business was measured by the perception of the owner/manager providing responses to the structured interview. They were asked to state their business’ performance on criteria likely profitability and customer volume for the past three years. According to Stokes [14], customer satisfaction and entrepreneurial orientation can be link and established for entrepreneurial success. Many researchers of entrepreneurial orientation [4], [10], [13], [17] has addressed that making relationship with customers and using word of mouth are pursued for business success and the management of word of mouth [15] is the important recommendation for customer acquisition Their key aspect of business success are strongly relied on EO.

B. The ECSI Model

Customer satisfaction had a significant impact on hostel business and it was probably the most competitive advantage for sustaining business. Due to ECSI Technical Committee [18], the European customer satisfaction index model is a conceptual framework of customer satisfaction that refers image, service and room quality, price and perceived value working as the independent variables. The previous study as Vilares and Coelho [39], the ECSI is designed for the customer satisfaction measurement and had been employed in many service industries such as telecommunications, banks and postal services while the study of Kristensen, Martensen & Gronhold [30] mentioned the original ECSI model included customer expectations as an independent variable. Keller [31]
mentioned in his study, as the image is based on customers relying on brand, it does not easily show on budget accommodation. According to Kristensen et al. [30], image has a significant impact on customer satisfaction and these customers behavior is concerned to predict the firm’s image and quality perceived by their client. In the case of hostels customer, Morgan and Piercy [40] revealed that the room quality refer to room facilities and amenities which provide them comfortable experiences. For the service quality, Suprenant and Solomon [8] refer to friendliness, courtesy and individual service. Tse [13] contend that price is the cost spending for product and service. According to Monroe [29], price also has a great impact on customer’s satisfaction. The revised model of Chitty et al [5] suggested that perceived value is considered to be the result of customers’ perception in term of services and room quality and image has not been clearly shown in much of the relevant research. Also, Vilares and Coelho [39] explained that customer satisfaction and customer commitment should be considered in the business success.

C. Research Hypotheses

This study adopted Krauss et al.’s [44] definition of EO dimension and Kristensen et al.’s [30] the ECSI Model. The research framework can be seen as Fig. 1 which provides a model of the relationships that lead to long-term business success. This conceptual framework and research hypotheses are proposed as follows:

H1. Image (IM) is in positive correlation to customer satisfaction.

H2. Services Quality (SQ) is in positive correlation to customer satisfaction.

H3. Room Quality (RQ) is in positive correlation to customer satisfaction.

H4. Price (PR) is in positive correlation to customer satisfaction.

H5. Perceived Value (PV) is in positive correlation to customer satisfaction.

H6. Autonomy (AU) is in positive correlation to business performance.

H7. Learning (LE) is in positive correlation to business performance.

H8. Achievement (AC) is in positive correlation to business performance.

H9. Innovativeness (IN) is in positive correlation to business performance.

H10. Risk-taking (RT) is in positive correlation to business performance.

H11. Competitive aggressiveness (CA) is in positive correlation to business performance.

H12. Pro-activeness (PO) is in positive correlation to business performance.

III. RESEARCH DESIGN

To serve the study proposes the process to gain the findings is as follows:

A. Population and Sampling

This study is aimed to explore customer satisfaction so the target population was hostels customers in four sub-districts of Pranakorn district in Bangkok. Three hundred fifty two hostels customers staying within a four-week-period were selected to answer questionnaire. Furthermore we also intend to investigate the relationship between EO and business performance, then 61 hostel owners based on their hostels location were addressed with structured interview.

B. Research Construct Instrument and Data Analysis

From the basis of testing questionnaire’s reliability and validity test, this study chose to apply ECSI model into 5 dimensions; image, service quality, room quality, price and perceived value. Krauss et al. [44] developed the measurement of EO which is distinguished 7 dimensions; autonomy, learning, achievement, innovativeness, risk-taking, competitive aggressiveness, and pro-activeness. Some questions were revised to improve participants understanding and comprehension. All two measurements apply their opinion on a five-point Likert scale from “strongly disagree= 1” to “strongly agree= 5”. The research data has been collected from questionnaires conducted between September and October 2013. In total for customers, 400 questionnaires have been distributed and 352 questionnaires have been collected.

The 61 hostel owner-managers are conducted by structure interview in order to provide an EO measurement of entrepreneurial orientation on the basis of their personal characteristics and operation to sustain their hostel business.

C. Data Collection Procedure

The data were screened using the SPSS program to ensure there is no missing data and extreme values did not influence the results. The data analysis and hypothesized relationships were performed by frequency, percent, mean, standard deviation, and Spearman correlation coefficient. In this study, we use the significance level at 0.05 or 95% confidential level.

The observation of the workplace was also carried out and details of entrepreneurial orientation were collected by
structure interview which was used to provide as supporting evidence and clarify entrepreneurial orientation.

D. Reliability and Validity Test

All the variables of the relational model have undergone the reliability and validity test. Since the questionnaire of this study was developed to the clear definition of ECSI dimension and EO dimension, validity analysis for systematic errors was previously tested form prior research. However reliability test was conducted to determine the internal consistency of the measures used. Table II shows EO and ECSI have Cronbach’s α values which is higher than 0.7 as recommended by Hair et al. [24]

### Table II

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Image (IM)</td>
<td>0.848</td>
</tr>
<tr>
<td>Service Quality (SQ)</td>
<td>0.715</td>
</tr>
<tr>
<td>Room Quality (RQ)</td>
<td>0.715</td>
</tr>
<tr>
<td>Price (PR)</td>
<td>0.739</td>
</tr>
<tr>
<td>Perceived value (PV)</td>
<td>0.949</td>
</tr>
<tr>
<td>Customer satisfaction (CS)</td>
<td>0.926</td>
</tr>
<tr>
<td>Autonomy (AU)</td>
<td>0.879</td>
</tr>
<tr>
<td>Learning (LE)</td>
<td>0.965</td>
</tr>
<tr>
<td>Achievement (AC)</td>
<td>0.983</td>
</tr>
<tr>
<td>Innovativeness (IN)</td>
<td>0.726</td>
</tr>
<tr>
<td>Risk-taking (RT)</td>
<td>0.974</td>
</tr>
<tr>
<td>Competitive Aggressiveness (CA)</td>
<td>0.978</td>
</tr>
<tr>
<td>Pro-active ness (PRO)</td>
<td>0.970</td>
</tr>
</tbody>
</table>

IV. FINDINGS

A. Sample Characteristics

The demographic of the participants is illustrated in Table III. The customer who stayed in hostels included female (65.90%) and male (34.10%). Majority of them were China (43.76%) and Japan (20.17%). More than 40% of them were below the age of 40 (47.74%) and 39.77% were graduated students and most of them had achieved a first degree. Most of the participant had annual income before tax under US$ 50,000 (23.30%). Seventy two customers were not shared the income.

The profile of the owner/managers is shown in Table IV. Most of entrepreneurs were male (83.6%) age ranging from 41 to 50 years old (42.6%) and they hold master degree 60.7%.

<table>
<thead>
<tr>
<th>Item</th>
<th>Characteristics</th>
<th>Frequency</th>
<th>Percent %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>120</td>
<td>34.10</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>232</td>
<td>65.90</td>
</tr>
<tr>
<td>Nationality</td>
<td>China</td>
<td>154</td>
<td>43.76</td>
</tr>
<tr>
<td></td>
<td>America</td>
<td>42</td>
<td>11.93</td>
</tr>
<tr>
<td></td>
<td>Malaysia</td>
<td>12</td>
<td>3.41</td>
</tr>
<tr>
<td></td>
<td>Singapore</td>
<td>23</td>
<td>6.53</td>
</tr>
<tr>
<td></td>
<td>Japan</td>
<td>71</td>
<td>20.16</td>
</tr>
<tr>
<td></td>
<td>Korea</td>
<td>11</td>
<td>3.13</td>
</tr>
<tr>
<td></td>
<td>Europe</td>
<td>23</td>
<td>6.53</td>
</tr>
<tr>
<td></td>
<td>Austria</td>
<td>5</td>
<td>1.42</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>11</td>
<td>3.13</td>
</tr>
<tr>
<td>Age</td>
<td>25 yrs or under</td>
<td>12</td>
<td>3.41</td>
</tr>
<tr>
<td></td>
<td>26-35 yrs.</td>
<td>88</td>
<td>25.01</td>
</tr>
<tr>
<td></td>
<td>36-45 yrs.</td>
<td>111</td>
<td>31.54</td>
</tr>
<tr>
<td></td>
<td>46-55 yrs.</td>
<td>97</td>
<td>26.99</td>
</tr>
<tr>
<td></td>
<td>56-65 yrs.</td>
<td>45</td>
<td>12.97</td>
</tr>
<tr>
<td></td>
<td>66 yrs or over</td>
<td>22</td>
<td>6.25</td>
</tr>
<tr>
<td>Education</td>
<td>High school or under</td>
<td>4</td>
<td>1.14</td>
</tr>
<tr>
<td></td>
<td>2-year college degree</td>
<td>43</td>
<td>12.22</td>
</tr>
<tr>
<td></td>
<td>4-year college degree</td>
<td>26</td>
<td>7.39</td>
</tr>
<tr>
<td></td>
<td>Master degree</td>
<td>160</td>
<td>45.45</td>
</tr>
<tr>
<td></td>
<td>Doctoral degree</td>
<td>71</td>
<td>20.17</td>
</tr>
<tr>
<td></td>
<td>Professional degree</td>
<td>23</td>
<td>6.53</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>25</td>
<td>7.10</td>
</tr>
<tr>
<td>Annual income</td>
<td>US$50,000 and under</td>
<td>82</td>
<td>23.30</td>
</tr>
<tr>
<td></td>
<td>US$50,001-70,000</td>
<td>63</td>
<td>17.90</td>
</tr>
<tr>
<td>Before tax</td>
<td>US$70,001-90,000</td>
<td>53</td>
<td>15.06</td>
</tr>
<tr>
<td></td>
<td>US$90,001-125,000</td>
<td>62</td>
<td>17.61</td>
</tr>
<tr>
<td></td>
<td>US$125,001- over</td>
<td>12</td>
<td>3.41</td>
</tr>
<tr>
<td></td>
<td>Missing</td>
<td>80</td>
<td>22.72</td>
</tr>
</tbody>
</table>

Spearmans’s correlation coefficient was used to test the hypothesis. If the significance level is less than 0.05, we conclude that there is a significant relationship between variables statistically. As can be seen in Table V, the data obtained from the collected surveys and the analyzing was shown the amount of Sig p-value is less than 5%.

Therefore, there is a significant between most EO dimension and business performance with 95% except competitive aggressiveness. On the other hand, all ECSI dimensions also showed positive relationship to customer satisfaction.
V. CONCLUSION
Significant and positive correlation of customer satisfaction model and entrepreneurial orientation toward business performance indicates the fact that there was strong relationship between them. This study has the objective of relationship establishment of the ECSI dimensions toward customer satisfaction and OE toward business performance in hostels business. However this study manages to assert a series of the proposed hypotheses and most of them were supported except competitive aggressiveness was rejected to business performance. In this case image, service quality, room quality price and perceived value can be impact accordingly. Furthermore the entrepreneurial orientations also have an effect on business performance. Although owner/managers carried out some services, they use straightforward and simplistic operation with considerable budget. This study only covers image, service quality, room quality, price and perceived value. In continue, the next study may be expanded and included the relationship between entrepreneurial orientations, corporate entrepreneurship and customer satisfaction to improve the estimation of business performance model. Surely the researchers may represent in different dimensions and provide understanding of the whole sustainable business performance of hostel industry.

ACKNOWLEDGEMENT
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APPENDIX

Questionnaire items: Images, Service quality, Room quality, Perceived value, Price, and Satisfaction.

Image (four items)
1. The reputation of hostels is important to me
2. This hostel makes a good impression on its guests.
3. This hostel has a good reputation amongst customers.
4. I feel this hostel suit my needs.

Room quality (six items)
1. Satisfied with internet facilities.
2. Satisfied with breakfast.
3. Satisfied with common area.
4. Satisfied with location.
5. Satisfied with bedroom cleanliness.

Service quality (five items)
1. Staff was polite.
2. Staff was helpful.
3. Staff was friendly.
4. Staff had knowledge about attractions and activities.
5. Staff provides a friendly atmosphere

Perceived value (eight items)
1. This hostel offers good value for money.
2. I believe this hostel offer good quality accommodation.
3. I will enjoy my stay at this hostel.
4. I believe this hostel provides good accommodation for the price.
5. The staff knowledge is up to date.
6. The staff know their job well.
7. The staff has knowledge of all services offered by the entity.
8. The services as a whole are good.

Price (five items)
1. The beverage prices at this hostel are fair.
2. The food prices at this hostel are fair.
3. The tour prices at this hostel are fair.
4. The price charged by this hostel is appropriate.
5. The price charged by this hostel is rational.

Satisfaction (six items)
1. I am satisfied with the interactions I have with this hostel’s staff.
2. I am satisfied with the interaction I have with other guests.
3. In general I am satisfied.
4. I am very satisfied with this hostel services provided.
5. I feel this hostel is better than expected.
6. I am satisfied with my stay at this hostel.

REFERENCES


