



Innovation Capability Enhancing Competitive Advantage and Business Performance of Small Hotels in Thailand

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Abstract

This study aimed to examine the causes and outcomes of innovation capability enhancing the competitive advantage and business performance of small hotels in Thailand. The sample in the study included 356 small hotels in Thailand that have been certified by the Amazing Thailand Safety & Health Administration (SHA). The research instrument is the online questionnaire. The data were analyzed by descriptive statistics, namely frequency, percentage, mean and standard deviation and inferential statistics, namely structural equation modeling.

The findings revealed that the model analysis results of the research hypothesis of innovation capability enhancing the competitive advantage and performance of small hotel businesses in Thailand with environment dynamism as a variable (after adjusting a model) found that all values met the specified criteria, indicating that the model developed by the researcher based on related concepts and theories was consistent with the empirical data. When considering the innovation capability model enhancing the competitive advantage and business performance of small hotels in Thailand, it was found that causal variables directly influenced the competitive advantage. Innovation capability had a path coefficient of 0.78. It was also found that causal variables directly influenced a firm's financial performance. Competitive advantage and innovation capability had path coefficients of 0.34 and 0.22, respectively. This research described the cause and result of the innovation capability of small hotels in Thailand to suggest guidelines to develop the innovation capability of small hotels despite the complexity and rapid change in the business environment nowadays.

Keywords: 1) Innovation Capability 2) Competitive Advantage 3) Business Performance 4) Small Hotel 5) Thailand

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Introduction

The service industry plays a significant role in driving the economy of countries around the world. Based on the Organisation for Economic Co-operation and Development (OECD) (2021, p. 1), high-income countries had 75% of the service sector's gross domestic product (GDP), while middle-income countries had 57% of the service sector's gross domestic product (GDP) (Bank of Thailand, 2019, p. 1). Moreover, in Thailand, the service industry is the most important to the country's economic driving that generates income and employment in various careers and connects to other service businesses, such as hotels, restaurants, transportation, tourism, recreation, foreign exchange, souvenir business, etc. (Yaemkong, 2012, p. 2). One of the businesses that benefited from the growth of the service industry the most is the hotel business.

The hotel business is vital and plays a role in the economy, especially the tourism sector which has continued to grow. In 2019, hotel and restaurant businesses accounted for 6.1% of the country's gross domestic product (Krungsri Research, 2020, p. 1). In the past 10 years (2009-2018), income from Thai and foreign tourists tended to increase constantly in line with the number of Thai and foreign tourists coming to Thailand, which increased to 38 million in 2018, resulting in the demand for rooms likely to continue to increase. The report on the occupancy rate of tourists in 2019 found that the number of foreign tourists increased by 4.6% (Ministry of Tourism and Sports, 2019, p. 1). However, this has made the hotel business more competitive, especially

small hotels with no more than 100 rooms, 50 employees, and an investment of not more than 50 million baht. This makes new investors more interested in investing. In addition, small hotels have to compete with other types of accommodation, such as apartments, serviced apartments, condominiums, etc. Besides, due to the recent outbreak of COVID-19 in late 2019, small hotels had been affected by the government's lockdown measures. As a result, small hotels have been affected by the government's lockdown measures, resulting in a 38.3 percent drop in the gross domestic product of hotel and restaurant businesses in 2020 (Krungsri Research, 2020, p. 2).

Consequently, it is challenging for small hotels in Thailand to inevitably seek strategies that would help the firm to compete and succeed sustainably and survive in a rapidly changing environment through the use of resources and capabilities that the organization has to develop new products and services. This is also known as the "Innovation Capability" of the business. Innovation capability is now a critical part of forming innovation for the organization that would help the organization to achieve the goals set. It is the ability of the organization to innovate things, including key strategies that enable organizations to compete through innovation (Noble, Sinha and Kumar, 2002, p. 30). Moreover, the context of environment dynamism is considered as it is the external environment affecting the operations of the business both positively and negatively to the current and prospective operational processes. This is to dart for opportunities and obstacles in decision-making for plan-

ning and adjusting the organization's strategy in accordance with the rapidly changing external environment. Therefore, environment dynamism is another important factor for the development of innovation capability in the organization. This is consistent with a study by Cao and Wang (2015, p. 1), reporting that environment dynamism affected innovation and business performance for both financial and non-financial performance. In addition, this is in accordance with a study by Cai and Yang (2014, p. 131) who found that environment dynamism is a moderator affecting the relationship between competitive advantage and business performance.

Therefore, the researchers were interested in studying the innovation capability affecting competitive advantage and business performance of small hotels in Thailand to examine the causes and outcomes of innovation capability, focusing on the causal factor, i.e. innovation capability, and dependent variables, i.e. competitive advantage and business performance through the moderator, i.e. environment dynamism. The knowledge found would help small hotels as a guideline in formulating a successful corporate strategy and increase the competitiveness and business performance to survive and finally eliminate the limitations and gaps in the past research, resulting in the development of knowledge in the innovation capability of small hotels in Thailand.

Objectives

1. To examine the impacts of innovation capability enhancing the competitive

advantage and business performance of small hotel in Thailand.

2. To examine the impacts of the competitive advantage enhancing business performance of small hotel in Thailand.

3. To examine the impacts of environment dynamism enhancing the relationship between the competitive advantage and business performance of small hotel in Thailand.

Literature Review

From the literature review, there were theories and concepts explaining innovation capability, namely resource-based view theory, dynamic capability theory, and contingency theory for better understanding and developing innovation capability with the following details:

Resource-based view theory describes the ability of resources that make an organization successful through resources, namely 1) value, 2) rarity, 3) imitability, and 4) non-substitutable (Barney, 1991, pp. 106-111). These resources play a significant role in creating a competitive advantage and sustainable business performance. Most of the small hotels, in particular, have uniqueness and brand image, such as networking, interpersonal relationship, trademark, the use of innovation, knowledge, skills, expertise, corporate reputation, and information, etc. (Grant, 1991, p. 116). A business with a unique innovation capability that cannot be substitutable would gain a competitive advantage, leading to success in the long term.

Dynamic capability theory is related to corporate strategies that emphasize the use of the resources and capabilities of the organiza-



tion in accordance with the rapidly changing business environment, namely the perception of opportunity and threat affecting the organization's management decisions to keep up with the changes (Wang and Ahmed, 2004, p. 304). A firm with a high level of dynamism can integrate existing internal and external resources and capabilities in accordance with the changes in the business environment and creates a competitive advantage, leading to more heightened operational efficiency. This is in line with Galunic and Eisenhardt (2001, pp. 1234-1236), who described dynamic capability as driving through resource management processes to a higher capacity to adapt to changing environments. Therefore, the dynamic capability requires the firm's existing resources (Griffith, Noble and Chen, 2006, p. 51) to keep pace with the environment dynamism, leading to competitive advantage and business success (Rindova and Kotha, 2001, p. 1263).

Contingency theory is a corporate management approach depending on decision-makers to choose management strategies in accordance with the goals of the organization under the conditions of the internal and external environment to obtain appropriate strategies in the operation that affects the business performance. The firm's adaptation to business operations is essential to the survival of the organization. This is consistent with the concept of Ferreira and Otley (2009, p. 1) showing that the factors related to contingent management include the external environment, i.e., the global economy, market competition, political situation, and policies in each country and the internal environment,

i.e., corporate culture strategies, organizational structure, organization size, and the process of technology that affects the management system and its suitability for contingent management. Each factor depends on the context of the organization in managing according to the external and internal environment of the organization to achieve sustainable competitive advantage and increase business performance.

Innovation Capability

Innovation capability refers to the capability in the form of behavior or organizational culture that encourages executives and employees in the organization to apply knowledge, ideas, skills, and experience to create new products, services, processes, or working guidelines to improve work performance. It plays a crucial role in management to gain a competitive advantage and help organizations to achieve success and better business performance (Hult, Hurley and Knight, 2004, pp. 430-431). Based on the study of studies related to the components of innovation capability, it was found that the key components of innovative capability included 1) participative leadership, 2) ideation and organizational structure, 3) workplace environment and well-being, 4) external Knowledge, 5) collaboration and 6) innovation strategy. Based on a literature review, numerous studies pointed out that innovation capability affected a competitive advantage and business performance. Moreover, innovation capability positively affected a competitive advantage and business performance (Keskin, 2006, p. 396), while a study by Chen, et al., (2015, p. 123)

found that innovation capability directly and positively affected competitive advantage. This is consistent with a study by Suliyanto and Rahab (2012, p. 134) who found that the development of innovation capability directly and positively affected an enterprise's performance of an enterprise. Therefore, innovation capability is a vital causal factor of competitive advantage and business performance, resulting in the following hypotheses:

H1: Innovative capability positively affects competitive advantage.

H2: Innovation capability positively affects business performance.

Competitive Advantage

Competitive advantage leads to market leadership or gaining greater profit than competitors. Competitive advantage resulted in sustainable profits and superiority over competitors. Khan (2014, p. 297) stated that competitive advantage could be achieved when the firm's resources are valuable (resources can create valuable products and services), rare (cannot be accessible by competitors), difficult to imitate (competitors cannot easily replicate), and appropriate (the firm has ownership and can leverage as needed). In other words, a business differs from its competitors which can be perceived by customers. This is in line with Bontis, (2001, p. 298) who argued that maintaining competitive advantage and superior performance could be achieved through the firm's resources and competitiveness. In addition, competitive advantage is also a factor that contributes to the better performance of the business, resulting in the following hypothesis:

H3: Competitive advantage positively affects business performance.

Business Performance

The assessment of the organization's performance is very important for modern management and administration since executives must be aware of the condition and performance of the organization at all times as key information in formulating competitive strategies and policies and assessing the management's capability of executives in that organization. In addition, the assessment of the organization's performance is a crucial method to help determine whether the organization's operations meet the objectives set. It also helps to determine the direction of the future operations of the organization. According to the studies related to the performance indicators of recent businesses, the study by Kafetzopoulos and Psomas (2015, p. 104), it was found that innovation capability directly affected product quality and performance while Sahoo (2019, p. 1003) studied quality management, innovation capability, and performance of small and medium-sized enterprises in the manufacturing sector in India and found that quality management through innovative capabilities indirectly affected business performance.

Environment Dynamism

Changes in environment dynamism can develop strengths and weaknesses, opportunities, and threats to the business, including the threat of timely business decisions. Li and Liu (2012, p. 3) stated that environment dynamism was very important to competition as the basis that must be studied, including thinking and planning various strategies to prevent



influence on the business in the future. Based on a review of related papers and studies, it was found that environment dynamism was a moderator affecting the relationship between competitive advantage and business performance since it is a very influential factor that may positively or negatively affect the operations of the organization in both current and future situations. Omri (2015, p. 195) found that environment dynamism was a moderator affecting business performance. Later, a study by Cao and Wang (2015, p. 1) found that

environment dynamism was a moderator that affected innovation capability and business performance in both operational and financial aspects. A literature review by Mendoza-Silva (2020, p. 707) found that environment could have a positive or negative impact on innovation and business performance, resulting in the following hypothesis:

H4: Environment dynamism affects the relationship between competitive advantage and business performance.

Conceptual Framework

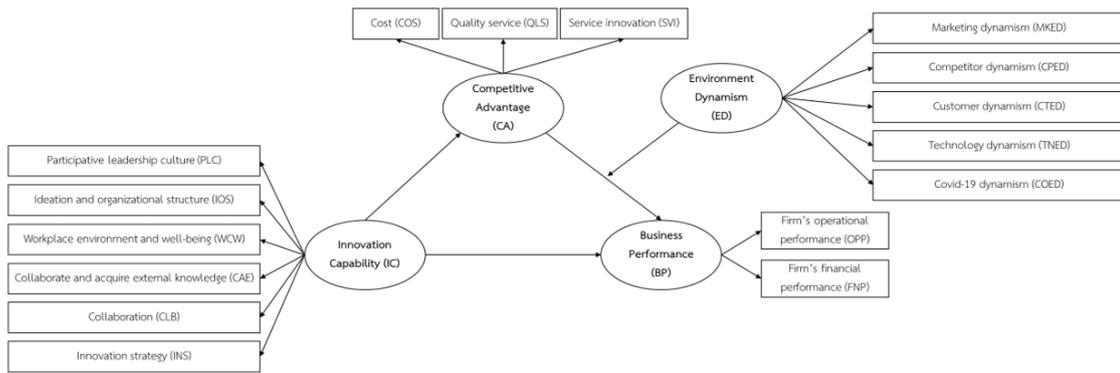


Figure 1 Conceptual Framework

Methods

Population and Sample

The population in the study included 4,849 small hotel in Thailand that have been certified by the Amazing Thailand Safety & Health Administration (SHA) (data on September 9, 2021) (Tourism Authority of Thailand, 2021, pp. 1-603) as evidence of a good sample. The researcher determined the sample size using the calculation formula of Krejcie and Morgan (1970, pp. 607-610), resulting in the required sample size of 356 places for determining the suitability of the samples used in this research. The researcher considered the

proper sample size for the data analysis using Structural Equation Modeling (SEM) based on the Rule of Thumb, which is widely used for sample size determination and analysis, with 10-20 times observable variables (Kline, 2016, pp. 240-277). In this study, there were 16 observable variables. So, the sample size should be at least (16x10 = 160) to (20x16 = 320), resulting in a minimum sample size of 160 places. Therefore, to have sufficient data for analysis, the researcher set the sample size to 356 for Structural Equation Modeling (SEM). In addition, the data collection by online questionnaires had a response rate of 295 copies,

representing 82.58% of the sample. This corresponded to a response criterion of not less than 20% (Vanichbuncha, 2002, p. 446).

Research Instrument

The research instrument in the study was an online questionnaire developed from the synthesis and development of questions from the literature review to define the definition and structure of the variables for studying. The innovation capability was developed from the conceptual framework by Saunila, Ukko, and Rantanen, (2014, p. 137) and further studied from the study by Le and Lei (2018, p. 313); Ferreira, Coelho and Moutinho, (2020, p. 9). Competitive advantage was developed from the conceptual framework of Li, et al., (2006, pp. 119-121). Business performance was developed from the concept of Kafetzopoulos and Psomas (2015, pp. 129-130). The scale used to measure the questions was a Five-point Likert-type Scale Rating.

The questionnaire was developed according to the operational definition. The researcher developed the tool and questions that have been tried and improved to suit the study and the developed questions were brought to 5 experts to check the content validity and were improved to prepare a draft questionnaire. After that, a draft questionnaire was used to test for validity and reliability of the questionnaire.

Research Instrument Quality Testing

In this research, the questionnaire was used to try out with a non-sample group and determine factor loading which was 0.68-0.99. The factor loading must not be less than 0.4 and reliability using the Alpha coefficient based

on Cronbach's method was 0.890, greater than 0.7, considered acceptable (Vanichbuncha, 2002, p. 445).

Statistics in the Study

The analysis of the structural equation modeling created by the researchers started by checking the completeness of the questionnaire and preliminary data analysis of the samples by descriptive statistics with the SPSS, including frequency, percentage, mean, standard deviation, and Cronbach's alpha coefficients. Since the confirmatory factor analysis is an advanced statistical analysis, the data analyzed required appropriateness and met the criteria, namely non-answer bias, t-test, skewness of < 0.30 and kurtosis of < 0.70 , multivariate normal distribution by Mardia's coefficients, multicollinearity with Variance Inflation Factor ($VIF < 10$), tolerance $> .10$, and homoscedasticity. Moreover, Vanichbuncha, (2019, p. 101) said that the structural equation modeling with sub-construct needed the analysis of the second order of the structural equation. Thus, confirmatory factor analysis (CFA) was conducted to estimate parameters by Maximum Likelihood with the AMOS software package by completing the first-order confirmatory factor analysis to verify whether the questions can truly represent the observed variables. Then, the second confirmatory factor analysis was then performed to verify whether the observed variables can truly represent the observed variables by using convergent validity with composite reliability ($CR > 0.70$) and discriminant validity along with Average Variance Extracted ($AVE > 0.50$) and the square root of AVE. The fit of the structural equation model-



ing with the empirical data was then analyzed with chi-square/degree of freedom (χ^2/df) less than 2, indicating that the model was fit with the empirical data. CFI > 0.90 indicates that the model was fit with empirical data. GFI > 0.90 and AGFI > 0.90 indicate that the model was fit with empirical data and RMSEA < 0.05 indicates that the model was fit with the empirical data (Vanichbuncha, 2019, pp. 109-115).

Results

1. The analysis results of personal data and hotel business performance of the respondents revealed that 159 respondents were male, aged between 31-40 years, accounting for 53.9%. 201 respondents had a bachelor's degree, accounting for 68.14%. 102 respondents had experience working in the hotel business between 11-15 years, accounting for 34.58%. 210 respondents were general managers, accounting for 71.19%. As for the hotel business performance, it was found that 146 hotel businesses had registered capital from 41 to 50-million-baht, accounting for 49%. 142 respondents were in a form of company limited, accounting for 48.14%, and 92 respondents had time in the business operation of more than 15 years, accounting for 31.19%. 72 respondents had rooms between 81-100 rooms, accounting for 24.41%. 115 respondents had 41-50 employees, accounting for 38.98%. 110 respondents were in the south, accounting for 37.29% and 210 respondents had main domestic customers, accounting for 71.19%.

2. The analysis results of opinion levels on innovation capability affecting a competi-

tive advantage and business performance of the hotel business revealed that the overall level of opinion on innovation capability affecting a business advantage and business performance of small hotel in Thailand overall was at a high level with a mean of 4.01. Considering each aspect, it was found that the aspect with the highest mean was a competitive advantage, which was 4.07, followed by environment dynamism with a mean of 4.00, innovation capability with a mean of 4.00, and business performance with a mean of 3.98.

3. As for the model analysis of innovative capability enhancing a competitive advantage and business performance of small hotel in Thailand (after adjusting the model), the statistical values used to examine included chi-square (χ^2) of 27.773, a p-value of 0.582, the relative chi-square (χ^2/df) of 0.926, comparative fit index (CFI) of 1.000, goodness-of-fit index (GFI) of 0.984, adjusted goodness-of-fit (AGFI) of 0.964 and root mean square error of approximation (RMSEA) of 0.000. All values passed the criteria (Hair, et al., 2010). This indicates that the model of innovation capability enhancing competitive advantage and business performance of small hotel in Thailand developed by the researcher based on related concepts and theories was consistent with empirical data as shown in Figure 2.

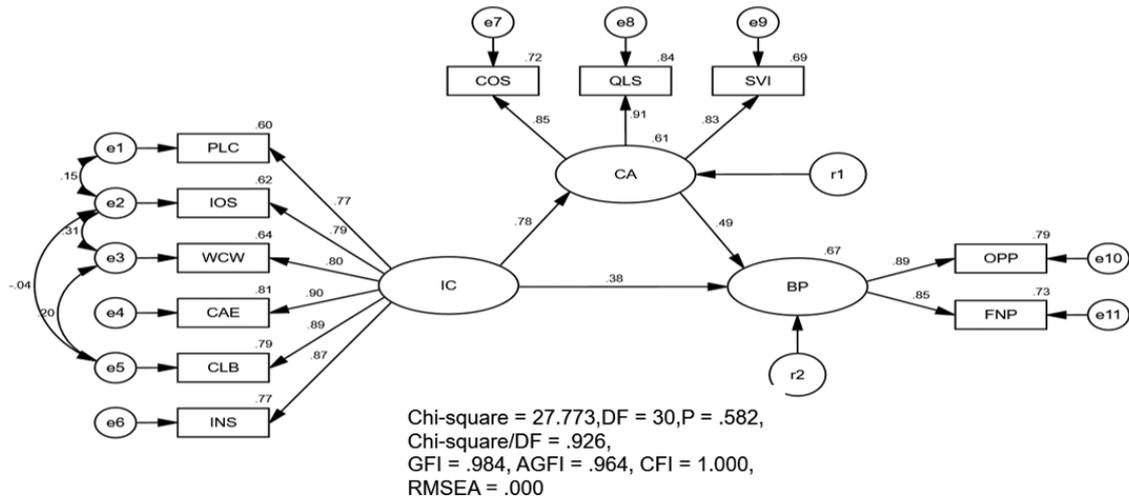


Figure 2 The results of the analysis of innovative capability models enhancing competitive advantage and Business performance of small hotel in Thailand (After modifying the model)

4. As for the model analysis of innovative capability enhancing a competitive advantage and business performance of small hotel in Thailand with environment dynamism as a moderator, it was found that the IOC of the model of innovation capability enhancing competitive advantage and business performance of small hotel in Thailand with environment dynamism as a moderator (after adjusting the model), the statistical values used to examine included chi-square (χ^2) of 259.774, a p-value of 0.239, the relative chi-square (χ^2/df) of 1.087, comparative fit index (CFI) of 0.997, goodness-of-fit index (GFI) of 0.940, adjusted goodness-of-fit (AGFI) of 0.911 and root mean square error of approximation (RMSEA) of 0.017. All values passed the criteria (Vanichbuncha, 2019, pp. 109-115). This indicates that the model of innovation capability enhancing competitive advantage and business performance of small hotel in Thailand with environment dynamism as a moderator developed by the researcher

based on related concepts and theories was consistent with empirical data as shown in Figure 3.

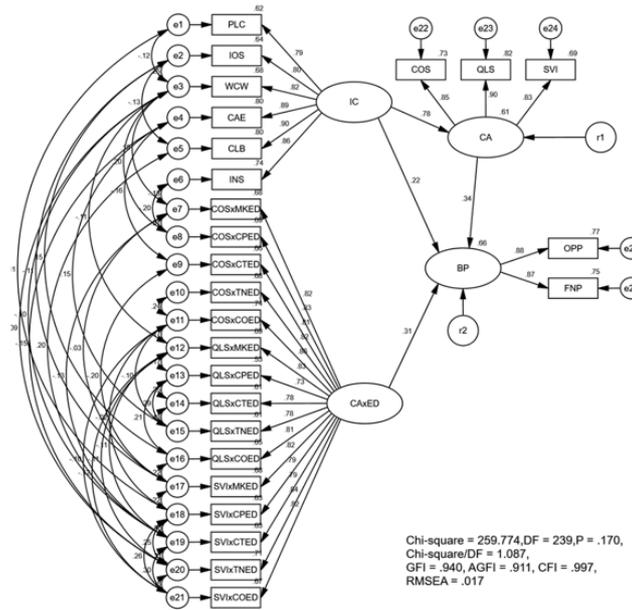


Figure 3 The results of the analysis of innovative capability models enhancing competitive advantage and Business performance of small hotel in Thailand with a dynamic environment is a diacritic (After modifying the model)

5. Path analysis of the model of innovation capability on competitive advantage and business performance of small hotel in

Thailand with environment dynamism as a moderator according to the research hypothesis as shown in Table 1.

Table 1 Direct Effect (DE), Indirect Effect (IE), Total Effect (TE), and quadratic correlation coefficient (R^2) of Innovative Capability models enhancing the Competitive Advantage and Business Performance of small hotels in Thailand with the dynamic environment as the variable (After modifying the model)

Causal Variable	Result Variable					
	Competitive Advantage (CA)			Business Performance (BP)		
	DE	IE	TE	DE	IE	TE
Innovation Capability	0.78**	-	0.78**	0.22*	0.27*	0.49**
Competitive Advantage	-	-	-	0.34**	-	0.34**
The interaction between Competitive Advantage and environment dynamism (CAxED)	-	-	-	0.31*	-	0.31*

**p<0.01, *p<0.05

Hypothesis 1: Innovation capability directly and positively affects competitive advantage, and it was Hypothesis 1: innovation capability directly and positively affects

competitive advantage, and it was found that innovative capability (IC) directly and positively affected competitive advantage (CA) with a direct effect of 0.78 and a total effect of 0.78

with a statistical significance of 0.0. Therefore, hypothesis 1 is accepted.

Hypothesis 2: innovation capability directly and positively affects business performance, and innovation capability (IC) directly and positively affected business performance (BP) with a direct effect of 0.22, an indirect effect of 0.27, and a total effect of 0.49 with a statistical significance of 0.01 and 0.05. Therefore, hypothesis 2 is accepted.

Hypothesis 3: Competitive advantage directly and positively affects business performance, and competitive advantage (CA) directly and positively affected business performance (BP), with a direct effect of 0.34 and a total effect of 0.34 with a statistical significance of 0.01. Therefore, hypothesis 3 is accepted.

Hypothesis 4: Environment dynamism directly and positively affects competitive advantage and business performance, and the interaction between competitive advantage and environment dynamism (CAxED) directly and positively affected business performance (BP) with a direct effect of 0.31 and a total effect of 0.31 with a statistical significance of 0.05. Therefore, hypothesis 4 is accepted.

Conclusion and Discussion

1. The Impacts of Innovation Capability on Competitive Advantage

As for the impacts of innovation capability on competitive advantage based on the analysis, it was found that innovation capability directly and positively affected competitive advantage with a statistical significance of 0.01. To clarify, innovation capability is used to introduce new products, services, or technological

processes that give small hotel a competitive advantage in the market driven by learning, creativity, skills, experience, and the capability to enhance resource efficiency. A small hotel business with effective innovation capability would gain a sustainable competitive advantage. This is consistent with a study by Chen, et al. (2015, p. 123) who found that innovation capability directly and positively affected competitive advantage whereas a study by Amin (2001, p. 11) studied the strategy of competitive advantage of SMEs in Malaysia. The results of the study found that innovation capability was positively correlated with a competitive advantage. This is also in line with a study by Suliyanto and Rahab (2012, p. 134) who concluded that the organization needs to have innovation capability at all times as it is essential in enabling organizations to gain a competitive advantage through better performance and is one of the key strategic approaches for organizations to achieve long term success.

2. The Impacts of Innovation Capability on Business Performance

As for the impacts of innovation capability on business performance based on the analysis, it was found that innovation capability directly and positively affected business performance with a statistical significance of 0.01. To clarify, innovation capability is a shift in the administration system of small hotel to develop something new in terms of products, services, work processes, and business models. This resulted in improved business performance by utilizing the organization's resources and capabilities. Therefore, innovation capability is a strategy that focuses on changing



products, services, processes, and marketing so that small hotel businesses can gain a competitive advantage over their competitors. In addition, innovation capability is a key factor in enhanced business performance in terms of a firm's operational and financial performance. This is consistent with a study by Suliyanto and Rahab (2012, p. 134) who found that the development of innovation capability directly and positively affected the enterprise's performance. This is also consistent with a study by Ferreira, Coelho and Moutinho (2020, p. 1) who concluded that innovation capability positively affected business performance meanwhile a study by Saunila, Ukko, and Rantanen, (2014, p. 141) found that innovation capability consisted of participative leadership culture, ideation and organizational structure, workplace environment and well-being, external knowledge and restructuring positively affected business performance. In addition, a study by Kafetzopoulos and Psomas (2015, p. 104) found that innovation capability positively affected business performance in terms of a firm's operational and financial performance.

3. The Impacts of Competitive Advantage on Business Performance

As for the impacts of competitive advantage on business performance based on the analysis, it was found that competitive advantage directly and positively affected business performance with a statistical significance of 0.01. To clarify, small hotel had the capability to meet the needs of customers to provide services that are different from competitors. Moreover, modern and efficient technology was also employed to offer con-

venient and fast services to customers as well, making small hotel acceptable to customers. This included the readiness for leadership to create a competitive advantage for the business within the organization to be successful by training and developing employees to increase their knowledge to create integration and ability to develop a sustainable business and have lower costs than competitors and the quality of service and the availability of modern service innovations with a competitive advantage that can compete with competitors in the same business group. Therefore, to increase the capability to gain a competitive advantage, many things must be accelerated to be in line with the economic conditions both inside and outside the country to modernize and adapt according to social, political, and economic trends, leading to effective small hotel business performance in the end. This is in line with Udriyaha, Tham and Azam (2019, p. 1420) concept that product and service development must be reliable and stand out from the competitors and can meet the needs of the target audience. In addition, there must be continuous innovation in products and services according to customer needs. While a study by Haseeb, et al. (2019, p. 1) stated that businesses were different from competitors, and consumers were perceived acquiring and maintaining competitive advantage and superior performance as a function of resources and competitiveness. In addition, a competitive advantage is also a factor that contributes to better business performance. A study by Sulistyono (2016, p. 196) investigated the innovation capability of small and medium-sized

businesses, entrepreneurship, marketing capability, relationship capital, and empowerment, and it was found that competitive advantage positively affected business performance.

4. The Impacts of Environment Dynamism on Competitive Advantage and Business Performance

As for the impacts of dynamic capability on competitive advantage and business performance based on the analysis, it was found that environment dynamism directly and positively affected competitive advantage and business performance since the environment led to change all the time. Therefore, small hotel must adapt to cope with changes to overcome unanticipated obstacles as external factors, such as marketing, customers, competitors, technology, and the COVID-19 pandemic affect business performance. Although the business environment is constantly changing, entrepreneurs could be able to manage their small hotel to maintain a good performance since they had the capability to adapt to the environment. As the hotel business is small, the business is able to manage and adapt quickly to the environment dynamism. This is consistent with a study by Wang and Cao (2015, p. 1) who found that environment dynamism as a moderator affected business performance in terms of financial and non-financial performance. This is consistent with a study by Omri (2015, p. 195) who found that environment dynamism was a moderator that affected business performance. While a study by Türkaya, Solmaza, and Sengül (2011, p. 1060) found that environment dynamism outside the organization was very important for the competition

of the hotel industry. That is, businesses need to be quick to respond to external data and assemble networks between organizations to connect with each other to achieve high competitiveness including meeting the needs of customers to get the most benefits to create market opportunities and a competitive advantage as well as creating good opportunities for network business partners and business performance. A study by Tindika, et al., (2020, p. 105) reported that marketing dynamism, technology dynamism, social dynamism, and political dynamism affected business performance. This is consistent with a study by Silva and Cirani (2020, p. 10), which found that environmental conditions could have a positive or negative effect on innovation and business performance. In addition, a study by Wang and Chen (2010, p. 141) found that for a successful business, it is critical to boost the business potential to diversify the knowledge of employees to reduce environmental risk factors as well as create innovations for the organization to develop overall skills for employees to wisely adapt to the environment.

Benefits from the Study

1. Theoretical Contributions

1.1 A conceptual framework was obtained and research theory contributed to the integration of capability theory, consisting of participative leadership culture, ideation and organizational structure, workplace environment and well-being, external knowledge, adaptability under uncertainty situation, collaboration, and innovation strategy while the impact of innovation capability included com-



petitive advantage and business performance. Theories that can explain the research conceptual framework of causal relationships and outcomes of innovation capability were studied. Competitive advantages included cost, quality service, and service innovation, and business performance included a firm's operational and financial performance through a moderator which was environment dynamism, namely marketing dynamism, competitor dynamism, customer dynamism, technology dynamism, and Covid-19 dynamism based on 3 theories as follows:

1.1.1 Resource-based view theory was used to describe a conceptual framework with resources and the capability of the organization to implement tangible and intangible resources within the organization into innovation capability for value with difficulties to imitate and no substitute for the development of new products, services, and processes for customers who come to use the service with the small hotel business. This allows the business to achieve success beyond the competition by responding to the needs of those who come to use the service causing satisfaction for the customers and leading to the creation of competitive advantages and enhanced business performance.

1.1.2 Dynamic capability theory was used to describe the capability to develop or create something new based on the use of resources and capability within the organization to be in line with the rapidly changing business environment that has evolved through awareness of opportunities and threats. This awareness affects the organization's manage-

ment decisions to keep up with the changes in the adaptability in terms of resources and the capability of the organization to gain a competitive advantage as a strategy that focuses on environment dynamism. Dynamic capability consisted of 2 key components. The first one is that dynamic is the physical capability that creates new capabilities in line with the changing business environment in response to products, services, processes, or new innovations for entering the market while the second one is the capability that plays a crucial role in managing the strategy to be appropriate by integrating resources to create new forms and restructuring the organization based on the use of internal and external skills of small hotel to appropriately respond to the demands that fluctuate with the environment dynamism, including participative leadership culture, ideation and organizational structure, workplace environment and well-being, external knowledge, adaptability under uncertainty situation, individual activity, collaboration, and innovation strategy.

1.1.3 Contingency theory is used to describe business administration concepts that depend on changes in the external environment, including the adaptability to the environment dynamism that the organization faces. This is a formulation of a contingency strategy and organizational structure to gain a competitive advantage and achieve enhanced business performance by giving importance to the environment, such as marketing dynamism, customer dynamism, competitor dynamism, technology dynamism, and Covid-19 dynamism.

1.2 The study clarified the nature of innovation capability, competitive advantage, and business performance of small hotel in Thailand with unique and differentiated characteristics from competitors in the same market segment since it presents the service in a new and modern way in terms of products, services, or procedures. The study was conducted in the context of the small hotel and it was found that participative leadership culture, ideation and organizational structure, workplace environment and well-being, external knowledge, adaptability under uncertain situation, individual activity, collaboration, and innovation strategy of small hotel that executives should be aware of and allow employees in the organization to recognize the importance of developing innovation capability in the organization to create organizational innovation to be different and unique in terms of new products and services, including the process of providing services with a new technique based on the use of information technology to communicate with customers. This is to appropriately recognize the needs of customers who use the service with a small hotel. In addition, small hotel businesses should encourage and motivate their employees for initiative thinking in creating innovation in the organization by fostering the workplace environment, developing both internal and external knowledge for employees in the organization, and exchanging that knowledge and mutual understanding between departments within the organization to formulate strategies in terms of innovation so that the business can achieve success according to the goals, and the potential in technology

can be wisely utilized and meets the needs of customers for the service efficiency.

Moreover, it was found that promotion from the public sector and related agencies was a factor related to the innovation capability of small hotel in terms of collaboration and competitive advantage. It can be said that competitive advantage relies on a supportive factor from the public sector and related agencies to develop the innovation capability of employees in terms of knowledge and skill development, such as providing training on innovation for small hotel and training on innovation in line with current customer behavior, and training on the development of products, services, and the process of providing services to customers in new ways. Such knowledge and skills can be used to improve and develop a small hotel to respond to the needs of customers and build satisfaction for customers who use the service more efficiently.

2. Managerial Contributions

Managerial contributions from this research were synthesized in formulating policies and developing the innovative capability of the organization to achieve competitive advantage and sustainable performance. Suggestions obtained from the research findings for managerial contributions are as follows:

2.1. The public sector and related agencies should provide support and promotion on knowledge or training related to the innovation capability of the organization. Relevant government agencies, such as the Ministry of Tourism and Sports, Department of Tourism, Thai Hotels Association, and the Department of Business Development, should encourage



and support training, knowledge or skills for executives or small hotel entrepreneurs, such as training on innovation related to creativity in the development of innovation, employee potential in the organization towards innovation development of innovative products and services to enhance skills and knowledge in managing a small hotel to be more efficient and gain a sustainable competitive advantage.

2.2 Small hotel in Thailand can apply data to business development by boosting awareness and focusing on the implementation of innovation capability in the business. Executives must have a vision of participative leadership to support and focus on the organization's innovation capability leading to organizational innovation. such as workplace environment and well-being. For example, employees cooperate well in their work, dare to express their opinions, and are treated equally. The organization collaborates with external agencies to improve and develop innovation capability to create a competitive advantage including supporting factors for innovation capability, such as the development of external knowledge, adaptability under uncertainty situation, individual activity and innovation strategy to be used as a guideline for the development of new products, services or processes based on business operation with innovation capability to solve small hotel in Thailand and it can also be applied in all sectors of the business to create mutual understanding and satisfaction for more customers who come to use the service.

2.3 Executives can use the data for analysis, planning, and formulating a guideline

to improve and develop innovation capability by allowing all employees to participate in creating innovation for the small hotel through the use of knowledge, creativity, skills, and experience of employees to develop new products or services and new methods that rely on the integration of technology suitable for providing services to customers that are effective in creating competitive advantage and better business performance with sustainability in the business.

Suggestions for Future Research

For the study on the impacts of innovation capability on competitive advantage and business performance of small hotel in Thailand, the literature review was conducted related to various variables as a result of knowledge, theories, and integrated research findings. It showed a causal relationship from relevant research in the context of the small hotel business, but there are other aspects available for the future research as follows:

1.1 For future research, the literature review to find variables that affect competitive advantage and business performance should be.

1.2 More done as well as the relationship between components or latent variables as a model in which more than one possible correlation direction is possible, where the destination variable can be returned to the source variable as a non-recursive model to gain a deeper understanding of the relationship between the variables.

1.3 Further studies should be done by bringing the correlation model of this vari-

able to try out with other business groups to confirm that the results of this study can be referred to other industries. It also includes a comparison of the difference between the size of the business.

1.4 The indicators of innovation capability should be added to reflect the efficiency and effectiveness of the business. In other words, this study focused on the success of small hotel with an indicator of a competi-

tive advantage which consists of cost, quality service, and service innovation and business performance which consists of a firm's operational and financial performance. Therefore, in a future study, more subjective indicators should be added in conjunction with objective indicators to make the explanation more complete. Therefore, future studies should add more indicators of success in several dimensions.

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