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**STRATEGIC ORIENTATION, MARKETING ADAPTATION CAPABILITY  
AND FIRM PERFORMANCE: AN EMPIRICAL INVESTIGATION OF  
FRANCHISING FIRMS IN THAILAND**

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**Abstract**

Small and Medium Enterprise (SMEs) sector has contributed benefits on economic foundation and growth potential of many countries, especially franchising. This research aims to investigate the impacts of strategic orientation on franchising firms performance through the mediating influences of marketing adaptation capability. The conceptual framework is built by applying Resource-based view (RBV) as a theoretical foundation. The data were collected by using a questionnaire as research tool from a sample group of 114 franchising firms in Thailand and assigned a managing director or a managing partner as the key informant. This research proposed four hypotheses for statistically testing by employing Ordinary Least Square (OLS) regression analysis. The results indicated that three activities of strategic orientation including innovation orientation, customer orientation, and cost orientation, were significant strategic activities that support marketing adaptation capability of a firm. Furthermore, market dynamism did not play moderating effect on the relationships among strategic orientation and marketing adaptation capability as well as on the relationship between marketing adaptation capability and firm performance. However, even though marketing adaptation capability influences firm performance but it was not statistical significantly found its impact on firm performance as expected as inverted-U shape. This research, in addition, provides fruitful discussion and proposes some directions for future research in the area

*Keywords:* Strategic orientation, marketing adaptation capability, dynamic capability, franchise

**Introduction**

The business operating under the high competition has been affected directly and indirectly from its nature of fast changing and dynamic such as inconsistent, and

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difficult to forecast of customer demand, political and economic uncertainty not only local level but also global scale. These factors force fiercely firms to sustain their business by improving their adaptability in order to respond to such environments.

The adaptation of a firm to respond to the business change necessarily requires ability to improve their operations continuously. The firms adapting themselves faster will earn the more competitive advantage than the ones with slow adaptation. It can be stated that the adaptation is the process of transforming the existing state to the future state, which can be the adaptation in activities or tasks of a firm, leading to the higher level of organizational effectiveness and survival (Rachid, Sambasivan, & Rahman, 2004; Yu, 2009). In addition, the requirements for firm adaptation are from a variety of reasons such as intrinsic motivation to adapt, opportunity to adapt, and capability to adapt (Zhou, Tse, & Li, 2006), especially the adaptation capability, it is built through the support of several activities within a firm operation for instance, research and development, production, management, and marketing. Conclusively, the firm with appropriate and flexible to the uncertainty of competitive environment is supposed to outperform under the dynamic circumstances.

The supporting factors to the creation of firm adaptation need more attention, in particular, the strategy formulation relevant to stakeholder monitoring. It becomes necessary because it assists a firm to access to information sources needed to create its competitive adaptability, for example continuously exploring the actual demand of customers, emphasizing creativity and innovation, tracking the competitor action, and maximizing operating cost and efficiency. Such tasks are a part of strategic orientation that upgrades the adaptation capability and increase firm performance eventually.

In terms of franchising business, it has become widely popular strategy for business expansion as well as one of boosting engine for national economic development. From above mentioned, this research aims to examine the relationship and effect of strategic orientation, marketing adaptation capability, and firm performance of franchising businesses in Thailand. The results obtained from this research can be a guideline for how to formulate the firm direction, policies and strategies that are congruent to the change of competitive business environment. Furthermore, it can be applied to an improvement plan of firm to escalate sustainable competitive advantage of firm in a long time.

### Research Objectives

1. To investigate the relationships among strategic orientation, marketing adaptation capability, and firm performance of franchising firms in Thailand

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2. To examine the effect of strategic orientation on marketing adaptation capability and firm performance of franchising firms in Thailand
3. To examine the moderating roles of market dynamism on the relationship among strategic orientation, marketing adaptation capability, and firm performance of franchising firms in Thailand

### Research Questions

1. How does strategic orientation affect marketing adaptation capability?
2. How does marketing adaptation capability affect firm performance?
3. How does market dynamism moderate the relationship between strategic orientation and marketing adaptation capability?
4. How does market dynamism moderate the relationship between marketing adaptation capability and firm performance?

### Theory

Resource-based view (RBV) explain why one firm outperform another even they are the same industry. The concept of RBV indicated that a firm with a bundle of resources which are characterized as valuable, rare, inimitable, and non-substitutable, is able to create more sustainable competitive advantage than its rivals and lead to better firm performance (Eisenhardt & Martin, 2000). This research applied the concept of RBV to demonstrate the relationship among strategic orientation, marketing adaptation capability, and firm performance. Strategic orientation including innovation orientation, competitor orientation, customer orientation, and cost orientation, are seen as the idiosyncratic resources of a firm which support and increase firm performance.

Dynamic Capability (DC) is regarded as ability of firm to create, gather, integrate, and adjust both internal and external environment in order to effectively respond the fast changing business world (Judge & Blocker, 2008; Teece et al., 1997). This dynamic capability consists of the unique group of processes that vary in firm by firm and it enables a firm to formulate valuable and cutting edge strategies that are necessary for achieving firm success. This approach is applied to explain the relationship among marketing adaptation capability, market dynamism, and firm performance by viewing marketing adaptation capability as dynamic in nature and all businesses are inevitably required to promptly adapt their businesses according to the change of business environments which subsequently lead to relatively better firm performance.

Literature Review

Strategic Orientation and Marketing Adaptation Capability

Strategic orientation is alternative strategy that forwardly drives a firm in acquiring, allocating, and utilizing organizational resources so as to generate dynamic capability of firm which assists and encourages a firm to perceive and understand the importance of not only internal resources possessed but also the surrounding external environment on organizational operation such as marketing activities and strategy formulation (Lau & Bruton, 2011; Noble, Sinha, & Kumar, 2002; Zhou & Li, 2010).

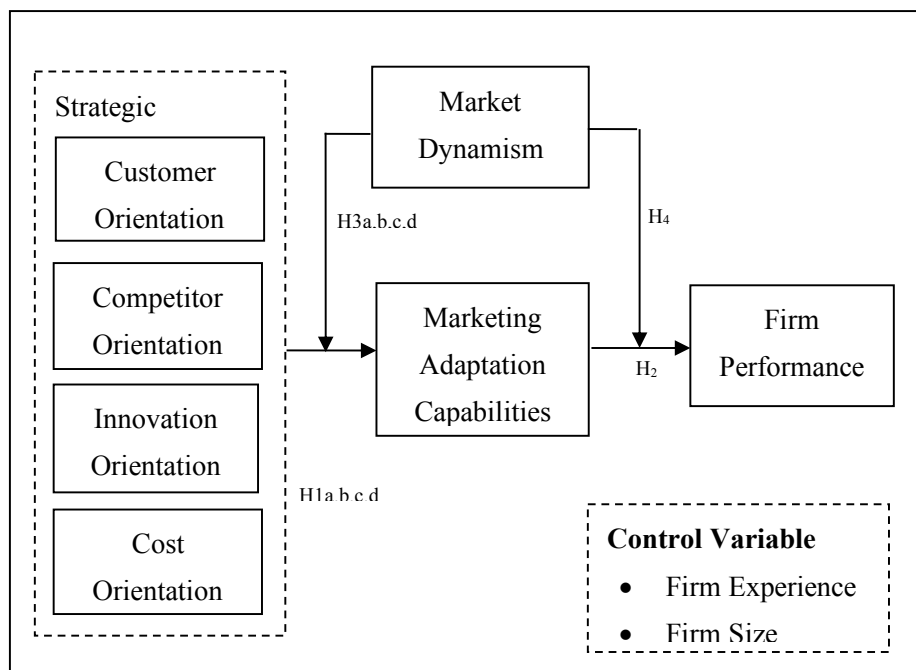


Figure 1. This is a conceptual model showing the relationships among strategic orientation, marketing adaptation capability and firm performance: An empirical investigation of franchising firms in Thailand

In literature, strategic orientation has been investigated from several perspectives such as strategic management and strategic marketing (Zhou & Li, 2007). Yet, strategic orientation in a field of marketing concept has been commonly used and this research also applied it to draw a main construct of research phenomenon. Wright, Kroll, Pray, and Lado (1995) classified strategic orientation into two sub-categories; external orientation and internal orientation. Gatignon and Xuereb (1997) proposed its three dimensions of strategic orientation including customer orientation, competitor orientation, and technology orientation. In contrast to Zho, Yim, and Tse (2005), marketing orientation, technology orientation, and entrepreneurial orientation were investigated as dimensional construct of strategic orientation. Altogether, this research therefore applied the theoretical framework that views the influences forcing a firm to

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adapt their business operations coming from both outside and inside a firm, which consists of customer orientation, competitor orientation, innovation orientation, and cost orientation in order to have a deeper understanding in strategic organizational adaptation.

Customer orientation can be defined as the understanding toward the changing trend of customer demand or product/service interest so as to develop new products or services that can accurately and continuously satisfy their demands (Gatingnon & Xuereb, 1997; Narver & Slater, 1990). It can be stated that firms with higher customer orientation is likely to sense what and how customer demand has changed and understand new actual demand more effectively comparing to firms with lower customer orientation. As a result, they tend to better produce what the customers want. On the other hand, competitor orientation is seen as the comprehension of internal robustness, flaw, and strategic action of firm's rivals. The firms where always track the competitor's strategic actions or activities such as new product development and new business position, they are capable of creating prompt responding strategies to these strategic actions, which subsequently improves firm's adaptability. Innovation orientation is viewed as the behavioral strategy representing the openness and exploration of new concepts or ideas of a firm (Olson, Slater, & Hult, 2005). It is clearly that organizational innovation orientation is a driving force to realize, discover, and utilize the new things to react to environment diversity, such as novel products/services, and eventually produces good firm performance and competitive advantage (Hurley & Hult, 1998). In terms of cost orientation, furthermore, it emphasizes the concept of a highest level of efficiency in all operating activities of a firm (Olson et al., 2005). As known, firms where give importance to cost management or operating cost control seems to have superior outcomes in business adaptation because they have ability to produce and apply the advertising campaign or sale promotion with lower cost as a consequence, the profit or saved expenses can be allocated to other strategic actions (Slotegraaf, Moorman, & Inmann, 2003).

Firm adaptation has been generally considered as the ability of firm to respond to the environment change by adjusting the internal structure, strategies, and strategic activities, aiming to achieve organizational goal (Leonidou, Palihawadana, & Chari, 2011; Rihoux, 2006). More specifically, adaptation in marketing can be appraised into two types; marketing program adaptation and marketing process adaptation. Marketing program adaptation is to adapt marketing mixes. In contrast, marketing process adaptation is the adapting on tools or methods that are used to develop the variety of marketing mixes (Lages, Abrantes, & Lages, 2008). From above literature, marketing adaptation is defined as ability of firm to adjust marketing plan in terms of product, price, place, promotion, and marketing processes in order to respond to the

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uncertainty of business environment which results in increased firm performance and survival.

To create the marketing adaptation capability of firm requires information regarding business-related stakeholders and an effective interpretation of such information. For instance, actual demand or hidden customer demand, and the competitive actions of competitors. This information will be analyzed and evaluated for formulating appropriate and superior marketing plan than rivals. From above mentioned, the hypotheses can be proposed as

**Hypothesis 1a:** Innovation orientation has a positive relationship and effects on marketing adaptation capability of firm

**Hypothesis 1b:** Competitor orientation has a positive relationship and effects on marketing adaptation capability of firm

**Hypothesis 1c:** Customer orientation has a positive relationship and effects on marketing adaptation capability of firm

**Hypothesis 1d:** Cost orientation has a positive relationship and effects on marketing adaptation capability of firm

### Marketing Adaptation Capability

Adaptation is how to identify market segment appropriately. Instead, adaptation capability is the ability to classify, utilize, and respond the change of business environment that can cause the occurrence of new market and technological opportunity (Tuominen, Rajala, & Moller, 2004). The shift from general activity, assigned as adaptation, to the organizational capability increases the efficiency and overall performance. There are three types of adaptation level; under-adapted, optimal-adapted, and over-adapted. Each type has different impacts. Firms with a lack of adaptation tend to lose customer due to inability to respond accurately to what customers want, being unable to reap competitive opportunities, and to increase unexpected operating costs. On the one hand, firms with over adaptation are likely to consume much resource to support their adaptation but it might be not the parts that need to be changed. It can be stated that marketing adaptation cannot completely guarantee the increasing of firm performance; it just creates the superior competitive advantage than competitors (Navarro, Lasada, Ruzo, & Diez, 2010). Marketing adaptation affects the better performance depending on how to adapt and how much adaptation is (Stoica & Schindehutte, 1999). From mentioned literature, the hypothesis can be proposed as

**Hypothesis 2:** Marketing adaptation capability has a positive relationship and effects on firm performance as invert-U shape

### The Moderating Effect of Market Dynamism

Market dynamism refers to the unpredictable and unstable environment regarding customer demands and competitor's actions which lead to the uncertainty of business operation (Atuahene & Ko, 2001). Based on the contingency approach, the relationship and effect of strategic orientation on marketing adaptation capability is depended on the level of market dynamism. It can be explained that to build up adaptation capability, firms with strategic orientation are strongly required to identify the possible uncertainties occurred that may affect or change business operations. In case of higher market dynamism, it may cause more difficulty to sense or perceive what negative influences might impact on. On the other hand, operating business in the lower market dynamism, the more hidden uncertainties might be exposed. (Tuomine et al., 2004, Wang & Chen, 2010) indicated that market dynamism relates to hidden product demand and technologies development. Under these market dynamisms, firms need to adapt their marketing in product development and process development in order to understand actual demands as well as the way of satisfying them. However, even though firms have ability to gather, analyze, evaluate, and understand business information, this ability is still bounded in practice. Therefore, the hypotheses can be proposed as

**Hypothesis 3:** Market dynamism moderates negatively the relationship between and effects of innovation orientation and marketing adaptation capability of firm (a), the relationship between and effects of competitor orientation and marketing adaptation capability of firm (b), the relationship between and effects of customer orientation and marketing adaptation capability of firm (c), and the relationship between and effects of cost orientation and marketing adaptation capability of firm (d)

Stoica and Schindehutte (1999) stated that when the firm adapts marketing strategy to respond to market demand, firm performance is significantly increased. Nevertheless, the firms with high competitive strength, sometimes utilize their strengths only at a partial level when operating under a plenty of both existing and new competitor surrounded in a same industry. So, firm performance is negatively affected. It might be because of the lack of new business opportunity so they attempt to keep the status quo (Lukas, 1999). Furthermore, this research believes that firms with high adaptability working in market dynamism may have lower performance than the ones with less adaptability. Possibly, the adaptation in dynamic environment requires the additional investment in terms of resources such as money, skills, and time consumption. Yet, this change may not be effective in practice as a result firms are not able to reach to actual customer demand and having inability to compete. So, performance is not increased as expected. Wang and Chen (2010) found that

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innovation-oriented firms lose competitive advantage when operating in market dynamism due to cost-related factors. Therefore, the hypothesis can be proposed as

**Hypothesis 4:** Market dynamism moderates negatively the relationship between and effects of marketing adaptation capability and firm performance

### Methodology

#### Data Collection

The data was drawn from the Thailand franchise directory on [www.ThaiFranchiseCenter.com](http://www.ThaiFranchiseCenter.com) of March, 2017. The total number of registered franchising businesses was 485 firms. The mail questionnaire was used to collect data because it was a widely-used method for large-scale data collection in geographical area (Neuman, 2006). Chief executive officers (CEOs) or owners were considered appropriate key informants because they know well about their firm's activities. The questionnaires were sent to 455 franchising businesses. The 114 questionnaires were usable after the surveys completed. So, the response rate was 25.05 % which was a reasonable rate when using a mailed survey of executives (Menon et al., 1999).

Furthermore, non-response bias was performed by using t-test between early and late response in terms of form of business, franchise type, amount of capital funding, duration of the business, and number of employees and franchise fee (Armstrong & Overton, 1977). The results exhibited no significant differences. Therefore, a non-response bias was not found.

#### Measurements

The survey is a multi-item measure and all variables were measured using a five-point Likert scale. The key informants were asked for levels of agreement with statements of items ranging from 1 (strongly disagree) to 5 (strongly agree).

#### Reliability and Validity

All items in the questionnaire were firstly verified by academic experts to ensure content validity. Cronbach's alpha with greater than 0.70 was used to check the reliability as well as, factor analysis with greater than 0.40 of cut-off score was conducted to verify validity. Table 1 provides the results of factor loading and Cronbach's alpha coefficient that reveal reliability and validity in this research (Nunnally & Bernstein, 1994).



Table 1

*Results of Measure Validation*

<b>Variables</b>	<b>Factor Loadings</b>	<b>Cronbach's Alpha</b>
Firm Performance (PER)	0.700 - 0.765	0.865
Customer Orientation (CUS)	0.593 - 0.842	0.874
Competitor Orientation (COM)	0.318 - 0.664	0.803
Innovation Orientation (INO)	0.569 - 0.811	0.844
Cost Orientation (COS)	0.442 - 0.822	0.882
Marketing Adaptation Capability (MAC)	0.529 - 0.655	0.637
Market Dynamism (MDY)	0.480 - 0.664	0.793

**Statistic Techniques**

The ordinary least squares (OLS) regression analysis is used to test the hypothesized relationships. All of the dependent variable, independent variables, and the control variables were neither nominal data nor categorical data, OLS is deemed an appropriate method for examining the hypothesized relationships (Aulakh, Kotabe, & Teegen, 2000). The research model is depicted as follows.

$$\text{Equation 1: } MAC = \alpha_{01} + \beta_1INO + \beta_2COM + \beta_3CUS + \beta_4COS + \beta_5FEX + \beta_6FSI + \varepsilon_1$$

$$\text{Equation 2: } MAC = \alpha_{02} + \beta_7INO + \beta_8COM + \beta_9CUS + \beta_{10}COS + \beta_{11}(INO * MDY) + \beta_{12}(COM * MDY) + \beta_{13}(CUS * MDY) + \beta_{14}(COS * MDY) + \beta_{15}FEX + \beta_{16}FSI + \varepsilon_2$$

$$\text{Equation 3: } PER = \alpha_{03} + \beta_{17}MSA + \beta_{18}FEX + \beta_{19}FSI + \varepsilon_3$$

$$\text{Equation 4: } PER = \alpha_{04} + \beta_{20}MSA + \beta_{21}MDY + \beta_{22}(MSA * MYD) + \beta_{39}FEX + \beta_{40}FSI + \varepsilon_4$$

**Findings and Discussion**

The descriptive statistics and correlation matrix for all variables was shown in Table 2. The variance inflation factors (VIFs) range from 1.218 to 1.905 (Below 10) not representing possible problems of multicollinearity among independent variables (Black, 2006). From Table 2, the results indicated that innovation orientation had a positive relationship with marketing adaptation capability ( $p < 0.05$ ,  $r = 0.454$ ), while competitor orientation was positively related to marketing adaptation capability ( $p < 0.05$ ,  $r = 0.594$ ). Furthermore, the positive relationship between customer orientation and marketing adaptation capability, and cost orientation and marketing adaptation capability were also found at 0.05 significant level ( $p < 0.05$ ,  $r = 0.532$ ;  $p < 0.05$ ,  $r = 0.506$ , respectively). With reference to Evan (1996), it is suggested for the absolute value for “ $r$ ” which represents the strength of the correlation: 0.00-.19 “very weak”, .20-.39 “weak”, .40-.59 “moderate”, .60-.79 “strong”, and .80-1.0 “very strong”. It is clearly that the majority of  $r$  value of proposed relationships in this research is moderate positive correlation. In contrast, there were some significantly negative correlations between firm experience and innovation. From the life cycle stages of

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organizational innovation, when firms have more business experience, firms become older, larger and more centralized, it perhaps demoralize people to innovate new products/services for a firm. In maturity stage, in addition, firms may focus attention on the high demanding market so regardless of new market/demand (Eiriz, Faria, & Barbosa, 2013). For the negative correlation between firm experience and market dynamism, it can be discussed that firm's experience is seen as the continuous learning process of accumulating tacit knowledge so experienced firms are perhaps more effectively and accurately forecast potential market trends (Eiriz et al., 2013). Furthermore, the negative relationship between firm size and market dynamism was also found. According to Petruzzelli, Ardito and Savino (2018), larger firms present a greater capability to innovate by using both nascent and very-well mature knowledge. It implies that they possess knowledge that may decrease the unpredictable situation and eventually satisfy the market demand by new product introduction.

Table 2

### *Descriptive Statistics and Correlation Matrix*

Var.	PERF	MAC	INO	COM	CUS	COS	MDY	FEX	FSI
Mean	3.77	4.07	4.16	3.64	4.24	4.01	3.59	-	-
S.D.	0.58	0.65	0.58	0.54	0.52	0.66	0.61	-	-
VIF		1.785	1.513	1.218	1.905	1.593	1.230	1.321	1.232
MAC	0.718**								
INO	0.451**	0.454**							
COM	0.499**	0.595**	0.402*						
CUS	0.604**	0.532**	0.529*	0.533*					
COS	0.400**	0.506**	0.322*	0.550*	0.663*				
MDY	-0.164	-0.163	-0.099	-0.164	-0.064	-0.127			
FEX	-0.088	-0.132	0.233*	-0.018	-0.094	0.053	0.303*		
FSI	0.097	0.162	-0.073	0.019	-0.044	-0.044	0.341*	0.204*	

\*\*Correlation is significant at the 0.01 level , \*Correlation is significant at the 0.05 level

### The Effects of Strategic Orientation on Marketing Adaptation Capability

Innovation orientation had a positively significant effect on marketing adaptation capability ( $b_1=0.200$ ,  $p < 0.05$ ). *Thus, Hypothesis 1a is moderately supported.* It is consistent with Hurley and Hult (1998) that innovation orientation can drive ability of firm to search and apply new ideas to respond to the change of environment such as new product development, and leads to improved firm performance and competitive advantage. Similarly, customer orientation had a positively significant effect on marketing adaptation capability ( $b_3=0.280$ ,  $p < 0.05$ ). *Thus, Hypothesis 1c is moderately supported.* Firms with customer orientation have ability to sense and understand in customer demand in terms of what is going to change or is now changing. So, they tend to have information about potential demands that would be necessary for developing new products/services to serve customer need. Moreover, this research also found the significant impact of cost orientation on marketing adaptation capability ( $b_4=0.276$ ,  $p < 0.05$ ). *Therefore, Hypothesis 1d is moderately supported.* According to Olson et al (2005), firms that emphasize cost management are able to control operating costs and apply a concept of efficiency to perform strategic activities such as accessing target market with lower cost by using efficient marketing mixes. As a result, firms have more resources to handle or develop other new strategic actions (Slotegraaf, Moorman, & Inmann, 2003). However, it was not found any influences as inverted U-shape on the analysis of marketing adaptation capability on firm performance. *Therefore, Hypothesis 2 is not statically supported.*

Table 3

*The Analysis of Effects of Strategic Orientation (Innovation, Competitor, Customer, and Cost) on Marketing Adaptation Capability*

Independent Variables	Dependent Variables			
	MAC		H2	PERF
	H1a-H1d	H3a-H3d		H4
Innovation (INO)	<b>0.028*</b> (0.200)	0.440 (0.075)		
Competitor (COM)	0.763 (-0.024)	0.343 (-0.076)		
Customer (CUS)	<b>0.005*</b> (0.280)	<b>0.001*</b> (0.332)		
Cost (COS)	<b>0.002*</b> (0.276)	<b>0.022*</b> (0.211)		
Market Dynamism (MDY)		0.820		
INO x MDY		(-0.024) 0.467 (-0.080)		
COM x MDY		<b>0.003*</b>		

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Dependent Variables				
		(0.271)		
CUS x MDY		<b>0.040*</b>		
		(0.287)		
COS x MDY		0.288		
		(-0.136)		
MAC (Marketing Adaptation Capability)			0.091	<b>0.000*</b>
			(-0.159)	(0.698)
MDY				0.244
				(-0.115)
MAC x MDY				0.505
				(0.053)
Firm Size (FSI)	0.006*	<b>0.000*</b>	0.188	0.615
	(0.433)	(0.608)	(0.206)	(-0.072)
Firm Experience (FEX)	0.117	<b>0.019*</b>	0.284	0.931
	(-0.256)	(-0.393)	(-0.258)	(-0.013)
Adjusted R <sup>2</sup>	0.397	0.454	0.021	0.495

\* p < 0.05 Beta coefficients with standard errors in parenthesis

Yet, the significant result of the direct effect of marketing adaptation capability on firm performance was found when affected from market dynamism. It can be assumed that the effect of firm adaptation might be effective, at least, when it is based on competition, not just adapting itself. It is consistent with Ferreira, Serra, and Reis (2010) that the evolution of the firm cannot be separated from the evolution of the surrounding environment.

### The Moderating Role of Market Dynamism

The results indicated that market dynamism positively moderates the relationship between customer orientation and marketing adaptation capability as well as it also positively moderates the relationship between competitor orientation and marketing adaptation capability. Nevertheless, these results provide an opposite direction that is not as is hypothesized. It is possible that emphasizing customer and competitor's actions is fundamental activity when performing in a strong competition. Business firms are strongly required to track their competitive moves of key stakeholders especially markets and rivals. Therefore, even though the environment is unpredictable and uncertain, firms with customer and competitor orientation are still able to adapt and respond to such environments effectively (Theodosiou et al., 2012). On the other hand, this research did not find the moderating effect of market dynamism on the relationship among innovation orientation, cost orientation and marketing adaptation capability. It might be because innovation and cost orientation are considered as internal concern rather than external concern. Thus, market

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dynamism, seen as external influences, may not affect significantly. *Therefore, Hypotheses 3a-d are not statically supported.* Similarly, the moderating role of market dynamism on marketing adaptation capability-firm performance link was also not identified. Possibly, the majority of participants were small-sized firms that normally pay attention on internal process rather than seeking opportunity from outside. As a result, unstable or fast-changing environment insufficiently attract them to realize its impacts on business performance which may lead to business failure. *Therefore, Hypothesis4 is not statically supported.* This is supported by Neneh (2011) that the lack of an entrepreneurial mindset contributes to the high failure rate of SMEs in South Africa.

### Limitation and Research Direction

There are two limitations that need further investigation. Firstly, construct measurements are from previous literature and most of them are investigated and built outside the area interested in this research. Though it is acceptable for research conduct, qualitative techniques should be employed in further research such as in-depth interview and focus group for developing the most appropriate items to measure constructs in an investigating context. Another limitation is that single industry was selected to collect data so the outcomes may not be generalized. To generalize it, multiple industries, such as airline, hotel, travel agency, and banking should be examined to ensure its generalization of findings.

### Conclusion

This research proposes the relationships of strategic orientation and firm performance via marketing adaptation capability of franchising businesses in Thailand. In addition, the research also tests market dynamism as a moderator in a proposed relationship. There were 114 franchising businesses as samples of the research. The results revealed that only three dimensions of strategic orientation including innovation, customer, and cost orientation positively affect marketing adaptation capability. Moreover, market dynamism was not a moderator that influences the relationships among strategic orientation, marketing adaptation capability, and firm performance. Interesting, inverted U-shape relationship between marketing adaptation capability and firm performance was not found. It highlights the importance of management effectiveness. Some suggestions are given: employing qualitative methods to strengthen the research and gathering data from other industries for increasing generalizability of the results.

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