The Relationship between Market Orientation, Innovation Orientation and Firm Performance: A Research in Four and Five Star Hotels in Ankara

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Extensive Summary

1. Introduction

Today, since the competition between establishments increases gradually and environmental conditions continuously change, the success of establishments shall be possible by obtaining, keeping and maintaining the competitive advantage. In order to obtain and keep competitive advantage (Varinli, 2006: 4), establishments should direct their cultures to be market oriented and consistently create higher values for their customers (Naktiyok, 2003: 96).

When the literature is reviewed, it is observed that particularly the marketing concept was defined between the years 1950 and 1980 at the time the first studies started on market orientation, the adaptation of the concept or market oriented applications at company levels were researched (Hamşoğlu, 2011: 91). Market orientation concept has been subject to management based studies since 1990s, and the concept has been particularly developed by researchers such as Narver, Slater, Kohli, Jaworski, Shapiro, Desphandee and Farley (İnal and Biçkes, 2006). In this process, two basic approaches draw the attention related to market orientation concept. Those are behavioural (Kohli and Jaworski, 1990) and cultural (Narver and Slater, 1990) approaches.

A market oriented firm considers itself as an open system which has a continuous relationship with the environment. Thus, it tries to defend itself against the environment. As result of that, many establishments may take positive results. One of the most important of those results is the increase in firm's performance (Naktiyok, 2003: 98).

A large number of researchers studying on market orientation (Narver and Slater, 1990: 32; Naktiyok, 2003: 98; Kara et al., 2005: 115; Hou, 2008: 1262; Karahan and Özçiftçi, 2008: 482; Suliyanto and Rahab, 2012: 139; Oflazoğlu and Koçak, 2012: 120)
assert that a positive relationship is available between market orientation and firm performance. But nonetheless, some researchers (Jaworski and Kohli, 1993: 64; Han et al., 1998: 40) assert that the positive relationship between market orientation and organizational performance is indirect and based on changes in the market, innovation, technological changes, competition environment and environmental conditions.

On the other hand, since innovation is a strong weapon for establishments to acquire competitive superiority and increase their profits, (Zerenler et al., 2006: 659), and since market orientation is associated with the innovative power of establishments, (Öflazoğlu and Koçak, 2012: 133) innovations are quite important for the long term performances of establishments.

Development of new technologies, touristic consumers becoming conscious, global changing and developed environment consciousness lead to fast and radical changes in tourism. Therefore, the chance for a tourism enterprise to accomplish its goal of growing and developing and make it sustainable depends mostly on the innovativeness of that enterprise. For the establishments which continuously develop new production methods, new products, new services, new processes, new marketing and new procurement methods, the possibility to achieve their profit goals gets easier.

According to Çalıpınar (2007: 448), technological sufficiency in the firm, autonomy, managerial quality and past innovation experiences support the new innovations. And in the OECD Oslo Manual Guide (2005: 9), it is asserted that product and process innovation in the firms develop organizational innovativeness, and organizational innovativeness develop the firm's performance.

In this study; relationships between market orientation, innovation orientation and firm performance was reviewed from the perspective of the hotel sector. In the related literature, there are market orientation studies available which focus on establishments being active in various industries. Likewise, there are plenty of innovation and firm performance studies available which focus on establishments in various sectors and hotels. But in the related literature, no study could be found dealing with relationships between such three cases. Therefore, it is believed that the study shall provide good contributions to the related literature.

2. Methodology

The aim of this study is to try to determine the relationships between market orientation, innovation orientation and firm performance in hotel enterprises. The universe of the study consists of four and five star hotels being active in the city of Ankara. Before starting to collect data, some of the hotels were visited personally and some of them were called by telephone in an attempt to get permission from relevant managers to participate the study. As a result, 40 hotel enterprises accepted to participate the study. Between the period January - February 2013, the enterprises were visited one by one and data were collected from the relevant managers. As result, 40 hotel enterprises have constituted the database of this study.

In the study, questionnaire technique was utilised as data collection instrument. The questionnaire consists of four parts. In the first part, there are questions about demographic characteristics of the participants. In the second part, there is a scale about market orientation which consists of 15 propositions. The market orientation scale was developed by Narver and Slater (1990), and the study of Hamşoğlu (2011) was utilised.
for Turkish translation of the scale. In the third part, the innovation scale which consists of 6 propositions is available. The innovation scale was developed by Calantone et al. (2002), and the studies of Alpkan et al. (2005), Özşahin et al. (2005) and Erdil and Kitapçı (2007) were utilised for Turkish translation of the scale. And on the last part of the questionnaire, firm performance scale which consists of 12 propositions is available. Propositions in this scale were taken from the studies of Zerenler (2005), Akbaba and Erenler (2008), Yıldız (2010) and Altuntaş and Dönmez (2010). In each three scale, five point Likert type rating was used. The assessments of scales for market orientation and innovation orientation were determined as “1= strongly disagree, 2= disagree, 3= not sure, 4= agree, 5= strongly disagree”. In the assessments related to firm performance scale, the executives were demanded to compare some performance criteria with important competitors in the industry. According to that, the assessment selections were determined as “1= we are far worse than our competitors, 2= we are worse than our competitors, 3= we are neither worse nor better than our competitors, 4= we are better than our competitors, 5= we are far better than our competitors”.

The research data has been analysed by the help of SPSS 20.0 for Windows statistics package. Descriptive statistics were utilised to determine the demographic characteristics of participants. In order to test the reliability of scales used in the study, Cronbach’s Alpha coefficients were calculated. For structural validity, factor analysis was made. In order to test the relationships between dependent and independent variables, correlation analysis and simple linear regression analysis techniques were utilised.

3. Findings and Discussions

When the literature is reviewed, it is observed that a positive relationship is available between market orientation and innovation orientation, and establishment performance (Narver and Slater, 1990; Naktiyok, 2003; Kara et al., 2005; Hou, 2005; Karahan and Özciftçi, 2008; Wang, 2011; Walsh et al., 2011; Suliyanto and Rahap, 2012; Oflazoğlu and Koçak, 2012; Tung, 2012). Moreover, it is said that there is a positive relationship between market orientation and innovation orientation as well (Akbaba, 2005; Cengiz et al., 2005; Çalımpar, 2007; Mohr and Sarin, 2009; Bulut et al., 2009; Jimenez-Zargo et al., 2011; Oflazoğlu and Koçak, 2012; Tung, 2012; Erdil et al., 2013).

In the study, it was revealed that from the scale that was created to determine the market orientation of hotel enterprises, the executives perceived their establishments as strongly market oriented. Among the perceptions concerning the dimensions of market orientation, customer orientation is the primary effective factor while coordination between establishment functions is secondary and competitor orientation is tertiary.

The executives of hotel enterprises taken in the scope of the study perceive their establishments as innovative oriented ($\bar{x} = 4,146$). Moreover, hotel executives consider their establishments' performance higher than their competitors ($\bar{x} = 4,166$).

In the study, in correlation analysis which was performed to determine the relationship between market orientation, innovation orientation and firm performance, it was revealed that the relationship between both three variables was positive oriented. The strongest relationship is between innovation orientation and firm performance ($r = 0,434$), secondary strongest relationship is between market orientation and innovation orientation ($r = 0,419$), and the weakest relationship is between market orientation and
firm performance (r = 0.347). These obtained values indicate that the relationship degree between variables in terms of statistics is in the middle level.

In the study, regression analysis were made in order to test the relationships between variables. As result of this analysis, it was revealed that innovation orientation had a positive effect on the firm performance. The effect of innovation orientation on market orientation is again positive.

The effect of market orientation on firm performance is positive as well, however, among the dimensions of market orientation, a significant and positive oriented relationship was found between customer orientation and firm performance. Moreover, it was concluded that dimensions of competitor orientation and coordination between functions, which are among the other dimensions of market orientation, did not effect firm performance. From these results, it is understood that the most important factor effecting the firm performance of hotel enterprises which are taken in the scope of the study was innovation orientation. Another factor effecting the firm performance is the customer orientation. In addition, it was concluded that innovation orientation positively effected market orientation.

These results obtained in that study supports the positive relationships between innovation and market orientation, customer orientation and coordination of establishment functions which were obtained by Jimenez-Zarco et al. (2011: 348) in another study.

In the study, it was revealed that five star hotel enterprises consider the innovation orientation factor more positively (X̄ = 26.69) than four star hotel establishments do (X̄ = 24.00). In another words, executives of five star hotels perceive their enterprises as more innovation oriented. This result is parallel with (Pivcevic and Petric, 2011) attitude where the anticipated innovations in the studies of the literature increase based on the hotel scale and category. There is no statistically significant difference between the scale of the establishments and firm performance (t= -1.175, p= 0.862 > 0.050).

In the literature, it is stated that innovations are more in hotels of a chain compared to independent hotels (Pivcevic and Petric, 2011). But in our study, no statistically significant difference was found between management status of establishments and innovation orientation (t= -1.633, p= 0.111 > 0.050) and firm performance (t= -3.302, p= 0.764 > 0.050) factors. This result differs with the anticipations in the literature. But in our study, it was revealed that chain hotels (X̄ = 55.23) perceived themselves as more market oriented than independent hotels (X̄ = 51,37).

In the study, the rate that innovation orientation is able to explain the change on firm performance is only 16.6%. At this point, it would be helpful to utilise the other studies in the literature to explain different factors (83.4%) effecting the firm performance. For the future studies to be done, it may contribute more to the literature when the increase in innovation expenditures (Wang, 2011: 73), organizational structure and cultural affinity (Walsh et al., 2011), organizational abundance (Eryilmaz, 2005), cooperation between firms (Carson et al., 2003; Weiermair, 2007; Prats et al., 2008) and scale (Pivcevic and Petric, 2011) is considered with the participation of employees.

In our study, the rate that innovation orientation is able to explain the change on market orientation is 15.3%. Some of the factors which can not be explained here
(84.7%) are possible to be explained with variables such as big market share (Cengiz et al., 2005) advertisement, patent and international partnership (Çalıpınar, 2007) for the future studies in accordance with the study results in the literature.

In our study, only 9.7% part of the change in firm performance can be explained by market orientation. In the study, the rate that customer orientation which is one of the dimensions of market orientation is able to explain the change on firm performance is only 11.8%. At this point, the unexplained factors are possible to be explained by environmental factor and managerial approach (Naktiyok, 2003), quality orientation (Hamşoğlu, 2011), the ability to use organizational information (Suliyanto and Rahap, 2012), industry and customer characteristics (Spillan et al., 2009), support of the executives (Jaworski and Kohli, 1993) and customer relations and customer information management (Liyun et al., 2008) variables.