

Influences of Market Orientation and Perceived Trust on Innovativeness and Performance in Tourism Networks

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Abstract

In this study the focus is on tourism network cooperation. Specifically, focus is on the influences of trust and market orientation on innovativeness and performance of network cooperation. The view of performance in tourism networks reflects sales, employee and profit growth and factors that motivate future sales growth such as reputation, product development and commercialization success of network cooperation.

A broader perspective on performance is important in tourism, since many of the Scandinavian countries and former eastern countries are rather newly established in the tourism industries. Performance also depends upon innovativeness of the enterprises cooperating and innovativeness to hinge on market orientation and trust in networks which may capture the nuances in providing tourism services.

The model is theoretically driven and was tested with CFA. A convenience sampling was used to generate responses from Lithuania, Finland and Sweden (n=138). The proposed model received acceptable reliabilities, and dependences variables explain between 12 and 53 % of the variance. This model has implications for theory and practice. It is demonstrated that trust and market orientation complement each other as relatively nascent tourism businesses develop their services and performance. This is part of Experience Stratos 2007-2017 research programme studies.¹

Keywords: market orientation, trust, innovativeness, performance, experience stratus.

¹ Experience Stratos 2007-2017 research programme focuses on tourism management problems related to three perspectives: Customer, content of strategy and context perspectives. The programme involves several sub-projects for longitudinal enquiry to be replicated for comparative purposes in partner countries. These we study through multidisciplinary approaches and mixed sequential methods in several case locations in Europe, Africa, Asia and the Americas. The group is chaired by Prof.Dr Antti Hahti, University of Lapland, Finland and co-chaired by Dr. Ossi Pesämaa, JIBS, Sweden.

Introduction

Linkages and connections between companies and their managers in the current world are set in networks of social, professional and exchange relationships. Ability to collaborate with other actors in the business field is a core competence of organization or region in order to create value (Ewen, 2007). Very often tourism business networks focus on cooperative marketing initiatives in order to increase competitive advantage in the market, get access to new technologies, increase ability to provide wider range and better services, etc. (Mohr & Spekman, 1994).

The implementation of marketing concept is traditionally viewed as developing and preserving market orientation as well as guiding principle for the firm's activities within the marketplace. Pursuing a competitive advantage through market orientation focuses the organization on continued development and delivery of superior customer value (Slater and Narver 1995; Day and Wensley 1988) and leads to superior firm performance (e.g., Deshpande, Farley, and Webster 1993; Jaworski and Kohli 1993; Narver and Slater 1990; Ruekert 1992; Slater and Narver 1994). Building on two closely related frameworks that have been the foundation of market orientation research (Narver and Slater 1990; Kohli and Jaworski 1990), scholars have often emphasized the importance of coordinating all aspects of the company's market orientation for generating effective responses to market opportunities and networking opportunities. These opportunities contribute and may become a major source for empowering destinations' competitive advantage and development.

In this study the focus is on tourism network cooperation, and especially on owner-manager perceptions about their experiences with cooperation in the destination networks. Furthermore, it focuses on the possible influences of market orientation and trust on other aspects in inter-organizational destination networks, such as innovativeness and performance.

Theoretical framework and hypotheses

The concept of market orientation (MO) adopted by practitioners over 40 years has become an important element of research. The term has been interpreted in various ways. Some authors use it as synonym for "customer orientation" (Shapiro, 1988) or "marketing orientation" (Trustum, 1989) and others use it as business philosophy that encourage inter-functional management in order to improve organizational performance (Grönross, 1989). MO in literature represents superior skills in understanding and satisfying customers (Day 1990), a set of beliefs that put the customer's interest first (Deshpande, Farley and Webster 1993), the ability of the organization to generate information as well as spread information, and respond to customers and competitors needs (Kohli and Jaworski 1990). According to Narver and Slater (1990) MO is being composed of three behavioural components: customer orientation, competitor orientation and inter-functional coordination. Customer orientation is company's understanding of target buyer and using it to create superior value for customers continuously, i.e. know and understand buyer's value chain. Competitor orientation component provides company with understanding of short term strengths and weaknesses of current and potential competitors, as well as their long term capabilities and strategies. The third MO component of inter-functional coordination gives the understanding if company's resources utilization creates superior value for target customers at any point in value chain. These three components as well as personnel and resources

can create value for customers. This concept provides the framework to determine MO influence to tourism businesses performance.

Therefore, since the late 1950s, MO has been linked to performance such as competitive advantage (Narver & Slater, 1990; Pelham & Wilson, 1996), profitability (Narver & Slater, 1990), new product innovation (Lukas & Ferrell, 2000), and overall performance (Jaworski & Kohli, 1993; Slater & Narver, 1994). Some studies have found a strong positive relationship between MO and performance (Pelham, 2000) while others eg. Greenly (1995) found no direct influence of MO on performance. As a result MO - performance relationship is mixed and depends on different factors. According to Slater and Narver (1995) market orientation improve performance only when it is combined with innovativeness. Innovativeness is the concept of openness to new ideas as an aspect of a company's culture. It is a measure of the organization's orientation toward innovation. Hurley & Hult (1998) argue that various characteristics of a company's culture are the background to innovativeness. These characteristics emphasize on learning, participative decision making, support, collaboration, and power sharing. All this affect whether the firm has an innovation orientation. Market oriented companies are well positioned to foreseen the developing needs of customers and to respond to them through the additional innovative products and services. Jaworski and Kohli (1993) suggest that market orientation in response to market conditions involves doing something new or different and it may be viewed as a form of innovative behaviour. Consequently, innovation is an outcome of market orientation. Companies with better competence to innovate are more successful in responding to their environments and developing new means that lead to competitive advantage and improved performance. According to Empirical study of Chinese firms (Ge & Ding, 2005) innovation has positive impact on market performance.

Apart from MO, another aspect influencing innovativeness and performance of network cooperation is trust. Trust as well as MO, is a complex element with many different dimensions. Trust has a central role in promoting cooperation in business relationships, which further leads to better company's performance. Many authors such as Anderson & Weitz (1984), Sako (1992), Ring & Van de Van (1992), Mayer et. al. (1995), Kautonen & Welter (2003) have proposed different definitions of trust. According to Kautonen & Welter (2003), trust is described as a mean to reduce uncertainty through information provision. However, very often trust is identified as important intangible or relational asset, which highly associated with economic success especially of that companies working within local economies. However, some authors claims that trust has no role to play in case of organizations' performance (Williamson, 1993). On the other hand, majority of scholars (Gambetta, 1988; Sako, 1992; Misztal, 1996; Smith & Lohrke, 2008) connect trust with positive companies' performance and claims that trust is very necessary and desirable property of organizational interaction. When actors trust each other they are more willing to engage in cooperative activities through which trust is developed more. According to Parkhe (1993) while networking companies involve trust which is linked to stability of performance and networking joining process. In short, trust reduces transaction costs, improves information availability, reduces risk and uncertainty in business activities and contributes to positive association.

Moreover, trust affects level and type of innovation. According to (Fecikova & Kekäle, 2003) when businesses trust their competence and are driven by vision, innovation is oriented towards new solutions. Innovative activities are vital to the growth of companies, especially to SMEs' (Brunetto & Farr-Wharton, 2007).

The insight generated from the above discussion shows that MO and trust play a role in success of the company. The combined influences of MO and trust are inversely related to innovativeness and objective performance.

Therefore, in this study it is proposed and tested a model on how market orientation and trust influence innovativeness, which has an impact on performance. It is believed trust to be of particular importance in former eastern countries and Scandinavia, as both regions are quite newly established in tourism industry. This study is conducted in Lithuanian, Finnish and Swedish destinations, which are in different tourism development cycles, but have equal opportunities for progress. In this paper we aim to elaborate the model and test the hypothesised relationships (Figure 1):

H1: MO affects Innovativeness;

H2: Trust affects Innovativeness;

H3: Innovativeness affects Performance.

There are no previous studies that focus on the links between influences of MO and trust on attributes of network cohesion. It is an important aspect of cooperation research, and longitudinal contributions are expected in future.

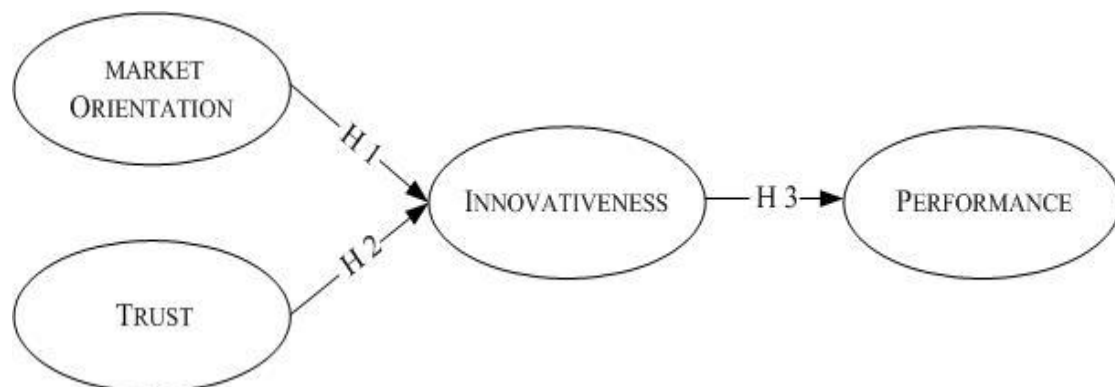


Figure 1 Model and Hypotheses

Methodology

Sample

The data for this study was collected using self-completion questionnaire trying to reveal different factors influencing performance of inter-organizational destination networks and approve brought hypotheses. Since this paper is a part of Experience Stratos Research Program the questionnaire is operating in member countries. Therefore the sample was collected in Lithuania, Finland and Sweden. The sample of research was described by using convenience sampling. Universe of this study involve companies registered in Lithuanian, Finnish and Swedish states register. A total of 138 were received. The businesses were chosen to research in remote areas, which are seeking to develop tourism industry. These companies provide tourism-related services, such as accommodation, dinning, leisure ac-

tivities, camping, travel agencies, travel organizers, museums, rural tourism entrepreneurs, tourism information, tourism planning, etc.

The questionnaire was delivered to recipients personally, by mail or using email. Personal delivery ensured that questionnaire was answered by particular people that were involved in companies' decision making and had strong knowledge of relationships with other actors in destination. Furthermore, due to lack of resources to deliver the questionnaire personally it was chosen mail and e-mail survey to collect additional data. Questionnaires sent by mail were presented by an introduction letter with introduction of the research and researches and a pre-paid envelop in order to guarantee the reply. Moreover, questionnaire overall contained 91 variables. The questionnaire was formed according to four different subparts that might influence each other and were related.

However, regarding hypotheses some items, which did not meet specified criteria for correlations were eliminated and 19 variables have been chosen to analyse (see Appendix 1). Elaborated model was theoretically driven and was tested with confirmatory factor analysis (CFA) in structural equation modelling (SEM) (see Appendix 2). Analyses were carried out in order to find out relations between different groups of variables and identify the influences of market orientation and trust on innovativeness and performance.

Validity and reliability

Concepts of validity and reliability are important to discuss because of importance to demonstrate and express the quality of overall study and reliability of methods that were used in the study and validity of analysis and conclusions (Silverman, 2005).

In order to ensure internal validity it is important to make sure the sufficiency between study objectives and the tools for data collection. The self-completion questionnaire of this study expresses ability to collect the data necessary to answer research question which ensure the internal validity. However, original questionnaire focus on much more variables than those who were chosen for this study. Therefore, internal validity might be threatened by the choice of certain variables and absence of certain variables that might influence the results of the study. Regarding reliability of the questionnaire itself and model for analysis, it is ensured by use of it in few other studies and the competence of author of it (Pesäma & Hair, 2008).

The results are not highly influenced by time since the study focuses on specific cultural aspects. However, the results of the study might be used only in Scandinavian and post-communist countries. The results can be applied to any local network, since the study focuses on local networking.

The selection of the research object might influence reliability of the study. The selection of companies was done according to the activities of the companies including companies such as accommodation, dining, leisure activities, governmental organisations, etc. However, it might emerge some companies that are also tourism-oriented but was not selected to the research due to researchers drew frame of tourism-related businesses. Future researchers can consider this issue more detailed in order to include all possible companies.

Analysis and results

The assessment of the study results collected in Lithuania, Finland and Sweden was developed by calculating the reliability of four sample representatives' constructs: Market Orientation (MO), Trust, Innovativeness and Performance. The reliability of every construct was calculated separately (see Appendix 2). The established guideline recommends reliability scores $p < 0.7$ (Fornell & Larcker, 1981). This guideline was met and each subpart presents high reliability: MO reliability (α) is 0.93, Trust $\alpha = 0.97$, Innovativeness $\alpha = 0.92$ and Performance $\alpha = 0.80$. Overall, all four constructs met established guidelines and confirmed their reliability. This demonstrates that all sample representatives in the every construct are reliable, relevant for its group and manage to reflect the real motives of the respondents.

The fact that reliability is higher than 0.7 gives the opportunity to consider correlation factors of the four constructs. The higher the correlation, the more it measures the same underlying constructs. The established guideline recommends that correlation is significant at the 0.01 level (Fornell & Larcker, 1981). In this study, the correlation is focused on the significance levels of the four constructs. Results indicate that Market orientation is positively and significantly related to Innovativeness ($r = 0.67^{***}$; $p < 0.01$) and Trust ($r = 0.40^{***}$; $p < 0.01$). Moreover Trust and Innovativeness ($r = 0.17^{**}$; $p < 0.05$) correlation is also strong, as well as Innovativeness and Performance correlation is positively related ($r = 0.47^{***}$; $p < 0.01$).

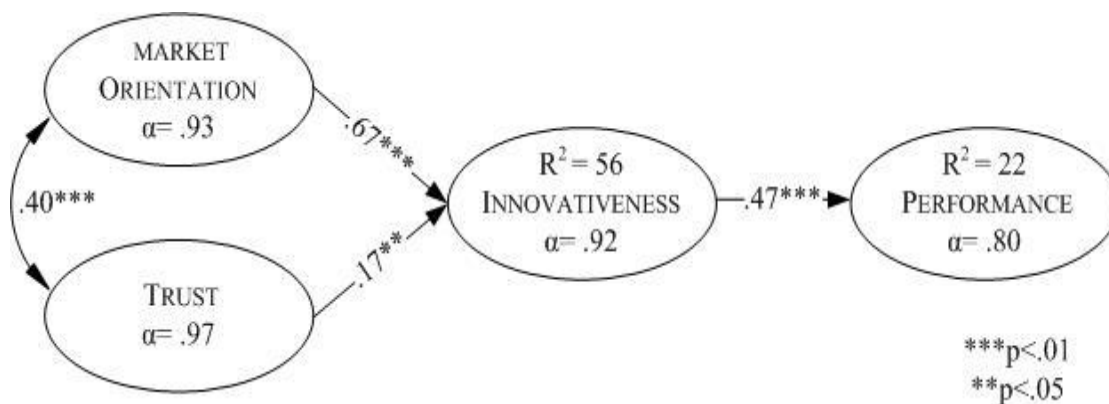


Figure 2 Results of elaborated Model and Hypotheses

The results indicate that there are strong relationship between Market Orientation, Trust, Innovativeness and Performance. This suggests that within network entrepreneurs should focus on all four constructs, which could be one of the reasons for network development.

In order to find out how influential innovativeness and performance are, forthcoming are presented the regression of these factors.

As it was mentioned in previously, in this study there are statistically significant relationships between MO, Trust, Innovativeness and Performance. In order to find out, how influential Innovativeness and Performance are to each other, it was found standardized regression weight between them (see Appendix 2). R^2 of Innovativeness is 0.56 and R^2 of Performance is 0.22. It shows, that Innova-

tiveness and Performance has significant effect on each other, however influence from Innovativeness is more supportive to Performance than visa versa ($p < 0.05$).

Findings give the understanding which relationships' characteristics should be developed and perception what role market orientation and trust plays in destinations' network.

Findings demonstrate that businesses' behaviour in the networks is related to market orientation and trust.

Conclusions

This study confirms results of Pelham (2000) that market orientation strongly related with performance. Business performance in the network is related not even with market orientation, but also with trust and innovativeness. These factors complement each other as relatively nascent tourism businesses develop their services and performance. This is part of Experience Stratos 2007-2017 research programme studies.

Limitation of the study

As with any study, the findings must be viewed through perception of limitations. The sample size of 138 is small. Moreover, study's results do not represent overall Scandinavian and post-communist countries situation and cannot be interpreted as an understanding of whole culture of these regions. Moreover, larger sample would allow drawing broader conclusions.

The study analysis does not include discussion and analysis of companies' size and its influence to market orientation and trust. As for instance, many tourism entrepreneurs are small family businesses and most of advice they get from their family members. Therefore detailed analysis regarding company size, might have deeper understanding of market orientation and trust and their influence to companies' innovativeness and performance.

Moreover, original questionnaire and other studies of Experience Stratos 2007-2017 research programme as well analyses the concept of trust, loyal and commitment, while this study analyses concepts of market orientation and trust. Despite the limitations, this research contributes to growing set of studies that have influence to further program's development.

Appendix 1

Performance – three items (Disagree to Completely Agree 7-point scale)

In considering performance of your firm, what would you say about following:

1. your sales have increased very much in the last three years.
2. your reputation has improved very much.
3. your profits are increasing fast.

Innovativeness – five items (Disagree to Completely Agree 7-point scale)

In considering the innovativeness of your network would you say that within the destination network the partners:

1. develop new products quickly
2. improve existing products quickly
3. have adopted new administrative systems to control the network's operations
4. are good at identifying tourists' needs
5. are good in managing financing of your network

Market Orientation – eight items (Disagree to Completely Agree 7-point scale)

In considering market orientation would you say that within the destination network your partners generally:

1. meet with guests visiting your destination to identify what services are needed in the future
2. interact directly with guests to learn how to serve customers better
3. quickly identify guests' preferences
4. survey guests at least once a year to assess quality
5. share survey results with those who can respond favourably to guests
6. are quick to identify fundamental changes in guests leisure preferences
7. are independently involved in developing intelligence about guests
8. periodically review changes in guests preferences

Trust – three items (Not important at all to Very important 7-point scale)

In considering trust, what would you say about the following:

1. How important is it that your network partner(s) is honest and truthful with you?
2. How important is it that you have confidence in your network partner(s)?
3. How important is mutual trust in developing a relationship with your network partner(s)?

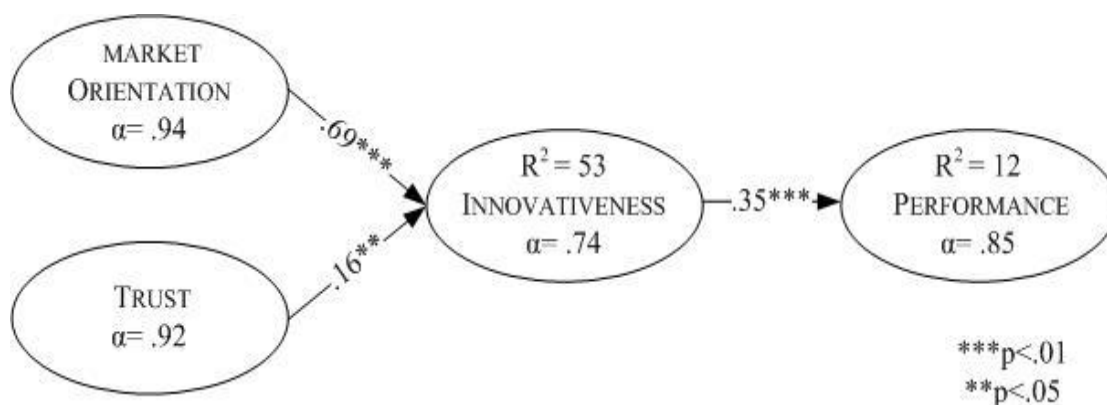


Figure 3 Results from the first analysis of Model and Hypotheses

Appendix 2

Performance – six items (Disagree to Completely Agree 7-point scale)

In considering performance of your firm, what would you say about following:

1. Your sales have increased very much in the last three years.
2. Your reputation has improved very much.
3. You have many new products.
4. You have become very efficient in commercializing new products.
5. Your profits are increasing fast.
6. Your number of employees is increasing quickly.

Innovativeness – nine items (Disagree to Completely Agree 7-point scale)

In considering the innovativeness of your network would you say that within the destination network the partners:

1. develop new products quickly
2. improve existing products quickly
3. have adopted new administrative systems to control the network's operations
4. are good at identifying tourists' needs
5. are good in managing financing of your network
6. are good in dealing with governmental and other external agencies
7. quickly identifying new sources of supply
8. respond quickly to complaints by tourists
9. take good care of their employees

Market Orientation – ten items (Disagree to Completely Agree 7-point scale)

In considering market orientation would you say that within the destination network your partners generally:

1. meet with guests visiting your destination to identify what services are needed in the future
2. interact directly with guests to learn how to serve customers better
3. often conduct market research

4. quickly identify guests preferences
5. survey guests at least once a year to assess quality
6. share survey results with those who can respond favourably to guests
7. collect information about the tourism industry by many informal lunch meetings with e.g other destination network partners, travel agencies and trade partners
8. are quick to identify fundamental changes in guests' leisure preferences
9. are independently involved in developing intelligence about guests
10. periodically review changes in guests preferences

Trust – seven items (Not important at all to Very important 7-point scale)

In considering trust, what would you say about the following:

1. How important is it that your network partner(s) is honest and truthful with you?
2. How important is it that you have confidence in your network partner(s)?
3. How important is mutual trust in developing a relationship with your network partner(s)?
4. How important is it that network partner(s) not try to take advantage of your relationship to benefit their company?
5. How important is it that you are not negatively surprised by your network partners' actions?
6. How important is it that you can rely on your network partner(s), because you know he/she shares your values?
7. How important is it that network partners share your values?

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