

Effect of Firm's Information Dissemination Culture on Market Orientation: A Study in Tourism Sector

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Abstract

Despite being highly relevant, research on different aspects of market orientation and its effects on tourism industry are limited. No literature thus far has examined intra-organizational learning on market orientation. Additionally, emerging economies (e.g., India) could be a key destination of tourism, other than a few exceptions, existing tourism literature has not paid enough attention to such markets. We examine the impact of intra-organizational learning on market orientation in tourism sector. We contribute by introducing and investigating the intra-organizational learning, based on capability-based theories of the firm. Using Structural Equation Modeling, we have investigated responses to a survey of tourists, we test four hypotheses to establish different components of intra-organizational learning on market orientation. We discuss these findings, and directions for future research.

Keywords

Intra-Organizational Learning, Market Orientation, Company Performance, Structure Equation Modeling

1. Introduction

While research on market orientation is abundant in marketing literature, researchers in hospitality and tourism economics have explored this area in a very limited way [1]. Consequently, there is only a handful of literature investigated phenomena related to culture of market orientation in tourism sector, much less different components of market orientation. Within this limited number of studies, research done by Au & Tse [2] found contrary result where they showed that market orientation culture has negative impact on performance economics

of hospitality companies. Tse, Sin, Yau, Lee [3] have justified these findings as the effect of economic boom when firms performance is not affected by their being market oriented as the demand will be always high, however, they have not explained the intuition of getting negative correlation since an economic boom can only make the relation between market orientation and hotel's performance insignificant, not always negative [4].

Tourism and hospitality companies spend considerable financial and human resource to be market oriented. Previous research on market orientation in tourism and hospitality sector has primarily studied relationship between market orientation and firms performance [5] [6]. While some previous literatures in hospitality and tourism sector have studied the relationship between market orientation and firm success, however, research studying impact of organizational learning market orientation of tourism and hospitality service providing companies is limited [1] [7]. Such study is further scarce in the context of developing economy [8] [9] [10]. Till date only a handful of studies have examined the relationship between market orientation and firm success in different contexts [11]. None of these studies have considered intra-organizational learning namely information gathering, information dissemination, responsiveness and assessing the current and future need of the customers, and consequently their effect on firm's market orientation [12] [13].

Specifically, primary research issue of this paper is to study the set of relationships between intra-organizational learning and market orientation in the context of emerging economies like India's hospitality and tourism business. We have chosen India's hospitality and tourism industry as evidenced by increasingly competitive intensity and market dynamism, on the market orientation-business performance relationship. This study can be replicated in similar emerging economies where companies are yet to equip themselves with proper organizational learning systems. This study is designed to contribute further to existing literature in tourism and hospitality industry in a couple of ways: firstly, it investigates the market orientation of hospitality and tourism companies based upon their degree of market orientation and intra-organizational learning methods and secondly, this study has adopted multi-facet intra-organizational learning indicators with relation to market orientation. Additionally, the study enriches our knowledge of market orientation in hospitality and tourism industry of a developing economy, which has been of a great interest to researchers and managers alike.

2. Literature and Hypothesis Development

Researchers in marketing and tourism area tried to investigate the effect of market orientation on the profitability of the business in general [14] [15] and in tourism and hospitality sector in particular [16] [17]. Human capital is considered as firm's resource which produces customer value and consequently competitive advantage to hospitality and tourism companies [18]. Efficiency of hu-

man capital depends upon education of employees, their experience both in and outside their job [19]. Though numerous studies have concluded that human capital is related to success, there is paucity of research that have examined the effect of intervening constructs on the human capital-success relationship [20]. In the hospitality context, Nieves and Quintana [21] reported that human capital has mediated the relationship between HRM training/development and IT practices and innovation. In another study, Lee *et al.* [1] reported that innovation activities and entrepreneurial self-efficacy fully mediate the influence of human capital on restaurant performance. Small ventures such as independent restaurant operations are formed around the persona of the individual owner/operator [22]. According to human capital theory, the task-related knowledge, skills, qualifications and experience of the restaurant entrepreneur is likely to be a prime source of critical resources that influence organizational outcomes. Previous research in the hospitality context suggests that HC is one of the most important resources available to industry practitioners [23].

Research literature has investigated relationships between market orientation and firm's performance [24], there are several issues that explains learning ability of the organization. First, the linkage between organizational learning [25], organizational knowledge [26], and Resource Based View (RBV) literatures [27]. This has in turn led the author to investigate the role of intra-organizational learning as key constructs on the relationships between market orientation and performance. Although such study calls for understanding the specific organizational conditions to understand intra-organizational learning, little research has investigated internal factors that influence this relationship [28]. There is growing theoretical and empirical evidence on the role of firm' learning and the positive effects it creates for organization and organizational knowledge transfer. Hence, focusing on intra-firm learning can identify effective positive and negative factors to the successful implementation of market orientation and thus help tourism managers to frame their strategy better way.

Day [29] examined that how capabilities in an organization can help in attaining market orientation. Slater and Narver [11] argued that the ability to learn faster than the competitors can add to the competitive advantage. If the organization has the ability to learn faster than the competitors then the organization would be able to notice the changes taking place. Due to this the organization would be in a position to maintain or increase the value delivered to the customers. In other words the organization which is capable of learning can deliver superior customer value. Learning ability of the organization can be considered as part of the capabilities of the organization [30]. Therefore learning ability can be considered as a part of organizational capabilities. Now as capabilities or more specifically ability to learn can help an organization to deliver superior customer value therefore it can be said that learning ability adds to market orientation of the organization. As shown in **Figure 1**, based upon this discussion the following hypotheses are stated:

H1: The greater the teaching commitment of supervisor to her team members, higher the market orientation culture of tourism companies.

H2: The greater the learning commitment of team members from their supervisor, higher the market orientation culture of the tourism company.

H3: The greater the information flow between supervisor and his team member, higher the market orientation culture of the tourism companies.

H4: The stronger the market orientation culture, higher the performance of the tourism company.

3. Method

A questionnaire containing questions of the key constructs for the study were developed. A total of 203 survey responses were collected from middle level managers working in marketing function of hospitality and tourism industry. A total of 264 executives were surveyed for usable response of 203. The survey was conducted with executives judgmentally selected by the researcher. Participants of the program were selected through a selection process of the institute. Average experience of male responded constituting 82% of the sample was 8.54 years. The managerial experience of the respondents who fulfilled the survey in the focal organization had an average of 5.47 years. Fifty six percent of them work in hospitality sector and 44% work in tourism sector. The survey instrument contained seven point Likert type scale items pertaining to the hypothesized constructs, including the independent and dependent constructs, in addition to background questions. In the questionnaire we have married the response format both for the items measuring dependent and independent constructs so that common method variance could be reduced. Description of all scale questions including the questions pertaining to the items retail after confirmatory factor analysis is provided in **Table 1**.

As per the findings presented in **Table 1**, all constructs in the study provide excellent model fit with high degrees of convergent and discriminant validity. All fit indices are acceptable with $CMIN/DF = 1.457$, $CFI = 0.97$; $IFI = 0.97$; $PCFI =$

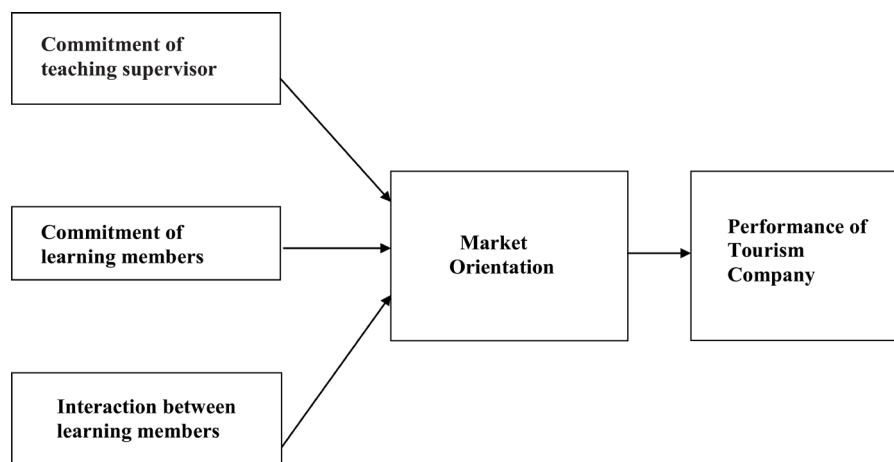


Figure 1. Conceptual framework.

Table 1. CFA for measurement model in the study.

Item	Question	Factor Loading	Fit Indices for CFA: CMIN/df = 1.347; CFI = 0.97; IFI = 0.97; PCFI = 0.827; RMSEA = 0.041.	
			Construct Reliability (CR)	AVE (Average variance Extracted)
Commitment of Teaching Supervisor			0.86	0.60
CTS1	My superior explains us what knowledge and skills will be needed to serve the customer better	0.823		
CTS2	My superior does discusses with us about information gathered about customer and market needs.	0.768		
CTS3	I as a superior analyze important market information with my team members	0.812		
CTS4	Superiors in my organization are committed to make everyone aware about customer and market information	0.698		
Commitment of Learning Members			0.89	0.68
CLM1	I put in endeavor to improve my knowledge about customers and market	0.815		
CLM2	I am enthusiastic about collecting information about customers and market on my own	0.837		
CLM3	I provide analysis of customer and market information to my superior	0.820		
CLM4	I prefer regular meeting to discuss about customers and market	0.822		
Interaction between Learning Members			0.83	0.56
ILM1	Company staffs always discuss their official information among themselves.	0.837		
ILM2	I put in great deal of effort to discuss market information with my peers	0.658		
ILM3	Employees in my company behave quite friendly with their peers	0.885		
ILM4	I put in endeavor to improve my interaction with my peers	0.583		
Market Orientation			0.81	0.51
MO1	We extrapolate key trends to gain insight into what users in a current market will need in the future.	0.741		
MO2	We search for opportunities in areas where customers have a difficult time expressing their needs	0.748		
MO3	We brainstorm on how customers use our products and services.	0.680		
MO4	We continuously try to discover additional needs of our customers of which they are unaware	0.705		
Firm Performance			0.87	0.64
FP1	Financial performance of my company has improved considerably in last three years	0.852		
FP2	Customers are increasingly more satisfied with your company's service than before	0.741		
FP3	Employee turnover in my company has reduced considerably in last three years	0.864		
FP4	Channel partners/suppliers of my company are performing better in last three years	0.811		
FP5	Overall performance of the company has improved significantly	0.731		

0.827; RMSEA = 0.041 (Williams, Vandenberg, and Edwards, 2009). We present the Average Variance Extracted (AVE), construct reliability, and factor loadings for the constructs and the relevant items in **Table 1**. We have checked the convergent validity using average variance extracted. If the value of average variance extracted was greater than 0.5 we concluded the construct satisfies convergent

validity. We have checked the discriminant validity by comparing the square root of the average variance extracted of each of the latent constructs with the cross construct correlations. If the square root of the AVE was greater than the corresponding cross construct correlations we concluded that the construct satisfy the discriminant validity requirement. We followed Fornell and Larcker's [31] method to establish discriminant validity.

4. Results of the Structural Model

We have used AMOS 18 package of SPSS in the structure equation modelling to test the hypotheses. We have first developed 3 learning related construct as exogenous construct which were measured by indicators mentioned in **Table 1**.

Table 2 provides the result of structure model. We can see from the result that the fit indices satisfy the required criteria at the model shows an excellent fit to the data (CMIN/DF = 1.885; CFI = 0.922, IFI = 0.923, PCFI = 0.799, RMSEA = 0.066) (Williams *et al.*, 2009) with all of the fit indices in the acceptable range. First hypotheses H1₀ and H2₀ are rejected as there were enough evidence against the null hypotheses and we supported both alternate hypotheses. But H3₀ is not rejected as data did not provide enough evidence to reject H3₀. We find that teaching commitment of supervisor ($\beta = 0.149$, $p < 0.05$) and learning commitment of team members ($\beta = 0.187$, $p < 0.05$) is positively and significantly related to market orientation. However, we found that information collection difficulty has no significant effect on market orientation. We Next, as predicted rejected the null hypothesis H4₀ and found that market orientation has strong and significant effect on performance of tourism companies ($\beta = 0.303$, $p < 0.01$).

5. Discussion and Conclusion

Result from the data analysis shows strong support of the significance of effect of three constructs or intra organizational learning or decision variable, market orientation and subsequently the final variable performance of tourism firms in the context of an emerging market such as India. The main contribution of this research is conceptualization and development of impact of intra organizational learning construct, which has evolved from the capability based view of the firm. No significant research available identifying intra organizational learning as critical construct studies of knowledge transfer in tourism literature. Despite noting the importance of organizational learning and organizational capabilities, the market orientation literature has not conceptualized internal organizational

Table 2. Fit indices of structural model.

CMIN/DF	1.885
CFI	0.922
IFI	0.923
PCFI	0.799
RMSEA	0.066

characteristics that can facilitate effective implementation of market orientation [32] [33]. Following calls in the literature for examining internal organizational factors, this study has successfully identified, theoretically conceptualized, and empirically demonstrated how and why intra-firm learning processes effect market orientation leading to crucial performance outcomes of tourism companies. In this context, our conceptualization of the intra-organizational learning on the relationship between market orientation and business performance is a crucial theoretical contribution. Market orientation makes demands on the entire range of learning and knowledge processes in the organization for customer orientation, competitor orientation, and inter-functional coordination in generating a response to the market. More importantly, researchers have not leveraged the organizational learning and resource-based literatures to identify critically appropriate constructs to examine in this context, as we have done here. We identified intra-firm learning as it is a core construct in the resource-based view of the firm, in addition to the specific role it plays in knowledge transfer.

Findings of the study suggest that “teaching commitment of supervisors” and “learning commitment of team members” are positively related to market orientation. The result suggests that hospitality and tourism companies should not only gather information from the market and their customer, an efficient and structured intra-organizational learning mechanism is essential for tourism companies to be market oriented. Such intra-organizational learning mechanism will help the companies to disseminate market information to ground level managers who will, in turn, effectively coordinate with their field staffs to provide customer value.

We found no significant effects of “interaction between learning members” on market orientation. This could be because employees in tourism sector are self-driven, and primarily manage their own tasks on their own. For instance, there would be one tour guide for an entire tour, nullifying effect of group dynamics on market orientation. Moreover, it may be also possible that large number of employees may act as deterrent for others to carry forward the learning and self-improvisation. The accountability of each employee may decrease resulting insignificant to negative effect on market orientation.

A market oriented tourism company is required to inculcate a sort of intra-organization learning culture, nurture such culture which fosters interdepartmental coordination [34]. Future research may look at these directions [35]. It goes usually way beyond understanding of the fact that market orientation is not the sole responsibility of marketing department and generation and dissemination of information regarding the customers and competitors involve an intra-organizational coordination.

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