Cordina, Renzo and Taheri, Babak and Umit, Bititci and Gannon, Martin (2017) Market focused learning and entrepreneurial orientation : improving performance measurement in a travel agency context. In: British Accounting and Finance Association Scottish Area Group Annual Conference 2017, 2017-08-24 - 2017-08-24. ,

This version is available at https://strathprints.strath.ac.uk/63271/

Market focused learning and entrepreneurial orientation: Improving performance measurement in a travel agency context

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Introduction

Essential to successful organisations, performance measurement involves "setting goals, developing a set of performance measures, collecting, analysing, reporting, interpreting, reviewing and acting on performance data" (Smith & Bititci, 2016, p. 3). Within tourism research, studies exploring performance measurement typically focus on quantitative accounting-based performance indicators, contextualised specifically within the hotel industry (Sainaghi et al., 2017). However, the intangibility of many tourism services and the increasing importance of longer-term financial measures may render a reliance on traditional accounting based measurement systems unsuitable (Phillips & Louvieris, 2005).

Therefore, more comprehensive performance management systems, which include both financial and non-financial performance measures, have received considerable attention throughout contemporary business research (Homburg et al., 2012). Homburg et al., (2012) refer to such systems as being comprehensive performance measurement systems (CMPMS). Here, they contend that central to these systems is the degree of comprehensiveness, which consists of the three components: breadth (i.e., financial, historical and contemporary information); strategy fit (strategic targets of the organisation); and the yield of information related to cause-and-effect relationships (i.e., the value chain).

This 'market-focused learning' is concerned with how an organisation collects, processes, analyses, and uses information relating to the market it operates within (O'Cass & Weerawardena, 2010). The collection of information goes some way to answering the questions posed by CMPMS, as it can illuminate a gamut of both external and internal, and financial and non-financial metrics important to the organisation. Resultantly, we hypothesise that, in acting as a progenitor for both macro- and micro- market related data collection,

CMPMS provide necessary direction and structure which positively affects market-focused learning (H1). The capability to learn from the market, and to share the product of this learning with employees, provides an organisation with the foundation from which to compete (O'Cass & Weerawardena, 2010; Vorhies & Morgan, 2005). Market-focused learning stems from a proclivity to proactively explore and refine new and existing market segments, keep abreast of competitor actions and advancements, and maintaining an understanding of sector-wide innovation and technological advancements (Hooley et al., 2001). If the information gleaned from market-focused learning is collected in a robust fashion and subsequently analysed, shared internally and used appropriately, it can serve as a source of competitive advantage. Given this, we hypothesise that market-focused learning positively impacts upon the overall performance of the organisation (H3).

Further, in compliance with strong market-focused learning and the desire to understand sector-wide advancements and innovations, many organisations internally foster a degree of entrepreneurial orientation in order to facilitate long-lasting success (Zellweger & Sieger, 2012). Entrepreneurial orientation consists of five dimensions: autonomy, innovativeness, proactivity, risk-taking, and competitive aggressiveness (Lumpkin & Dess, 2001). When considering innovativeness, organisations are considered as having an entrepreneurial orientation when there is explicit managerial openness to and acceptance of new, unorthodox, or revolutionary approaches or technologies in order to improve the firm's core activities. With regards to risk-taking, entrepreneurially oriented firms are typically less concerned with maintaining the status-quo, have higher rates of project approval, and pursue riskier projects where returns are less certain but could potentially be higher (Martin & Javalgi, 2016). Further, entrepreneurial orientation is underpinned by proactivity. Here, as with CMPMS, there is an emphasis on long-term orientation and prolonged success, strategic advancements, and the impact of being first to market with a given experience, brand, product, or service (Zellweger & Sieger, 2012; Martin & Javalgi, 2016). Resultantly, we hypothesise that CMPMS positively affects entrepreneurial orientation (H2).

Firm overall performance comprises of three dimensions: customer satisfaction, market-effectiveness, and current anticipated profitability (Vorhies & Morgan, 2005). Anticipated profitability, is concerned with the expected financial performance of the organisation. This includes the profitability of the business unit, the return on investment achieved by shareholders, and whether the performance of the firm has met predetermined financial goals over a given period. Market-effectiveness is concerned with the organisation's

place within the market, but is again likely to directly impact upon the financial performance of the organisation (Morgan et al., 2009). This dimension of overall firm performance considers the organisation's growth relative to competitors, whether revenues have increased, the extent and rate of customer acquisition, and the extent to which sales to existing customers have increased. The final indicator of firm overall performance centres on customer satisfaction. Here, customer retention, sustained positive customer feedback, and the realisation of a defined value proposition for customers are emphasised (Homburg et al., 2005).

Given the parallels between innovativeness, proactivity, competitive understanding, satisfaction, and growth, we hypothesise that firms with strong entrepreneurial orientation generally experience better overall performance (H4). Finally, as the overall performance of an organisation is drawn from many financial and non-financial considerations, and with many of these parameters measured explicitly within CMPMS, organisations where the comprehensive nature of CMPMS is embraced may perform better. As such, this study posits that CMPMS positively affects overall firm performance (H5). Figure 1, represents a holistic graphical demonstration of the hypotheses.
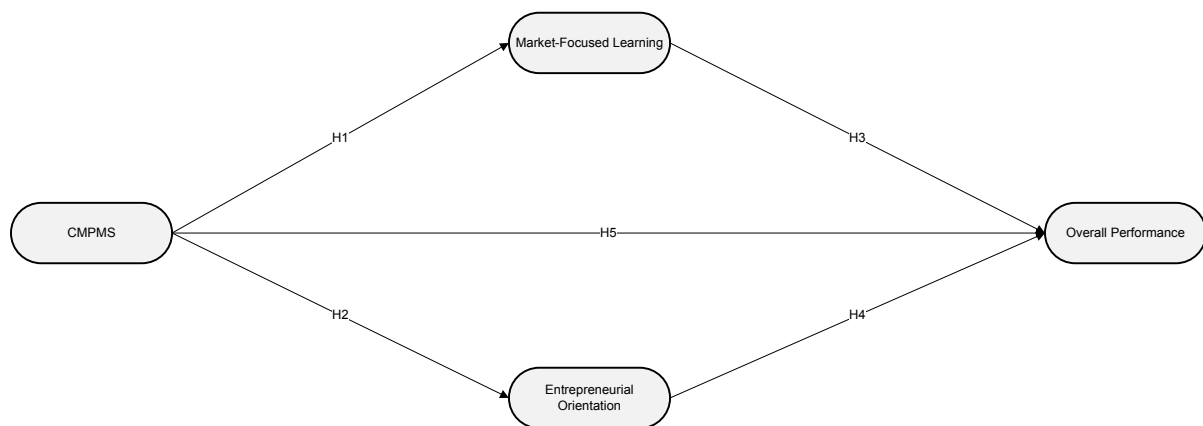

Figure 1. Conceptual framework.

Method and Results

The data for this study was collected by through a questionnaire directed at employees of a leading travel agency with six branches located within two major cities in Iran. These branches are interconnected with regards to their marketing management strategies and work closely together in order to service their customers. To ensure content validity, the items of the constructs were adapted from constructs established within extant literature (Homburg et al.,

2012; Martin & Javalgi, 2016; Vorhies & Morgan, 2005). Judgmental sampling was used in this study. This sampling approach has been established as an effective way of collecting data where the main purpose is theoretical advancement rather than generalisation, and is used frequently in tourism and hospitality studies (Wells et al., 2016; Karatepe et al., 2010). The mean replacement approach was employed to overcome 87 missing values across the dataset. Mean replacement "replaces the missing values for a variable with the mean value of that variable calculated from all valid responses" (Hair et al., 2010, p. 53). This approach has the advantage of not altering the sample size and the sample mean of variables (Hair et al., 2010).

The conceptual framework and hypothesis was assessed using PLS-SEM, as it is suitable for testing complex models with comparatively small sample sizes, reflective, formative and higher-order modes (Hair et al., 2017). In this study, as per previous research (Homburg et al., 2012; Martin & Javalgi, 2016), CMPMS, firm overall performance and entrepreneurial orientation were conceptualized as higher-order measures composed of first-order factors.

The convergent validity of reflective constructs was assessed using composite reliability (CR) factor loadings and average variance extracted (AVE). The discriminant validity was tested in two ways. First, following Fornell and Larcker (1981), we found that the square root of the AVE of all constructs were larger than all other cross correlations. The correlations among all constructs were below the threshold (0.70). Second, heterotrait–monotrait (HTMT) ratio of correlations approach was used (Henseler et al., 2015), with all valignificantly different from 1; establishing discriminant validity.

Exploratory factor analysis (EFA) was used to confirm that each higher-order construct (CMPMS, entrepreneurial orientation and firm overall performance) was reflectively represented by their underlying constructs. The findings show that all item loadings exceed the minimum threshold (0.50) under the respective dimensions (Hair et al., 2010). Following Becker et al. (2012), the repeated measures approach was used to estimate the PLS-SEM hierarchical component models (HCMs). We find that CMPMS, entrepreneurial orientation and firm overall performance are higher-order constructs represented reflectively by their underlying first-order dimensions.

Prior to examining the hypothesized relationships between constructs through PLS-SEM, the predictive relevance (Q2), the effect sizes (f2), the SEM-PLS goodness-of-fit (GoF) and

Standardized Root Mean Square Residual (SRMR) fit index were calculated. Following the PLS-SEM blindfolding procedure, Q2 using cross-validated redundancy procedure, shows that all Q2 values were greater than 0 (Figure 2). To measure the f2, Cohen's effect sizes recommendation was used. The results show that the f2 values for the significant paths exceeded the recommended value (0.02). Following Wells et al. (2016), the GoF index was calculated. GoF was 0.44 which shows good model fit. The SRMR value for the model was 0.062, which is less than the recommended value of 0.08 (Henseler et al., 2014). As exhibited in **Figure 2**, CMPMS negatively and significantly influenced market-focused learning (β = -0.391, $p < 0.01$). CMPMS positively affected entrepreneurial orientation ($\beta = 0.465, p < 0.01$); Market-focused learning positively affected firm overall performance ($\beta = 0.117, p < 0.01$) and CMPMS positively affected firm overall performance ($\beta = 0.198, p < 0.01$). However, entrepreneurial orientation negatively affected firm overall performance ($\beta = -0.221, p < 0.01$). The model explained 35.3% of market-focused learning, 31.6% of entrepreneurial orientation and 31.2% of firm overall performance.
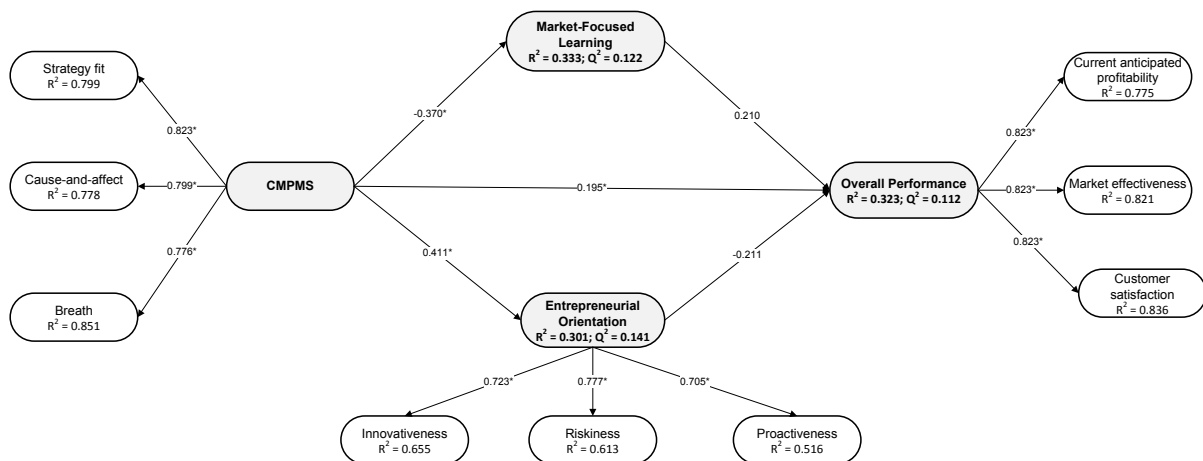

Figure 2. Results of structural model.

As shown above, the findings suggest that CMPMS negatively and significantly influences market-focused learning, contradicting H1. However, supporting H2, CMPMS was found to positively affect entrepreneurial orientation. Similarly, H3 and H5 were supported by the findings, which suggest that market-focused learning and CMPMS positively affect firm overall performance. Nonetheless, H4 was not supported by the findings, with entrepreneurial orientation found to negatively affect overall firm performance in this study.

Discussion

Although performance measurement literature emerged in the 1960s, research regarding tourism performance measurement is in its infancy. This study examined an integrated conceptual model of CMPMS, market-focused learning and entrepreneurial orientation and firm performance. H1 predicted that the CMPMS has a negative impact on market-focused learning. The strategy fit, breath and cause-and-effect approaches allow agency to increase their learning in negative way. This is in contrast with previous studies. Hypotheses 2 and 5 proposed a direct positive relationship among CMPMS, entrepreneurial orientation and firm performance. Agency owners with high levels of CMPMS have confidence in their ability to attain high levels of performance and leadership (Martin & Javalgi, 2016; Homburg et al., 2005). H3 proposed a direct positive relationship between a market-focused leaning and firm overall performance. This was supported empirically demonstrating how leaning from market influence agency current anticipated profitability, market effectiveness and customer satisfaction (O'Cass & Weerawardena, 2010). H4 predicated the entrepreneurial orientation to have a direct relationship with overall performance. The results indicated a negative relationship between these two constructs. It seems the agency should revisit their innovativeness, riskiness and proactiveness leadership strategies in order to achieve positive overall firm performance. Taken together, these results provide new knowledge advancing our understanding of the mechanism by which CMPMS, market-focused learning and entrepreneurial orientation affect performance in the travel agency context. We also confirm that CMPMS, entrepreneurial orientation and overall firm performance are higher-order constructs with their underlying factors.

Finally, this study is potentially limited by the restrictive nature of the quantitative data collection method adopted. Future research should adopt a mixed methods approach, which also includes a qualitative phase, in order to provide a more holistic understanding of the overall performance of travel agencies. Additionally, data could be sought from customers and Iranian tourism trade associations in order to test or supplement the findings of this study by drawing upon perspectives other than those contained within the organization. Further, the data analysed throughout this study was collected from employees of a single travel agency in Iran, potentially limiting the generalizability of the findings due to both the geographic and organizational specificity of the data. Future research could consider drawing upon data from different geographic of organizational contexts.

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