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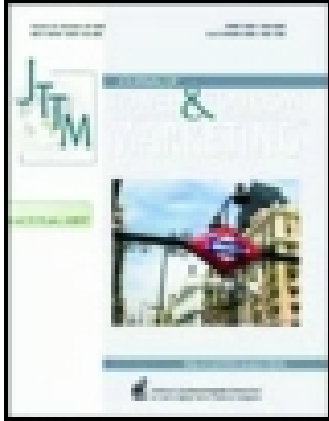
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Market Orientation, Strategy and Revenue Growth in The Turkish Hotel Industry

Mehmet Ali Köseoglu
John A. Parnell
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ABSTRACT. This empirical analysis of hotel properties in south-western Turkey draws on the market orientation, strategy, and capabilities literature to highlight the benefits of a differentiation strategy and customer-value focus for competitors in this industry. Relationship management and organizational resource management are key drivers of sales growth in this industry, and hotel operators facing high competitive intensity are particularly encouraged to develop these capabilities and to adopt a differentiation strategy instead of resorting to price cutting and other pricing and promotional tactics to grow revenues. Notable opportunities for future research include examining relationships between market orientation, customer satisfaction, and employee satisfaction in the Turkish hotel industry.

KEYWORDS. Turkey, hospitality, hotel, market orientation, strategy, capability, competitive intensity, performance

1. INTRODUCTION

Market orientation (MO) research has proliferated since the early 1990s when two sets of researchers – Narver and Slater (1990) and Kohli and Jaworski (1990) – first operationalized, developed measurement scales, and tested the organizational performance implications of MO (see also Jaworski & Kohli, 1993; Kohli, Jaworski, & Kumar, 1993). Today, MO research continues to consider what MO is, how it should be measured, and whether, when, and how it

relates to objective and subjective customer, market, and financial performance (Gotteland, Haon, & Gauthier, 2007; Macintosh, 2007; Sin, Tse, Heung, & Yim, 2005; Van Raaij & Stoelhorst, 2008). Although contextual and methodological factors can influence the strength of the relationship between MO and organizational performance, meta-analyses have largely validated the MO-implementation advice that organizations have long received by reporting significant and positive MO-performance relationships (see for example Ellis, 2006).

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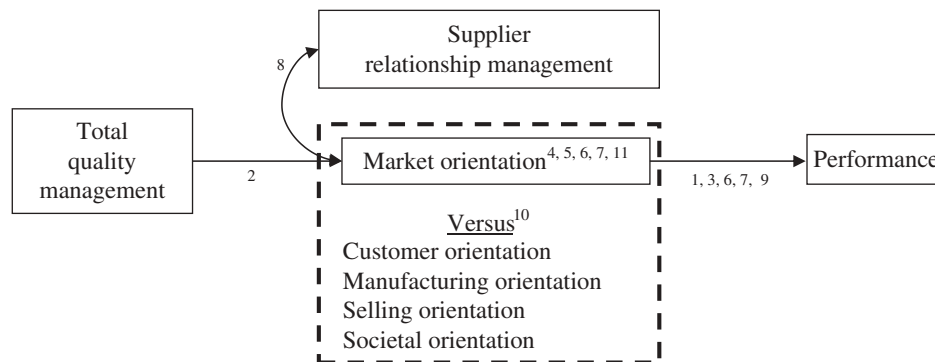
As reflected in contemporary MO research, MO is perceived both as an organizational culture that emphasizes continuous superior customer value creation, and as a set of organization-level market-information processing behaviors (Harris & Piercy, 1999; Lafferty & Hult, 2001). As a culture, MO is the presence of customer orientation, competitor orientation, and interfunctional coordination in an organization (Narver & Slater, 1990). An organization with a strong market-oriented culture understands manifest and latent customer needs as well as the nuances of the competitive landscape, and possesses an interfunctional focus on the creation of superior customer value (Ketchen, Hult, & Slater, 2007; Slater & Narver, 1999; Wong & Dioko, 2013). Much more operational in nature, MO as market-information processing behaviors refers to the “the organization-wide generation of market intelligence, dissemination of the intelligence across departments, and organization-wide responsiveness to it” (Jaworski & Kohli, 1993, p. 53).

It has been suggested that there is a dearth of hospitality-sector focused MO research (Harrington & Ottenbacher, 2011; Morosan, Bowen, & Atwood, 2014; Quintana-Déniz, Beerli-Palacio, & Martín-Santana, 2007; Sin et al., 2005; Yoo, Lee, & Bai, 2011). Indeed, a similar concern has been raised with regard to MO research on service industries generally (Cano, Carrillat, & Jaramillo, 2004). Although limited in number, hospitality industry studies

have examined MO as a construct, MO implementation issues, links between MO and specific managerial practices and business philosophies, and the characteristics of high-MO organizations (see for example Altinay, 2010; Çakıcı & Eren, 2005; Eren, 2003; Quintana-Déniz et al., 2007; Solmaz, 2012; Tosun, Okumus, & Fyall, 2008; Wang, Chen, & Chen, 2012). For example, MO has been established in a hospitality industry as a positive correlate of the innovation capabilities that are necessary for satisfying latent needs (Brooker, Joppe, Davidson, & Marles, 2012; Zhou, Li, Zhou, & Su, 2008). Studies of the performance implications of MO in the hospitality sector are generally supportive (see for example Sin et al., 2005; Wang et al., 2012). Studies by Eren (2003), Çakıcı and Eren (2005), and Karamustafa, Gullu, and Ulama (2010) are particularly relevant to this study of the hotel industry in Turkey, as these studies of 4- and 5-star Turkish hotels established evidence for the positive main effect relationship between MO and organizational performance. In specific studies of this relationship in other parts of Europe, however, no relationship was observed between MO and hotel performance (Sargeant & Mohammad, 1999). The structure of relevant MO research in the hospitality sector is summarized in Figure 1.

Notwithstanding the attention that MO continues to receive, several important research

FIGURE 1. Relevant Market Orientation Research



Notes. 1. Sin et al. (2005) 2. Wang et al. (2012) 3. Sargeant & Mohamad (1999) 4. Quintana-Déniz et al. (2007) 5. Altinay (2010) 6. Çakıcı and Eren (2005) 7. Eren (2003) 8. Solmaz (2012) 9. Karamustafa et al. (2010) 10. Tosun et al. (2008) 11. King & Grance (2006)

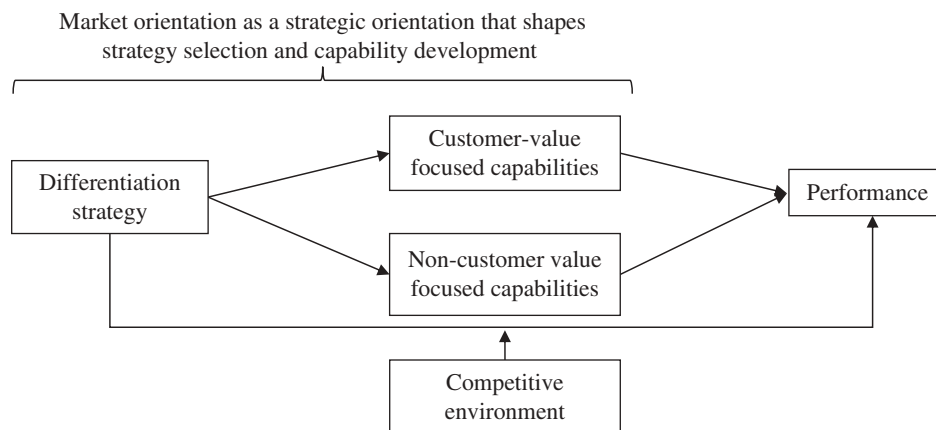
gaps have been identified that this study of the hospitality sector in Turkey attempts to address. Chief among these gaps is the concern that knowledge of the strategic and tactical mechanisms that transform organizational orientations like MO into superior organizational performance is still needed (Kirca, Jayachandran, & Bearden, 2005; Morgan, Vorhies, & Mason, 2009; Zhou, Brown, & Dev, 2009; Zhou et al., 2008). An important premise of this study is that organizational orientations can influence strategic choice, capability development, and performance (Miles & Arnold, 1991; Noble, Sinha, & Kumar, 2002). Additional gaps relate to cultural, economic, and industry factors. Specifically, it is necessary that progress made to date on taking MO research beyond developed Western countries, industrialized economies, and individualistic cultures be continued (Li, Zhao, Tan, & Liu, 2008).

Emerging economies like Turkey may differ from developed Western and other industrialized economies on important social, economic, and managerial fronts and, as such, deserve specific inquiry (Altınay, 2008; Çakmakçı & Karabati, 2008; Keleş & Aycan, 2011). In a similar vein, it is valuable that industry-segment specific inquiry into the performance implications of MO and its strategic and tactical correlates be conducted, since it has been identified that the performance effects of MO may vary on the basis of organization, industry, or sector

type (see for example Slater & Narver, 2000). For example, previous research has suggested that the performance implications of MO may be more profound in service industries than in physical goods industries (see for example Grinstein, 2008; Rodriguez Cano et al., 2004). Within-industry conditions also remain an important area of inquiry. In particular, the moderating effect of competitive intensity on the main-effect relationships between organizational performance and MO and specific organizational capabilities (see for example Jaworski & Kohli, 1993; Slater & Narver, 1994) remains a source of considerable substantive uncertainty in MO research. This study contributes to the closing of these gaps by reporting on a study of strategy, organizational capabilities, and organizational performance outcomes in the Turkish hospitality sector. Moreover, this study participates in the general effort to establish the generalizability of the performance effects of MO (Sin et al., 2005). The research framework that will be developed in this paper is shown in Figure 2.

Turkey is ideally suited to the purposes of this study of strategy, capabilities, and organizational performance in the hospitality sector (Bahar & Kozak, 2007). The Turkish hospitality sector has experienced considerable growth since the early 1980s and in 2013 it was estimated that the Turkish hotel industry was worth US\$ 17.25 billion (Avci,

FIGURE 2. Research Framework



Madanoglu, & Okumus, 2011; Business Monitor International, 2013). Indeed, the Turkish hospitality sector is noted for having a significant impact on both the Turkish economy and society (Efendioglu & Karabulut, 2010; Gunduz & Tatoglu, 2003; Martínez & Alvarez, 2010). The majority of Turkish hotels are mid-scale or above, with 92% of the hotel properties registered with the Touristic Hotels and Investors Association of Turkey (2011) possessing a 3-, 4-, or 5-star rating. Muğla, the region in which data collection for this study occurred, is regarded as a popular south-western holiday destination that, along with the cities of İstanbul, Ankara, and İzmir, dominates the Turkish hotel market (Republic of Turkey Prime Ministry Investment Support and Promotion Agency, 2010). Muğla has a number of alternative (e.g. sports, health, natural, entertainment, cultural) and traditional (e.g. beaches and water) activities. Muğla is one of the major tourism destinations in Turkey. According to the Muğla Tourism Provincial Administration (2014) the region was visited by 3,222,315 tourists in 2013. As of 2013, Muğla had 93,646 beds in 377 properties with a tourism license, and 36,982 beds in 127 properties with an investment license. Muğla also had 654 “group A” travel agencies.

It has been suggested that MO is not a ubiquitous characteristic of Turkish organizations (Koseoglu, Karayormuk, Parnell, & Menefee, 2011). Although high vulnerability to economic shifts, political instability, and the threat of terrorism may be partly responsible (Tse, Sin, Yim, & Heung, 2005), structural and strategic factors are also at play. Specifically, Turkish firms are noted for employing reactive strategies, being more focused on the short term than the long term, and functioning in a highly centralized manner (Avcı et al., 2011). In the Turkish hotel industry, additional alleged shortcomings include insufficient technology application, inadequate demand management, misleading and confusing advertising campaigns, weak sales capabilities, high competitive intensity, and low levels of customer satisfaction (Tuncsipir & Ilban, 2006).

2. HYPOTHESES DEVELOPMENT

2.1 Organizational Culture, Competitive Strategy, and Organizational Performance

Organizational culture is “the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them norms for behavior in the organization” (Deshpandé & Webster, 1989, p. 4). A strong link exists between organizational culture and competitive strategy, which Homburg, Krohmer, and Workman (2004, p. 1333) describe as “how a business should compete in a given industry or product market”; an organization with an MO can focus on the creation and delivery of superior customer value through the selection and implementation of a market-focused competitive strategy. For example, researchers have identified a strong linkage between market orientation and differentiation (see for example Homburg et al., 2004; Narver & Slater, 1990).

Differentiation has long been defined in the literature as a generic competitive strategy that focuses on providing customers with a unique product offering for which they are willing to pay a high price compared to competing product offerings (Porter, 1980). To achieve a unique and desirable (i.e. differentiated) market position and brand image, organizations can innovate both in terms of their marketing activities (e.g. sales tactics and advertising messages) as well as the very products they are marketing (e.g. new service development) (Homburg et al., 2004; Kucukusta, Heung, & Hui, 2014; Sumer & Bayraktar, 2012). It is expected that Turkish hotel operators who pursue a strategy of high differentiation will achieve a level of organizational performance that exceeds that of their peers. Organizations not pursuing high differentiation can experience sales growth due to overall market growth, but relative sales growth (i.e. sales growth that is idiosyncratic and not experienced by all competitors) will be experienced by organizations that provide their customers with a unique hotel stay experience or by organizations that possess a unique brand, as interpreted by customers.

- H1: The differentiation strategy is positively associated with organizational performance.

2.2 Strategy–Environment Fit

Researchers have shown interest in examining whether relationships between strategy and organizational performance can vary on the basis of industry and market characteristics (see for example Alpkın, Yılmaz, & Kaya, 2007; Appiah-Adu, 1998; Kumar, Subramanian, & Yauger, 1998). Studies of the effects of environmental circumstances on the relationship between strategic orientations and organizational performance have yielded confusing and inconsistent results (see for example Grinstein, 2008; Kirca et al., 2005) and additional research is required (Paladino, 2007). Competitive intensity, defined as the extent to which customers have a choice and firms need to ensure that consumers select their offerings and not those of competitors (Jaworski & Kohli, 1993; Kohli & Jaworski, 1990), is an environmental circumstance of particular relevance to the Turkish hotel industry (Republic of Turkey Prime Ministry Investment Support and Promotion Agency, 2010).

It is expected that competitive intensity in the Turkish hotel industry will moderate the hypothesized main-effect relationship between differentiation and perceived sales growth. The presence of a differentiation strategy implies unique market offerings and brand images that are expected to be particularly influential in organizational performance, particularly in times of high competitive intensity. When customers can choose between competing market offerings, managers should position their organizations uniquely in the minds of market participants in order to create enduring preference and corresponding customer behaviors (e.g. reservations, positive word-of-mouth communication).

- H2: In instances of high competitive intensity, hotels pursuing a high-level differentiation will outperform those pursuing other strategies.

2.3 Organizational Capabilities and Organizational Performance

Recent research shows increasing interest in unpacking the firm-specific organizational capabilities that facilitate value creation (e.g. Morgan et al., 2009). Organizational capabilities are competitively superior, firm-specific aptitudes, skills, and technologies for resource deployment, allocation, and coordination (Wu, Melnyk, & Flynn, 2010). As Figure 2 shows, an important distinction is to be made between organizational capabilities that facilitate customer value creation and those that do not. Of particular interest here, as Weerawardena and O’Cass (2004, p. 421) describe them, are “integrative processes designed to apply the collective knowledge, skills, and resources of the firm to the market-related needs of the business”. It is expected that organizational capabilities that meet market-related needs will mediate the hypothesized relationship between differentiation strategy and organizational performance by facilitating customer value creation. It is expected that market knowledge and extra-organizational relationship management, two such capabilities, will enjoy positive relationships with both differentiation strategy and organizational performance in the Turkish hotel industry. Consistent with the intelligence generation component of MO advanced by Kohli and Jaworski (1990), a market knowledge capability concerns the extent to which a firm possesses knowledge of its customers and competitors. A relationship management capability, in contrast, concerns the extent to which a hotel operator is able to learn from, work with, and handle conflict with important extra-organizational relationship partners.

- H3: Market knowledge capability mediates the positive relationship between differentiation strategy and organizational performance.
- H4: Relationship management capability mediates the positive relationship between differentiation strategy and organizational performance.

Given that price competition and excess capacity are important characteristics of the Turkish hotel industry, it is also necessary to evaluate how capabilities that are focused on internal efficiency relate to organizational performance. Organizational resource management concerns the extent to which a firm can make efficient use of its financial, human, and other resources. Finally, it is expected that an organizational resource management capability relates positively to organizational performance.

- H5: Organizational resource management capability is positively related to its organizational performance.

3. METHODOLOGY

3.1 Data Collection

Data collection was conducted in the Muğla region of south-western Turkey from a sample of managers of mid-scale and up-scale hotels in order to reflect the makeup of the Turkish hotel industry, since 3-, 4-, and 5-star hotel properties dominate the industry in terms of numbers of both operational beds and registered hotel properties (Republic of Turkey Prime Ministry Investment Support and Promotion Agency, 2010; Touristic Hotels and Investors Association of Turkey, 2011). Three waves of data collection punctuated by the distribution of two reminder notices were necessary to obtain completed surveys from 214 managers of 56 3-star, 67 4-star, and 91 5-star hotel properties in the Muğla region. Hotel star-level response rates observed in this study are significantly better than the 10% or 15% response rates which are typical for surveys that involve senior managers (Fernhaber & Patel, 2012). Indeed, the hotel properties represented in the data set amount to 47% of 3-star Muğla hotels, 46% of 4-star Muğla hotels, and 88% of 5-star Muğla hotels respectively. The data set of 214 hotel managers was divided into early respondent and late respondent categories and independent-samples *t*-tests revealed no evidence of non-response bias (Armstrong & Overton, 1977).

Based on the number of employees, 10.8% of hotels are classified as small-scale, 60.4% as medium-scale, and 28.8% as large-scale. Less than one-half (43.2%) are chain hotels, 27% consist of international joint ventures, and 60.4% are seasonal properties.

3.2 Measures

With the exception of certain respondent characteristics as well as the measure of sales growth, all constructs were measured using multiple items contained within the survey instrument. Item-level responses were collected on continuous 1–5 scales on which high (low) values indicate strong (weak) support (i.e. agreement or importance) for the item. Measures of organizational strategy and capabilities were adapted from DeSarbo, Anthony Di Benedetto, Song, and Sinha (2005) and, as is common in this literature stream, were taken on a relative basis. Hotel managers indicated the extent to which they were pursuing a differentiation strategy and enjoyed market knowledge, relationship management, and resource management capabilities in comparison to their major competitors. Relationships among the survey items were identified using principal components analysis with varimax rotation, and mean substitution and indicators (e.g. eigenvalue, scree plot analysis) were inspected for the adequacy of factor compositions (Hair, Black, Babin, Anderson, & Tatham, 2005). Internal consistency was assessed using Cronbach α (Hair et al., 2005). All items were entered into the factor analysis and the resulting factor structures as well as Harman's one-factor test conducted following the steps outlined by Podsakoff and Organ (1986) indicated that mono-method bias is not a concern in this research. Summary measures of the factors were calculated by averaging the items significantly loading on the factor. Item- and factor-level descriptive statistics for hotel strategy and capabilities are reported in Tables 1 and 2 respectively. Statistics for competitive intensity are provided in Table 3. Competitive intensity was not measured on a relative basis since it is a generalized environmental condition instead of an organization-specific quality.

TABLE 1. Descriptive Statistics and Factoring Results of the Differentiation Strategy

	<i>M</i>	<i>Standard Deviation</i>	Loading	Eigenvalue	% of variance	Cronbach α
Differentiation strategy	3.45	.90	-	2.88	57.67	.82
Emphasis on new product development or existing product adaptation to better serve customers	3.68	1.09	.71			
Rate of new product introduction to market	3.26	1.24	.81			
Emphasis on the number of new products offered to the market	3.20	1.22	.82			
Intensity of your advertising and marketing	3.49	1.18	.72			
Emphasis on developing and utilizing sales force	3.60	1.17	.73			

TABLE 2. Descriptive Statistics and Factoring Results of the Organizational Capabilities

	<i>M</i>	<i>Standard deviation</i>	Loading	Eigenvalue	% of variance	Cronbach α
Relationship management capability	3.53	.91	-	3.69	36.88	.78
Market sensing capabilities	3.50	1.15	.68			
Capabilities of creating durable relationships with our suppliers	3.68	1.18	.80			
Channel-bonding capabilities	3.50	1.21	.80			
Relationships with channel members	3.43	1.17	.68			
Organizational resource management capability	3.53	.86	-	1.38	13.83	.73
Cost control capabilities	3.59	1.09	.70			
Financial management skills	3.52	1.19	.69			
Human resource management capabilities	3.44	1.22	.75			
Accuracy of profitability and revenue forecasting	3.58	1.15	.74			
Market knowledge capability	3.66	.84	-	1.05	10.46	.61
Knowledge of customers	3.63	1.03	.78			
Knowledge of competitors	3.69	.96	.81			

TABLE 3. Descriptive Statistics and Factoring Results of Competitive Intensity

	<i>M</i>	<i>Standard Deviation</i>	Loading	Eigenvalue	% of variance	Cronbach α
Competitive intensity	3.55	.99	-	3.13	62.67	.85
Competition in our industry is cut-throat.	3.46	1.35	.81			
There are many "promotion wars" in our industry.	3.67	1.26	.78			
Anything that one competitor can offer can be matched readily by others.	3.62	1.22	.80			
Price competition is a hallmark of our industry.	3.64	1.19	.79			
One hears of a new competitive move almost every day.	3.36	1.22	.78			

In addition to these measures, survey respondents were asked to indicate various aspects of organizational performance on a 1–5 scale, with high (low) values indicating that the relevant hotel property experienced a significant performance improvement (deterioration). Organizations are

often reticent to release objective performance data, but our performance measurement approach is supported by previous studies that have shown a strong correlation between subjective and objective measures of organizational performance (e.g. Hsieh, Tsai, & Wang, 2008; Ramanathan, 2012; Sin et al., 2005). Sales growth is the performance measure of explicit interest to this research, but single-item measures of growth in after-tax profits, market share, and returns on assets, equity, and sales were also taken. Investigation of bivariate relationships between sales growth and each of these additional performance measures confirmed that much could be gained, and possibly inferred, by attempting to explain sales growth (all r s were positive and $p < .001$). Sales growth reported by the 214 hotel managers was moderate ($M = 3.56$, $SD = 1.10$). Analysis of variance (ANOVA) and correlation analyses revealed that sales growth was not related (all p s $> .05$) to star level ($F(2, 211) = .63$), foreign versus domestic ownership ($F(1, 212) = 1.02$), seasonal versus year-round hotel property ($F(1, 212) = .70$), or number of operational beds at the hotel property ($r = .05$). The same result was obtained for the natural logarithm of the number of employees at the hotel property ($r = .03$) as well as the length of the existence of the hotel property (expressed in years; $r = -.09$). Since these variables were not revealed to relate significantly to sales growth, they were not considered in subsequent analyses reported in this paper.

4. RESULTS AND DISCUSSION

4.1 The Sample

Survey respondents were predominantly male (60.3%) and employed in a general management or sales and marketing capacity (64.5%) at either middle- (60.3%) or upper-management (39.7%) levels. Table 4 presents the descriptive statistics and bivariate correlations among variables of interest in this study. As expected, evidence suggests that the sales growth experienced by a hotel operator in the Muğla region of Turkey is positively related to the extent to which that operator is pursuing a differentiation strategy ($H1$; $r = .26$, $p < .01$) and possesses capabilities in market knowledge management ($H3$; $r = .14$, $p < .05$), relationship management ($H4$; $r = .29$, $p < .01$), and resource management ($H5$; $r = .31$, $p < .01$). $H2$ predicted that $H1$ would be moderated by the presence of competitive intensity in the industry. Effect size index q , defined as the difference between two Fisher-z-transformed correlation coefficients, was calculated and revealed a small-to medium-sized effect in the correlations between differentiation strategy and sales growth ($|q| = .16$) under high (≥ 3.60) versus low (< 3.60) reports of competitive intensity. Evidence suggests that a differentiation strategy is particularly important to sales growth in times of high competitive intensity ($r_{\text{High competitive intensity}} = .30$ versus $r_{\text{Low competitive intensity}} = .15$), even though the temptation in such times could be to adopt a defensive competitive posture and

TABLE 4. Descriptive Statistics and Correlations

Variables	<i>M</i>	<i>Standard deviation</i>	1	2	3	4
Strategy						
1. Differentiation	3.45	.90				
Capabilities						
2. Market knowledge	3.66	.84	.40**			
3. Relationship management	3.53	.91	.48**	.40**		
4. Organizational resource management	3.53	.86	.45**	.37**	.41**	
Performance types						
5. Sales growth	3.56	1.10	.26**	.14*	.29**	.31**
$n = 214$.						

Note. * $p < .05$; ** $p < .01$

eschew investments in new product development and other market-focused risk-involving initiatives. It was not expected, however, that a differentiation strategy would be positively related to the organizational resource management capability ($p < .01$).

4.2 Hierarchical Multiple Regression Analysis

Hierarchical multiple regression analysis was used to test the hypotheses and results are shown in Table 5. Hierarchical multiple regression analysis was performed in three steps, with differentiation strategy and competitive intensity entered in the first step, the interaction between differentiation strategy and competitive intensity entered in the second step, and the organizational capabilities of market knowledge, relationship management, and resource management entered in the third and final step. To avoid multicollinearity, following Cohen, Cohen, West, and Aiken (2003), differentiation strategy and competitive intensity were mean-centered before creating the interaction term between these variables.

H1 predicted that a differentiation strategy is positively related to sales growth. Steps 1 and 2 of the hierarchical multiple regression

analysis offer support for H1, suggesting that hotel operators can increase their sales by engaging in behaviors designed to establish a clear, distinctive, and attractive competitive position in the industry ($p < .001$). In general, sales growth experienced by hotel operators pursuing a high-level differentiation strategy is superior to that of hotel operators pursuing a low-level differentiation strategy ($|M_{\text{Difference}}| = .53$, $|t| = 3.60$, $p < .001$) (see Figure 3 and Table 5).

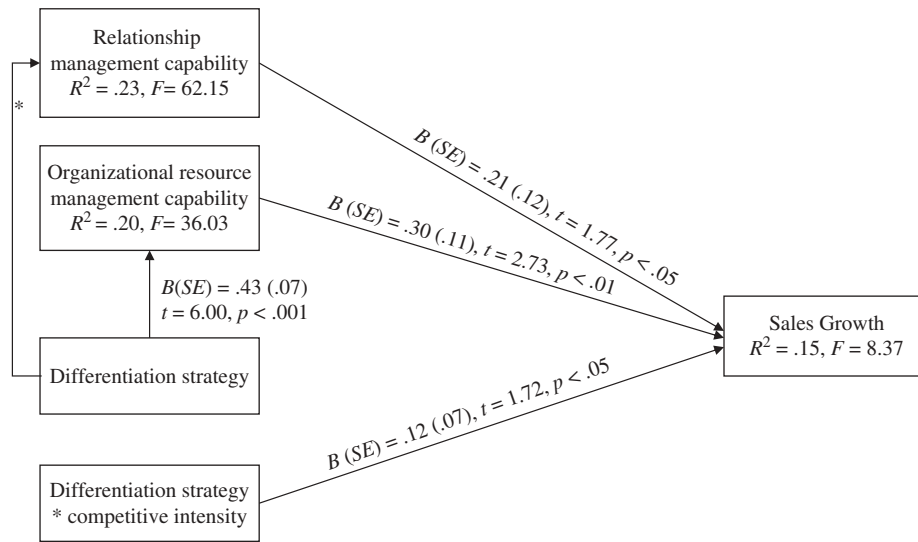
H2 predicted that H1 would be moderated by the extent to which hotel operators function in an intense competitive environment. Specifically, H2 predicted that the relationship between differentiation strategy and sales growth would be stronger in an intensely competitive environment than in a less intensely competitive environment. As step 2 of the hierarchical multiple regression analysis shows, a small moderating effect ($\Delta R^2 = .013$) of competitive intensity was observed on the main-effect relationship between differentiation strategy and sales growth ($p < .05$). No significant main-effect relationship was observed between competitive intensity and sales growth ($p > .05$). A high-level differentiation strategy is somewhat beneficial to sales growth for hotel operators as compared to a low-level differentiation strategy in times of low competitive intensity ($|M_{\text{Difference}}| = .40$,

TABLE 5. Results of Hierarchical Regression Analysis for Sales Growth

Independent Variables	Step 1			Step 2			Step 3		
	B (SE)	β	t-value	B (SE)	β	t-value	B (SE)	β	t-value
Strategy									
Differentiation	.29 (.09)	.24	3.43***	.29 (.09)	.23	3.36***	.11 (.10)	.09	1.17
Environment									
Competitive intensity	.04 (.08)	.03	.47	.08 (.08)	.07	.94	-.06 (.09)	-.06	-.71
Strategy * environment interaction									
Differentiation * competitive intensity				.16 (.08)	.13	1.95*	.13 (.08)	.11	1.61
Capabilities									
Market knowledge							-.05 (.10)	-.04	-.55
Relationship management							.22 (.10)	.18	2.24*
Organizational resource management							.30 (.10)	.24	3.15***
F-value	7.11***			6.07***			6.13***		
Adjusted R^2	.054			.067			.126		
ΔR^2	-			.013			.059		
$n = 214$									

Notes. * $p < .05$; ** $p < .01$; *** $p < .001$. SE, standard error.

FIGURE 3. Mediation of the Strategy–Performance Relationship



Note. * $B (SE) = .48 (.06), t = 7.88, p < .001$.

$|t| = 1.75, p < .05$); sales growth during a time of natural market growth, for example, can be easily achieved without incurring the expense and risk involved in new product development and other types of market-focused risk-involving initiatives. In contrast, a high-level differentiation strategy instead of a low-level differentiation strategy appears highly beneficial to hotel operators in times of high competitive intensity ($|M_{\text{Difference}}| = .58, |t| = 2.89, p < .01$). At least from a sales growth perspective, it appears that price-cutting and other pricing and promotional war tactics in times of intense competitive rivalry may not be necessary, even though such tactics can be commonplace in such environments.

H3–H5 were tested once the third step of the hierarchical multiple regression analysis was executed. H3 implied that the extent to which a hotel operator possesses a market knowledge capability is positively related to sales growth experienced by that hotel operator. Although a significant bivariate relationship between market knowledge capability and sales growth was observed in the earlier analysis ($p < .05$), the significance was lost when other organizational capabilities were controlled in the multiple regression equation.

H4 implied a significant relationship between the extent to which a hotel operator possesses a relationship management capability and sales growth experienced by the hotel operator. H4 received first-level support from the bivariate correlation analysis ($p < .01$), and the hierarchical multiple regression analysis shows that, after controlling for strategy, environment, and other capabilities, a significant positive relationship remains ($p < .05$). It is clearly beneficial from a sales growth perspective for hotel operators to strengthen and solidify relationships with key supply chain partners. In the hotel industry, relationships between hotels and both domestic and foreign tour operators, bulk vacation resellers, and other potential partners can be vital as these partners can shoulder some of the burden of promoting the hotel and can even purchase excess capacity from the hotel during periods of relatively weak demand.

H5 implied a significant relationship between the extent to which a hotel operator possesses a resource management capability and sales growth experienced by the hotel operator. H5 received first-level support from the bivariate correlation analysis ($p < .01$), and the hierarchical multiple regression analysis shows that, after controlling for strategy, environment, and

other capabilities, a significant positive relationship remains ($p < .001$). Although resource management has a strong internal orientation, it is clear that it can nonetheless have strong implications for the market and financial performance of hotel operators.

Recent research has revealed that the strategy an organization adopts can dictate the capabilities developed by an organization (DeSarbo et al., 2005). An interesting question concerning the potential for mediation of the relationship between strategy and organizational performance by organizational capabilities therefore exists. A bootstrapping technique was employed for testing mediation in this regard (cf. Preacher & Hayes, 2008) and results are shown in Figure 3. The main-effect relationship between differentiation strategy and sales growth that was identified in steps 1 and 2 of the hierarchical multiple regression analysis was, as with step 3, not found following the mediation analysis. Specifically, the main-effect of differentiation strategy on sales growth for Turkish hotel operators was fully mediated by the relationship management and resource management capabilities of the hotel operators. This analysis also shows significant positive relationships between differentiation strategy and both organizational capabilities (all $p < .001$).

4.3 Contribution of these Research Findings and Implications for Practice

The differentiation strategy is not a default orientation. It represents a strategic choice that managers must explicitly make and implement consistently in terms of service design and delivery, integrated marketing communications, and resource deployment to occupy a clear and attractive competitive position in the minds of their customers. Importantly, not every organization possesses an array of capabilities appropriate for this strategic approach, as differentiation typically requires service, branding, personnel, physical evidence, and other marketing and operational decisions that require resources that could be expended elsewhere. Even before implementation, an organization requires strong marketing

research capabilities to identify and evaluate market segments with unique preferences and behaviors (Vorhies, Morgan, & Autry, 2009) and to determine the differentiated market positions that are valued by attractive market segments. An organization must also accurately investigate the extent to which competitive positions, viewed from both organizational and customer perspectives, are not already occupied by well-established industry incumbents. Although a resource-intensive one, differentiation is a strategic choice that can improve performance in well-positioned hotels (Frehse, 2006; Jones, Day, & Quadri-Felitti, 2013; Stegorean, Petrie, & Oltean, 2013; Wu, Lin, & Lee, 2010), particularly because differentiated brands possess unique identities that are amenable to easy retrieval from long-term memory for customers and that offer expanded opportunities for relationship development.

In conducting market research to support a differentiation initiative, practitioners must remain mindful of the critical distinction between expressed and latent needs, and should avoid relying too heavily on a customer-led philosophy, which Slater and Narver (1998) noted is reactionary and fixated on expressed needs. Specifically, managers in the industry must adopt a proactive and long-term orientation that uncovers latent needs in order to facilitate the type of differentiation that can result in sustained competitive advantage. To discover latent wants and needs, organizations require a generative learning approach that features open-minded inquiry and that inherently challenges existing marketing strategies. Research on the distinction between responsive and proactive market orientations could offer Turkish hotel operators valuable insight into pursuing a differentiated market position. Indeed, firms with a strong proactive MO focus more on anticipating market developments, trying to uncover needs of customers of which they were unaware, working closely with “lead users”, extrapolating key marketplace trends, brainstorming, and innovating, even when it carries a risk of cannibalizing sales and speeding up the obsolescence of existing products (Narver, Slater, & MacLachlan, 2004). While the present sample included only hotels in Turkey, similar advice is likely to be appropriate for operators of hotels

in other locations, particularly in tourism-oriented, developing nations.

The main effect of differentiation strategy on sales growth was fully mediated by the relationship management and resource management organizational capabilities. Although it has been suggested that strategy can dictate capability development, it has not been established that relationship management and resource management capabilities are the exclusive domain of organizations that have adopted the differentiation strategy. From a substantive perspective, however, it is clear that the variance in sales growth explained by the differentiation strategy is subsumed by organizational capabilities, suggesting that organizational characteristics with a more direct impact on service quality (Crick & Spencer, 2011) and other aspects of the hotel-stay experience can impact organizational performance. While this finding may not be universal, it provides compelling evidence that hotels investing in customer service can heighten their degree of differentiation and distinction, and potentially outperform their rivals. Indeed, high service quality is a well-established positive performance antecedent.

Typical of many service industries that blend tangible goods into their market offerings, it is important for hotel managers to develop strong upstream and downstream relationships. In order to maximize the lifetime value of all upstream and downstream relationships, hotel managers can direct their attention to the creation of switching barriers as well as the development of relationship bonds. Although not a panacea, technology can play an important role in this regard; loyalty programs, customer relationship management systems, and vendor–buyer integrated computer systems could all contribute beneficially. In all cases, hotel managers should work to cultivate relationships in which there is more than just calculative commitment, as high durability was identified as a particularly important characteristic of high-value upstream and downstream relationships. However, resource management is also an important organizational capability to develop. It therefore appears that, rather than one or the other, it can be a fruitful approach from a revenue growth perspective to invest in and deploy both outside-in and inside-

out processes (Day, 1994). Efficient resource management, particularly behind the lines of visibility and internal interaction (Bitner, Ostrom, & Morgan, 2008), can be helpful to the financial performance of organizations without directly compromising the quality of service encounters.

5. LIMITATIONS AND FUTURE RESEARCH

5.1 Limitations

The findings reported herein are subject to several limitations. First, the cross-sectional nature of this research makes it difficult to assert causality in the significant relationships revealed in this research. Longitudinal research, or perhaps even a case study design, could be implemented in future research in order to overcome this particular shortcoming. Second, data collection was focused on a small region of Turkey and, as such, replications in other Turkish areas and emerging economies are needed. In general it is important that geographic, cultural, and other factors that potentially limit the generalizability of these findings be specified (Garavan, O'Brien, & O'Hanlon, 2006; Sledge, Miles, & Coppage, 2008; Wong & Chung, 2003). Third, differentiation strategy and the organizational capabilities of market knowledge management, relationship management, and resource management are only a fraction of the strategic options and competencies featured in the literature and used in practice. Additional research is required in order to expand the substantive scope of this research. Finally, a subjective measure of organizational performance was used in this research; objective measures are prone to less bias and should be used if respondents are willing and able to provide accurate data to researchers.

5.2 Future Research: Customer Satisfaction

Customer satisfaction is positively related to MO (Kirca, 2011; Kirca et al., 2005; Kohli & Jaworski, 1990), revealing that customers

benefit and positively respond to the market scanning, information gathering, and other efforts that are used to align the preferences of customers with the service delivery process in accordance with an MO and the broader marketing concept (Flint, Blocker, & Boutin, 2011; Fornell, Johnson, Anderson, Jaesung, & Bryant, 1996; Siguaw, Simpson, & Baker, 1998). Customer satisfaction for specific competitors in the Turkish hotel industry has been assessed as high (Duyar, 2007) and primarily dependent on perceptions of service quality stemming from customer interactions across the hotel servicescape, including reception and food service areas (Dortyol, Varinli, & Kitapci, 2014). Given that customer satisfaction is a vital consideration in the strategy formulation process (Gómez, McLaughlin, & Wittink, 2004; Ha & Jang, 2013; Torres & Kline, 2013), there is no clear and consistent conceptual and operational definition of customer satisfaction. The cognitive and affective conceptualization of customer satisfaction by Oliver (1981) that is reflected in the expectation (dis)confirmation models of customer satisfaction (Johnson, Nader, & Fornell, 1996) is prominent in research and can be incorporated in future research of relationships between customer satisfaction and differentiation strategy, organizational capabilities, and sales growth in the Turkish hotel industry. Moreover, because the Turkish hotel industry draws extensively on inbound tourist flows from Germany, other European countries, and Russia, a customer-based cross-cultural perspective on customer satisfaction research is warranted (Kozak, 2000).

5.3 Future Research: Employee Satisfaction and MO x Employee Satisfaction Interaction Effect

The significance of customer satisfaction to organizational performance in the hotel industry makes employee satisfaction significant to organizational performance in the hotel industry, as the nature of each employee–customer encounter affects both transaction-specific and cumulative customer satisfaction (cf. Crawford, 2013; Johnson et al., 1996; Yi, 1991). Indeed,

employees have key roles that implement the organizational rules and policies to create and deliver service experiences to customers (Yee, Yeung, & Cheng, 2008) and, as cross-sectional and meta-analytic research shows, have a great deal of influence on the extent to which the customers of an organization are satisfied (Bitner, Booms, & Tetreault, 1990; Brown & Lam, 2008). Still, employee satisfaction has been found to have its own effect on the financial performance of the organization (Chi & Gursoy, 2009). Since employee satisfaction is a significant antecedent of organizational commitment (Demir, Usta, & Okan, 2008) and because organizational commitment is not usually high in the hotel industry (Bolat & Bolat, 2008), employee satisfaction is an important topic for additional inquiry.

Future research should investigate whether the positive main-effect relationship between MO and customer satisfaction that has been reported in extant research is stronger in a high employee-satisfaction organization than in a low employee-satisfaction organization. Even though research reveals a positive correlation between MO and employee satisfaction (see for example Guo, 2002; Zhou et al., 2008), high employee-satisfaction may not be an inherent outcome of MO; market and competitive intelligence generation and dissemination may be burdensome to and create role overload and inter-role conflict (Kahn, Wolfe, Quinn, & Snoek, 1964) in front-line service employees, as they attempt to add these tasks to their usual routines of interacting with guests with unwavering courtesy, resolving complaints effectively and efficiently, and preparing guest rooms within strict time constraints. The resulting stress, role overload, and role conflict experienced by frontline service employees could negatively impact service quality for customers, which in turn could bring about comparatively low customer satisfaction (Namasivayam, Guchait, & Lei, 2014). Diffusion of antisocial employee behaviors (e.g. rudeness and impatience) can exacerbate this problem, as research has found a positive relationship between the level of antisocial behavior exhibited by an individual and that exhibited by his or her co-workers (Jani & Han, 2013; Robinson & O’Leary-Kelly, 1998). Indeed, the

interfunctional coordination component of market orientation (Gray, Matear, Boshoff, & Matheson, 1998; Narver & Slater, 1990) could be leveraged by disgruntled employees to spread their negative attitudes and behaviors to different departments, creating even higher employee dissatisfaction, and potentially establishing a sense of acceptance of such attitudes and behaviors by employees who are in the process of being socialized into the organization.

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