

Impact of market orientation, organizational learning and market conditions on small and medium-size hospitality enterprises

Azilah Kasim, Yuksel Ekinci, Levent Altinay & Kashif Hussein

Abstract:

This paper focuses on the impact of Market Orientations (MO), Organizational Learning (OL) and Market Conditions (MCs) on Firm Growth (FG), within the context of hospitality Small and Medium Enterprises (SMEs) in Malaysia. Entrepreneurs/managers were sampled using cluster-sampling technique and surveyed using a 5-point Likert type scale instrument. The questionnaire's validity was determined by 1) expert opinions, and 2) pilot testing the instrument on a small group of target respondents. A total of 254 completed questionnaires were analysed to test the research model using Structural Equation Modelling approach (SEM) via the Partial Least Squares (PLS) software. The findings reveal that MO has a strong influence on FG and that OL partially mediates the MO-FG relationship. However, MCs have no moderating influence on the OL-FG relationship. The paper then discusses the findings' implications on theory and practice.

Keywords: firm growth, hotels, market orientation, market conditions, organizational learning,

1.0 INTRODUCTION

Strategic orientation of a firm plays an important role in firm growth and survival (Grinstein, 2008). Strategic behaviours related to marketing orientation (MO) and organizational learning (OL) are particularly regarded as indicators of strategic orientation (Grinstein, 2008) influencing the growth of small hospitality businesses (Altinay, 2010; Altinay, Madanoglu, De Vita, Arasli, and Ekinici, 2016). MO refers to the vision and strategic direction of a firm, which determines the approach to meeting customer needs, understanding the competitive environment and achieving stronger internal coordination of activities (Jaworski and Kohli, 1993). Meanwhile, OL influences a business's value and inclination towards knowledge development and utilization (Singkula et al., 1997) that could guide its behaviour in terms of attaining and leveraging on new information and business insights.

In the past, the relationships between MO, OL and firm growth have been studied individually (Grinstein, 2008). There have been few studies of their combined influence on the growth of small businesses. In addition, most existing studies focus on the issue within the general business context. Very few studies have focused on the influence of strategic orientations on firm growth within the context of hospitality SMEs. This paper attempts to address both issues by exploring the combined effects of MO and OL on firm growth within the context of hospitality SMEs in Malaysia. It is one of the few studies that draw upon strategy, entrepreneurship and marketing perspectives to understand the role of growth on the economically important but vulnerable hospitality SMEs, as well as the dynamics of their business operation. Additionally, the study also looks at how hospitality SME owners think and act in relation to strategic management efforts during uncertain market conditions (MCs) (Chen and Elston, 2013; Skokic et al., 2016). Understanding the role of MO, OL and MCs within the SMEs context is important because today's business environment is indeterminate and has been subjected to continuous change, especially since the beginning of the globalization era.

In this paper, the word 'Firm Growth (FG)' refers to 'hospitality SMEs growth' and the two terms will be used interchangeably. The study aims to use structural equation modelling (SEM) to fulfil three objectives; (1) to investigate the influence of MO on hospitality SMEs' growth; (2) to explore whether OL mediates the relationships between

MO and hospitality SMEs' growth; and 3) to explore whether market conditions (MCs) moderate the relationship between MO and hospitality SMEs growth in the Malaysian hotel industry. Malaysia was chosen as the research setting because hospitality SMEs and SMEs in general play an important role in the Malaysian economy. Since SMEs are essentially the backbone of a developing country's tourism industry, ensuring a strong growth of the hospitality SMEs could help countries such as Malaysia to achieve economic growth and effectively serve markets (Jaafar et al., 2010; Seilov, 2015). As reported in the SME Master Plan 2012-2020, (2010, cited in Lai and Kwang, 2014), approximately 99 percent of the Malaysian business consists of SMEs, contributing 19 percent of exports, 32 percent GDP and 59 percent of employment. It is estimated that the SMEs should be able to contribute 41 percent towards Malaysia's GDP by 2020 (Wong, 2012). Yet, their productivity is much less compared to SMEs productivity in Singapore and USA (Lai and Kwang, 2014). They face both direct and indirect competition but cannot make sufficient investment in their marketing activities due to financial constraints. As Lai and Kwang (2014) assert, SMEs in Malaysia are not competitive and more prone to high failure risk compared to SMEs in other countries. This is in line with previous studies on hospitality SMEs in Malaysia which have reported other problems such as increasing struggle to cope with the competition (Yaacob and Wong, 2013), issues of financial constraints and high taxes, lack of state government support, issues with successor replacement (Aziz, Khairil and Zaiton, 2012) as well as a lack of promotional assistance from the federal government (Jaafar et al., 2010). To sustain in the market, Malaysian hospitality SMEs need to develop business plans and execute business strategies that improve their competitiveness.

Below, this paper is divided into several sections. The first section presents the literature review to delineate the study constructs and the study's hypotheses. The second section explains the methodology, analysis and results. This is followed by a discussion of the research findings. The few last sections present a discussion on the theoretical and managerial implications of the findings, the study's limitation and the authors' suggestions for future studies on the issue.

2.0 LITERATURE REVIEW

There are three important variables that this paper focuses on: Market Orientation (MO), Organizational Learning (OL), and Market Conditions (MCs). MO 'sets the tone and determines the basic approach for making marketing strategies' (Guo, 2002, p. 1158). Some scholars suggest that MO is essentially customer orientation (Deshpande et al., 1993), representing the concept of 'customer pull' in strategic planning and implementation, since it focuses on collecting and exploiting market intelligence to meet customer needs and to understand the competitive environment (Narver and Slater, 1990). MO, it is argued, can lead to better performance through the creation of strong internal coordination and an improved understanding of, and clarity of focus towards, customers and competitors (Cano et al., 2004).

Originating as a marketing concept (Kohli and Jaworski, 1990; Agarwal, Erramilli, and Dev, 2003), MO is a philosophy that prioritizes the creation of higher customer value through acquiring, collecting, examining, distributing and responding to customers and competitors information. It aims to achieve organizational goals such as market share, profitability and return on investment (Rue and Ibrahim, 1998). Scholars suggest that MO is influenced by market development (Matsuno, Mentzer, and Rentz, 2005) and aims to understand consumer needs, wants and desires in the competitive environment (Guo, 2002). MO helps an organization find suitable approaches to attract new customers and retain the existing ones. It provides a strategy that encourages the inculcation of organizational culture consisting of customer orientation, competitor orientation and inter-functional orientation that could help the organization strive for superior firm performance by focusing on the needs of the customers and encouraging a sufficient willingness to take risks (Narver and Slater, 1990, Slater and Narver, 1995, Agarwal, Erramilli and Dev, 2003). Kohli and Jaworski (1990) and Narver and Slater (1990), define MO as organizational behaviours such as organization-wide generation of market intelligence to forecast customer needs in the future, generation of intelligence across departments and organization-wide responsiveness to it. They propose MO as a competitive strategy that effectively creates an organizational culture that facilitates enhanced value for the consumer and improved organizational performance. A market-oriented organization is thus an organization that is driven by customer needs and risk

taking (Slater and Narver, 1995; Guo, 2002). In addition, since MO is a set of intelligence-related behaviours, it may drive organizations to grow and develop (Matsuno, Mentzer and Rentz, 2005) – an attribute that applies in the context of large organizations as well as SMEs (Roomi, Harrison and Beaumont-Kerridge, 2009). As market oriented organizations can satisfy their customers by understanding their needs (Jaworski and Kohli, 1993) and perform better in the market due to built in culture of delivering superior value to customers (Narver and Slater, 1990), SMEs that have a strong MO are in better position to exploit their flexible organizational structure and closeness to customers to respond to market changes (Pelham, 2000). However, small enterprises may see incrementally better growth when compared to large-scale enterprise (Pelham, 2000).

Meanwhile, OL is a set of business values that could guide its behaviour and processes. According to Slater and Naver (1995) as well as Jones and Macpherson (2006), OL allows organizations to not only create new knowledge but also embed the new information to improve its organizational performance and routines. OL consists of values related to commitment to learning, open mindedness and shared vision for knowledge creation and use (Sinkula et al., 1997). Its ability to help organizations improve themselves for the better (Fiol and Lyles, 1985) makes OL a crucial aspect of business strategies. Fiol and Lyles (1985) propose that there are two different levels of OL as it relates to firm growth: lower and higher-level. Lower-level learning leans toward past behaviours and is usually short term (single-loop) whereas higher-level learning involves the development of complex rules and new actions (double-loop) (Jones and Macpherson, 2006). Jones and Macpherson found that organizations might learn from different approaches to gain more knowledge and information that is useful for organizational performance. They also suggest that OL requires some degree of control so that the new knowledge can be effectively adopted into management.

OL develops collective capacity to learn as an entire organization (Bremser and Dalgic, 2015) via what Erikson (2003) termed as either mastery, vicarious or social experiences. Mastery experience refers to previous experiences that organizations can learn from to improve the future. Vicarious experiences are from reflection and observation while social experiences are from receiving positive reinforcements.

Therefore, OL is an important trait because it makes an organization continuously collect information about their competitors, suppliers and customers in order to create continuously superior customer value (Slater and Narver, 1995). This process helps an organization to improve its customer orientation, competitor orientation and inter-functional coordination, which can drive it towards better performance (Deshpande, Farley and Webster, 1993; Kohli and Jaworski, 1990; Narver and Slater, 1990; Slater and Narver, 1995). Learning also drives innovation i.e. creative new ways to address an issue (Kasim, Gursoy, Okumus and Wong, 2014) especially if taken on organization-wide basis (Kasim, 2015). It places profitability of the organization as the priority and maintains superior customer value whilst also considering other stakeholders. It also maximizes customer acquisition and retention (Reinartz, Thomas and Kumar, 2005). OL creates value for organizations and provide a system to share market information both internally and externally (Kohli and Jaworski, 1990). As an organization needs to learn how to balance resources in marketing and sales to maximize customer profitability, market intelligence and knowledge sharing allow an organization to develop more innovative products and services to meet current customer needs and wants. Knowledge is an intangible asset and is a result of the learning process (Martínez-León and Martínez-García, 2011). It ensures the availability of useful information for organizations in planning their strategic and continuous growth. Jiménez-Jimenez, Sanz Valle and Hernandez-Espallardo (2008) contend that OL is in fact an antecedent of innovation because it develops new knowledge and insights that could influence and improve organization capabilities. OL has stronger results on an organization's non-financial performance and desired outcomes compared to financial ones (Goh, Elliot and Quon, 2012).

The last variable i.e. MCs are made up of three aspects including competitive uncertainty, demand uncertainty and market growth (Voss and Voss, 2000). The first aspect involves the level of competitive intensity that a firm faces due to price competition, existence of alternatives to a product and the need for aggressive advertising efforts to stay ahead (Porter, 1980). The second aspect relates to the instability in consumer wants and preferences. It is also referred to as market turbulence (Kohli and Jaworski, 1990). The last aspect refers to an enhanced demand due to factors such as

customers' quest for higher quality products, quest for new products, the emergence of a new market or higher purchasing power among existing customers. MCs, which can also be measured by the level or change in dynamism, heterogeneity, and hostility, have proven to positively assist small business growth (Wiklund, Patzelt and Shepherd, 2009). However, different market conditions have different direct or indirect impacts on SMEs. Dynamism, especially, has been found to have a significant relationship with entrepreneurial orientation (Wiklund, Patzelt and Shepherd, 2009). Kohli and Jaworski, (1990) attribute MCs to technology turbulence i.e. rapid change of technology that will turn the entire process of transforming product or services to the end user. They also propose that a competitive MC in an industry can drive organizations to become market-oriented to stay afloat.

Based on above theories, our conceptual framework is shown below:

INSERT FIGURE 1 HERE

The research model on Figure 1 proposes the indirect effect of MO on firm growth (or partial mediation of OL) as stated in H1a below. It also proposes that both MO and OL have positive influence on firm growth (H1b and H2). Finally, the moderating influence of MCs on OL's influence on firm growth is also proposed (H3).

2.1 Hypotheses Development

OL represents the development of new knowledge that is interpreted and institutionalized into organizational routines (Jones and Macpherson, 2006), facilitating performance-enhancing organizational changes (Slater and Narver, 1995) and developing collective capacity to learn as entire organizations (Bremser and Dalgic (2015). It can be sourced via three types of experiences i.e. mastery experiences (previous experiences that organizations can learn from to improve future experience), vicarious experience (observation or reflection while the last one refers to social persuasion to receive positive encouragement) and social experience (Erikson, 2003). A business can learn and develop skills and knowledge for future ventures from the different experiences (Cope, 2005).

There have been attempts to see the influence of OL in the MO-Firm Growth relationship. Zainul, Astuti, Arifin and Utami (2016) who studied the influence of MO on OL, innovation, competitive advantage and firm performance within the context of small medium enterprises (SMEs) in South Kalimantan, Indonesia, found direct significant effect of MO on OL, innovation, and corporate performance. Breman and Dalgic (2015) studied the relationship between MO and OL and their influence on business competitive advantage within the Dutch exporters context. They used Slater and Narver (1995) postulation that there are similarities between MO and OL, as the base of their study because they believe that MO theory which emphasizes on intelligence generation and OL theory which stresses on open minded inquiry and synergy in information distribution are essentially the same. The authors contend that as organizations engage in learning, they also learn about their market and competition situations and as such it is logical that a learning organization is also market oriented in nature.

The MO-OL-Firm Growth relationships have been confirmed in Day's (1992, 1994) and Kiernan (1993) studies, which observed that OL can lead to MO because companies' core competency primarily involve continuous learning and the capability to utilize market information to their advantage. Day (1994) for example, contend that learning processes characterize a market oriented organization. Sinkula (1994) and Slater and Naver (1995) also postulate that OL can lead to MO. However, their argument is that the process is cyclical rather than linear – beginning with learning skills on how to effectively process market information to becoming more market savvy to being more knowledgeable about manipulating market information. This higher ability to manipulate market information subsequently contributes to better capability in MO strategy. Breman and Dalgic (2015) conclude from their study that given the nature of OL and MO constructs, determining a causal order between OL and MO is quite impossible. Other researchers such as Baker and Sinkula (1999); Calantone et al. (2002), Hanvanich et al. (2006), and Jimenez-Jimenez et al. (2008) conclude that combining OL with MO can help improve the overall performance of a business organization.

Foley and Fahy (2009) also made similar observation. Using the understanding that MO can be linked to a number of OL relating to customer (Hooley et al., 2005) and market sensing (Day, 1994), the authors propose that MO has the potential to drive

effective generative learning because market sensing is anticipatory in nature and is often carried out to place the organization ahead of its competitors. Market sensing can be considered a “superior market learning capability” (Day, 1999, p.85). Thus learning plays a significant role in MO (Slater and Narver, 1995; Stoelhorst and van Raaij, 2004). This relationship was empirically tested in Malaysia within the context of SMEs. Using structural equation modelling analysis and focusing on human-capital enhancing HR practices, Lai Wan Hooi Kwang Sing Ngui (2014) found that SMEs learning capability mediates the influence of HR practices on organizational performance.

Therefore, this study conceptualizes OL as a mediator of MO and growth of hospitality SMEs. OL is adapted from Sinkula et al. (1997) as 1. Commitment to learning, measured by the extent to which a firm places value on learning; 2. Open-mindedness, measured by the extent to which a firm proactively questions long-held routines, assumptions, and beliefs; and 3. Shared vision, measured by the extent to which a firm develops and holds a universally understood organizational focus, and gives organizational members a sense of purpose and direction (Sinkula et al., 1997). Slater and Narver (1995) state that market oriented and entrepreneurial cultures, with their focus on market information processing and positive attitude towards change, greatly enhance a firm’s ability to learn. SMEs that want to remain competitive and innovative need to have OL. Learning can help SMEs to improve their service quality and performances (Aziz et al., 2012) because learning increases market information processing behaviours (Sinkula et al, 1997), which could influence SMEs’ strategic dimension, structural dimension and behavioural dimension (Michna, 2009). Thus, the following is proposed:

H1_a: The relationship between MO and hospitality SMEs growth is partially mediated by OL

MO may also have direct influence on firm growth. Kohli and Jaworski (1990) and Narver and Slater (1990) define MO as the competitive strategy that effectively creates an organization culture that is able to enhance the value for the consumer and therefore improves organizational performance. MO is grounded as customer orientation, competitor’s orientation and inter-functional orientation (Agarwal, Erramilli and Dev, 2003). It involves focusing on the needs of the customers and encourages a sufficient

willingness to take risks (Slater and Narver, 1995). A market-oriented organization has the tendency towards customer orientation that tried to meet customer needs (Guo, 2002).

The link between MO on the firm's market performance (Narver and Slater, 1990) and growth (Cano et al., 2004; Kara et al., 2005) has been quite extensively investigated. Although some studies suggest negative or non-significant relationships, arguing that performance depends on market conditions such as competitive intensity, industry and customer characteristics (Jaworski and Kohli, 1993; Kara et al., 2005), most of the studies claim a positive relationship between MO and firm performance (Slater and Narver, 2000; Kohli and Jaworski, 1990; Narver and Slater, 1990; Slater and Narver, 1994a; Pelham, 2000; Guo, 2002; Agarwal *et al*, 2003; Cano, Carrillat and Jaramillo, 2004; Kara, Spillan and DeShields, 2005; Baker and Sinkula, 2009). For example, a meta-analysis study on the relationship between MO and firm performance found a positive relationship (Cano, Carrillat and Jaramillo, 2004) signalling that an organization that practices MO will be driven towards growth. Statistical support for the MO-performance relationship has also been provided among other, by Narver and Slater (1990), Jaworski and Kohli (1993), Slater and Narver (1994a), Deshpande, Farley and Webster (1993), and Greenley (1995). The identified importance of MO for firm growth is assumed to reflect the fact that a market oriented firm is better coordinated internally and is superior in its market-sensing and customer linking capabilities (Agarwal, Erramilli and Dev, 2003). A strong MO is therefore seen to provide a unifying focus within an organization and hence create a synergy, which leads to a more competitive and superior performance (Agarwal et al., 2003).

However, more recent studies provide less consistent findings. Protcko and Dornberger (2014) studied this relationship within the context of knowledge-intensive industries in Russia and found that the market orientation has less positive impact on financial and non-financial firm performance in knowledge-intensive industries. Ladipo, Rahim, Oguntoyibo and Okikiola (2016) studied the relationship within the context of small and medium hotels in Lagos and found that only the customer orientation dimension significantly contributed to the small sized hotel operators' firm performance. Both the competitor orientation and inter-functional coordination are not significantly linked to its performance. Hilman and Kaliapppen (2014) who studied 3 to 5 star hotels in

Malaysia found that only competitor orientation and customer orientation are positively linked to organizational performance. Hence, there is still a need to study the influence of MO on firm growth in various contexts and the following hypothesis is therefore proposed:

H_{1b}: MO has positive influence on hospitality SMEs growth.

OL may also have direct influence on firm growth as it may lead to an organizational culture that positively influence organization sales, help build good teams, and improve product and service quality in tandem with market demand (Altinay and Altinay, 2006). Such culture, in turn, are seen to guide business organizations' behaviour and processes of acquiring diverse information, developing common understanding of information and generating new knowledge or organizational insights (Fiol and Lyles, 1985). OL is consequently viewed as an underpinning internal self-renewal, which forms an important aspect of business organizations' strategic activities.

OL is an important trait because it makes an organization continuously collect information about their competitors, suppliers and customers in order to create continuously superior customer value (Slater and Narver, 1995). This process helps an organization to improve its customer orientation, competitor orientation and inter-functional coordination, which can drive it towards better performance (Deshpande, Farley and Webster. 1993; Kohli and Jaworski, 1990; Narver and Slater, 1990; Slater and Narver, 1995). Learning also drives innovation i.e. creative new ways to address an issue (Kasim, Gursoy, Okumus and Wong, 2014) especially if taken on organization-wide basis (Kasim, 2015). It places profitability of the organization as the priority and maintains superior customer value whilst also considering other stakeholders.

According to Reinartz, Thomas and Kumar (2005), OL is important to maximize customer acquisition and retention. An organization needs to learn how to balance resources in marketing and sales to maximize customer profitability. OL creates value for organizations and provide a system to share market information both internally and externally (Kohli and Jaworksi, 1990). Market intelligence and knowledge sharing allow an organization to develop more innovative products and services to meet current customer needs and wants. Knowledge is an intangible asset and is a result of the learning

process (Martínez-León and Martínez-García, 2011). Knowledge begs useful information for organizations in planning their strategic and continuous growth. Jiménez-Jimenez, Sanz Valle and Hernandez-Espallardo (2008) contend that OL is an antecedent of innovation because it develops new knowledge and insights that could influence and improve organization capabilities (Agarwal, Erramilli and Dev, 2003). Goh, Elliot and Quon (2012) also found that OL has stronger results on an organization's non-financial performance and desired outcomes compared to financial ones. Therefore, the following hypothesis is proposed:

H2: Organizational learning has a positive influence on hospitality SMEs growth

The final relationship that this study wants to test is the moderating influence of MCs on the OL-Firm Growth relationship. Kohli and Jaworski (1990) suggest that several market environment or conditions such as market turbulence; technology turbulence, competitive market and weaker general economy may influence Firm Growth or performance. The hospitality business in particular, operates in a highly dynamic and competitive macro-environment or market conditions (MCs) (Kasim and Dzakiria, 2016). This requires business firm to develop strategically in order to survive. However, while being strategic and adopting a correct positioning will help an organization have the competitive advantage to survive in any market (Porter, 1985) the sustainability of such positioning initiative relies critically on the MCs that affect the organization (Porter, 1980).

Since a business's penchant towards strategic orientations is subject to its macro-environment (Kasim and Dzakiria, 2016) higher market turbulence and competitiveness can strengthen the relationship between OL and MO with business performance (Bremán and Dalgic, 2015). However, when MCs are badly influenced by factors such as economic turbulence, hospitality SMEs' OL activities may become less cost-effective in assisting them achieve their business growth objectives. In the literature, there is still uncertainty about the moderating influence of MCs on OL-Firm Growth relationship. While some studies have found positive influence, others have not. For example, Voss and Voss (2000) found that MCs in the form of product or technology turbulence, market uncertainty and competitive intensity moderate the strategic orientation-performance

relationship. Jaworski and Kohli (1993) and Slater and Naver (1994a) on the other hand, failed to find the moderating influence of market conditions on the relationship. Hence, the moderating influence of MCs needs to be studied further because as Dickson (1992) has emphasized, in dynamic and turbulent markets, the ability to learn more quickly than the competitors and to transfer information into knowledge may be the only source of sustainable competitive advantage. Thus, the following hypothesis is proposed.

H₃: The relationship between OL and hospitality SMEs growth is moderated by MCs

3.0 METHODOLOGY

3.1 The Measures

Prior to questionnaire design and data collection, exploratory interviews were conducted with a maximum variation sample of managers/owners in hospitality SMEs to test face validity of the conceptual model. Data was collected using a structured questionnaire. Then the survey instrument was designed based on the literature as follows:

INSERT TABLE 1 HERE

The validity of the instrument was determined by 1) using expert opinions from both the academic and the industry sides, and 2) pilot testing the instrument on a small group of target respondents. Based on the pilot results, the instrument was revised and finalized. The final instrument was used to gather data from general managers of small and medium hotels. The operational definitions of each variable are explained below:

INSERT TABLE 2 HERE

3.2 Data Collection

Data was collected via cluster sampling in the selected destinations. Kuala Lumpur has the largest concentration of hospitality SMEs, followed by Penang and Langkawi. The sampling took this into account in deciding the sampling proportion. Specifically, respondents were surveyed using cluster-sampling technique based on

population data from business directories, information from the Department of Statistics Malaysia and Ministry of Tourism and Culture (www.motac.gov.my). From these sources, the number of hotels in Penang and Kuala Lumpur were determined to be 148 and 263 respectively while the number of hotel in Langkawi was 98, making the population of study to be 509. However, from these numbers, there were 37 five star hotels in Kuala Lumpur, 11 in Penang and 9 in Langkawi at the time of the fieldwork. Five star hotels were therefore excluded, reducing the population of study to 452. To meet the sample requirement of SEM, a sample that is between 200-300 was needed to test the model via Structural Equation Modelling approach (Jöreskog and Sörbom, 1996). Hence the study focused only hotels with fifty or less workers from the study population to meet the sample requirement while fulfilling the criteria of small and medium size hotels.

General managers or owners were approached with personally assisted structured questionnaires. Those who agreed when approached were interviewed by enumerators / research associates who have been thoroughly trained to minimize potential bias. The structured questionnaire and an interview schedule were developed for data collection purposes first in English and then translated into Bahasa Malaysia and Mandarin using the iterative process of back-translation by language experts. The translated questionnaires were then translated back to English and compared to ensure accuracy of content. The final instrument was used to gather data from general managers of small and medium hotels. All the measures used a 5-point Likert type scale. After six months of fieldwork, the interviews provided the researchers with sufficient data for analysis i.e. 254 usable questionnaires (56% response rate).

4.0 ANALYSIS AND RESULTS

The analysis began with profiling the participating hotels. Table 3 summarises their background.

INSERT TABLE 3 HERE

The proposed conceptual framework was tested using SEM because the structural portion of the SEM allows for the testing of multiple equations with multiple dependent

variables. It also provides parameter values (i.e., path coefficients) for each of the research hypotheses and determines their respective significance.

Following Anderson and Gerbing (1988) recommendation, a two-step approach was used to assess the structural model. The first step involved finding the best fit for the data through a series of nested structural models - the null structural sub-model (M_n) in which all parameters relating the constructs to one another are fixed at zero, the theoretical model (M_t) and the saturated model (M_s) that estimates all parameters relating the constructs to one another. This model is formally equivalent to the confirmatory measurement model. The second step involved assessing whether any structural model has acceptable goodness of fit by using a pseudo chi-square test. As described by Bentler and Bonett, (1980), a pseudo chi-square statistic is constructed from the chi-square value for the saturated model (M_s) (the smallest chi-square value possible for any structural model) with the degrees of freedom from the null structural sub-model (M_n).

Before testing the research model, validity and reliability of the measures were checked. According to Churchill (1979), confirmatory factor analysis is used to assess the scale's construct validity and Cronbach alpha for the scale's reliability. Hence structural equation modelling (SEM) approach using Partial Least Squares (PLS) was used to estimate both the measurement and structural models (Chin, 1998). First, PLS's use does not require a large sample size and making assumptions about multivariate normality. Second, PLS provides parameter values (i.e., path coefficients) for each of the research hypotheses and determines their respective significance. Its structural portion also allows for the testing of multiple equations with multiple dependent variables. Third, its use is most appropriate when the primary concern is with the prediction of endogenous variables (Chin, 1998; Fornell and Bookstein, 1982).

The initial reliability examination of the MO and OL scales suggested that their Cronbach's alpha scores were below the minimum acceptable thresholds ($\alpha < 0.60$). Also examination of the construct validity did not confirm MO and OL's multidimensional structure on this occasion. The most recent empirical and conceptual studies have found similar results when assessing organizational learning capability and entrepreneurship capability in small medium size hotels (Altinay et al., 2016; Baker and Sinkula, 2009). Therefore all measurement scales were treated as one-dimensional. Accordingly, the

items that reduce reliability of the measures were removed from the scales (see Appendix 1). Convergent validity of the revised scales was established in two ways. First, the *t*-values from the PLS were examined for each item, and all were statistically significant at the $p < .001$ level (Anderson and Gerbing, 1988). Second, each scale's discriminant validity was checked using the Fornell and Larcker's (1981) formula. Discriminant validity is established when the average variance extracted (AVE) of each construct is greater than 0.50. Table 4 shows descriptive statistics, bi-variate correlations, and AVEs for the research model's variables.

INSERT TABLE 4 HERE

As can be seen from Table 4, the measurement scales meet the discriminant validity criterion as the AVE for Growth (0.75), OL (0.51) and MO (0.51). The scales' measurement properties indicate the factor loadings are high and statistically significant ($p > 0.05$), satisfying the criteria for convergent validity. In addition, the Cronbach Alpha (hospitality SMEs growth = 0.67, OL = 0.75, and MO = 0.68) and composite reliabilities of the measurement scales (hospitality SMEs growth = 0.85, OL = 0.83, and MO = 0.80) meet or exceed Nunnally and Bernstein's (1994) recommendation.

In order to establish the stability and significance of our parameter estimates, we computed the *t*-values on the basis of 500 bootstrapping runs. In the full mediation model, the R^2 for hospitality SMEs growth is 0.83, suggesting that our model explains 83% of the variance in this endogenous variable. Similarly, the R^2 for the MO is moderate and explains 28% variance in OL. Overall, these results suggest that our model has good explanatory power.

The results of the full, partial mediation model and the hypotheses testing are shown in Table 5:

INSERT TABLE 5 HERE

As predicted in H1a, MO relates to OL and the study results support this (SPC = 0.52, $t=10.5$, $p < 0.01$). Therefore, the effect of MO on hospitality SMEs growth is partially mediated by OL. The result also supports H1b as the effect of MO on hospitality

SMEs growth was found to be statistically significant ($SPC = 0.06$, $t = 2.05$, $p < 0.05$). For H2, the results show that OL positively relates to hospitality SMEs growth ($SPC = 0.91$, $t = 105.0$, $p < 0.01$).

Next, using the median scores of the competitive intensity variables we conducted multi group analysis in order to assess the moderating influence of MCs on the relationship between OL and hospitality SMEs growth as stated H3. The result showed that MCs do not have a moderating influence on the relationship between OL and hospitality SMEs growth as the paths were statistically significant in low and high market competitive intensity groups (Competitive intensity_{Low} $SPC = 0.94$, $t = 64.0$, $p < 0.01$, Competitive intensity_{High} $SPC = 0.94$ $t = 58.69$, $p < 0.01$). Following the same data analysis strategy, we assessed the moderating influence of MCs on the relationship between OL and hospitality SMEs growth to test H3. The results showed that the MO and hospitality SMEs growth paths are statistically significant in low and high market competitive intensity groups (Competitive intensity_{Low} $SPC = 0.06$, $t = 2.08$, $p < 0.05$, Competitive intensity_{High} $SPC = t = 1.93$, $p < 0.05$ sig due to using directional hypothesis and one tail t-test). These findings confirm that regardless of the market competitive market intensity conditions OL and MO have a statistically significance influence on hospitality SMEs growth. Hence these results reject H3.

We also conducted post hoc analysis to investigate whether MCs have any influences on hospitality SMEs growth given that market competitive intensity seriously threatens the hotel's growth ambitions. As the relationship was found to be statistically significant ($SPC = 0.04$, $t = 1.67$, $p < 0.05$ sig due to using one tail t-test), these results confirm that market competitive intensity has a negative impact on the hospitality SMEs growth.

5.0 IMPLICATIONS OF FINDINGS

The results of the study imply that OL is an important factor in explaining the relationship between MO and hospitality SMEs' growth. In other words, continuously collecting information about the competitors, suppliers and customer to create continuously superior customer value (Slater and Narver, 1995) and drive towards better

performance (Deshpande, Farley and Webster. 1993; Kohli and Jaworski, 1990; Narver and Slater, 1990; Slater and Narver, 1995) is an important factor for hospitality SMEs' growth.

The results that MO has a significant relationship with hospitality SMEs growth also empirically reinforces the general agreement in the literature that MO has a positive relationship with firm performance (see Slater and Narver, 2000; Kohli and Jaworski, 1990; Narver and Slater, 1990; Slater and Narver, 1994a; Pelham, 2000; Guo, 2002; Agarwal et al., 2003; Cano, Carrillat and Jaramillo, 2004; Kara, Spillan and DeShields, 2005; Baker and Sinkula, 2009, Agarwal et al., 2003). This means that theoretically, hospitality SMEs behave similar to other types of market oriented organizations, in that with MO they will perform better in delivering superior value to customers (Narver and Slater, 1990). Thus they are in better position to exploit their flexible organizational structure and closeness to customers in responding to changes in the market (Pelham, 2000).

This study contributes to the small hospitality management literature by systematically examining the combined effect of MO, OL and MCs and developing a model that uses a multi-construct framework to examine their influence. This is particularly important because in both theoretical and empirical studies of small businesses, researchers highlight the significance of strategic orientations in explaining business growth. This study's findings suggest that MO is a significant contributor towards hospitality SMEs' growth and that this effect takes place with some influence from OL that hospitality SMEs engage in and regardless of the MCs surrounding their business environment. Therefore, it makes an important contribution to the hospitality literature by demonstrating that both MO and OL are important antecedents of hospitality SMEs' growth. In addition, from the theoretical point of view, this study debunks the idea that MO is suitable only for large-scale organizations and provides evidence that MO also functions in SMEs (see Roomi, Harrison and Beaumont-Kerridge, 2009). It confirms the proposal that SMEs in the hospitality industry (see Agarwal et al., 2003) with strong MO are in a better position to exploit their flexible organizational structure and closeness to customers in responding to changes in the market (see Pelham, 2000).

From the managerial perspective, since MO can result in the growth of hospitality SMEs regardless of market conditions, then practically speaking, the more a hospitality SMEs owner/manager takes the initiative to know and serve its market well, the better its firm performance will be, no matter what is taking place within the business environment. This means that a hospitality SME can be in control of its growth once it sets a 'market oriented' strategic orientation aiming to meet customer needs, understand the competitive environment and achieve stronger internal coordination of activities. 'Customer needs' focused MO is becoming increasingly important given that customer experience and more importantly 'memorable experience' has become the core antecedent of satisfaction (Chathoth et al., 2013). In addition, strong awareness and understanding of the dynamics in the competitive environment appears to be crucial for growth, given that hospitality SMEs are facing fierce competition not only from direct competition but also from indirect competition (which arguably can now be seen as direct competition) by the sharing economy, including AirBnB. Moreover, effective internal coordination of activities should be high priority for hospitality SMEs as this can be a source of competitive advantage against both large and small counterparts and also against indirect competition. This effective internal coordination can be achieved through demonstrating visionary leadership and enhancing employee commitment and motivation (Altinay and Altinay, 2006).

Another important managerial implication is the importance of OL in hospitality SMEs. The results of the study indicate that learning helps in enhancing hospitality SMEs growth. Learning however requires exploiting a flexible decentralized organizational structure that would facilitate the closeness to customers, collecting, synthesizing and acting upon market intelligence swiftly and thus being able to respond to the dynamic changes in the market. Bayraktoroğlu and Kutanis (2003) stress that learning in hotels requires mental transformation among managers towards supporting innovative ideas and developing an organizational culture via providing suitable atmosphere for learning. Meanwhile Kasim (2015) proposes that organizational learning for hotel requires not only commitment from the managers, but also creative ideas and support from all levels of employees. Together, this would lead to an all-encompassing work culture that prioritizes organizational learning. Lower level employees' creative ideas would lead to

innovations that could improve organizational performance and help the organization's overall growth (Kasim, 2015).

6.0 CONCLUSION

As the study has demonstrated, hospitality SMEs need to adopt a strong MO and meet customer needs, understand the competitive environment and achieve stronger internal coordination of activities in order to facilitate growth. This is crucial in an environment where meeting expectations and enhancing customer experience are paramount for business growth (Altinay, 2010; Seilov, 2015). Such aspirations require developing businesses plans, and executing business strategies to help sustain their existence in the market (Slater and Narver, 2000; Kohli and Jaworski, 1990; Narver and Slater, 1990; Slater and Narver, 1994) and more importantly produce innovative products and services and create employment (Jaafar et al., 2010).

In conclusion, this study is among the few studies in the hospitality literature drawing upon multiple perspectives to investigate the combined effects of MO and OL on the hospitality SMEs' growth. It adds to knowledge on the combined influence of MO, OL and MCs on performance (Altinay et al., 2016) by showing that understanding the growth of hospitality SMEs requires adopting a holistic perspective and combining the strategy, entrepreneurship and marketing interface in order to understand the dynamics in which small hospitality business operate. The study has also made a genuine attempt to offer insights into the current business climate in Malaysia and its likely impacts on the growth of hospitality SMEs. However, the findings of this study showed that market conditions do not play a significant moderating role in the relationship between MO and hospitality SMEs growth. Further investigation of this issue is therefore needed.

7.0 THE STUDY'S LIMITATION AND RECOMMENDATION FOR FUTURE STUDIES

Clearly, MO as a strategy can assist hospitality SMEs' growth. This has been demonstrated within the context of small and medium size hotels in Malaysia. However, there are a few limitations of this study that future researchers may try to overcome. For example, the study is limited to hotels. Hence future researchers could expand the scope

to include other categories of SMEs in the hospitality industry to establish a more comprehensive outlook on the effect of MO on SMEs in the hospitality industry. They could also improve their respective studies by complementing their quantitative data with some in-depth interviews with the SME operators themselves and giving their studies some 'depth' with regard to the contextual surroundings in which small hospitality businesses operate.

In addition, since the findings of this study showed that MCs do not play a significant moderating role in the relationship between MO and hospitality SMEs growth, deeper investigation of this issue is timely and important as today's hospitality SMEs are vulnerable both to risks from their own counterparts and large firms as well as risks arising from the current global economic climate. Through understanding how the relationship between the strategic orientations of small firms and their growth is influenced by unstable market conditions, researchers can respond to what Herbane (2015) has coined as a new research agenda encapsulated within a 'crisis-based view' of small firms.

8.0 REFERENCES

- Agarwal, Sanjeev, M. Krishna Erramilli, and Chekitan S. Dev. (2003). Market Orientation and Performance In Service Firms: Role of Innovation. *Journal of Services Marketing* 17.1: 68-82.
- Altinay, L., Madanoglu, M., De Vita, G., Arasli, H., and Ekinci, Y. (2016). The Interface between Organizational Learning Capability, Entrepreneurial Orientation, and SME Growth. *Journal of Small Business Management*. Available from <http://dx.doi.org/10.1111/jsbm>
- Altinay, Levent and Eser Altinay. (2006). Determinants of Ethnic Minority Entrepreneurial Growth In The Catering Sector. *The Service Industries Journal* 26.2: 203-221.
- Altinay, Levent. (2010). Market Orientation of Small Ethnic Minority-Owned Hospitality Firms. *International Journal of Hospitality Management* 29.1: 148-156.
- Anderson, James C. and David W. Gerbing. (1988). Structural Equation Modeling In Practice: A Review and Recommended Two-Step Approach. *Psychological*

- Bulletin* 103.3: 411-423.
- Aziz, Yuhannis Abdul, Khairil, Whaidin, and Awang, Zaiton. (2012). Challenges faced by micro, small and medium lodgings in Kelantan, Malaysia. *International Journal of Economic and Management* , 6.1: 167-190.
- Baker, W. E. and J. M. Sinkula. (1999). The Synergistic Effect of Market Orientation and Learning Orientation On Organizational Performance. *Journal of the Academy of Marketing Science* 27.4: 411-427.
- Baker, W. E. and J. M. Sinkula. (2009). The Complementary Effects of Market Orientation and Entrepreneurial Orientation on Profitability in Small Businesses. *Journal of Small Business Management* 47.4: 443-464.
- Bayraktaroglu, S., and Kutanis, R.O. (2003). Transforming hotels into learning organizations: A new strategy for going global. *Tourism Management*, 24: 149-154.
- Breman, P. and Dalgic, T. (2015). Exporting Firms, the Learning Organization and Market Orientation: A conceptual and empirical investigation of Dutch exporters. In *Globalization, the Multinational Firm, and Emerging Economies*. Published online: 09 Mar 2015:339-383.
- Calantone, R., Cavusgil, S. and Zhao, Y. (2002). Learning Orientation, Firm Innovation Capability, and Firm Performance. *Industrial Marketing Management*, 31.6: 515-24.
- Cano, R., Francois, C., Carrillat, A. and Jaramillo, F. A. (2004). Meta-Analysis of the Relationship between Market Orientation and Business Performance: Evidence From Five Continents. *International Journal of Research in Marketing* 21.2: 179-200.
- Chathoth, P., Altinay, L., Harrington, R.J., Okumus, F. and Chan, E.S.W. (2013). Co-production versus co- creation: A process based continuum in the hotel service context. *International Journal of Hospitality Management*, 32: 11-20.
- Chen, Sandy C. and Julie Ann Elston. (2013). Entrepreneurial Motives and Characteristics: An Analysis of Small Restaurant Owners. *International Journal of Hospitality Management* 35: 294-305.
- Chin, W.W. (1998). The Partial Least Squares Approach to Structural Equation

- Modeling. In Marcoulides, G.A. (Ed.), *Modern Methods for Business Research*, Lawrence Erlbaum Associates, Mahwah, NJ, pp. 295-336.
- Chittithaworn, C., Islam, Md. A., and Keawchana, T. (2010). Factors Affecting Business Success of Small & Medium Enterprises (SMEs) in Thailand. *Asian Social Science*, 7(5), 180-190.
- Churchill, Gilbert A. (1979). A Paradigm for Developing Better Measures of Marketing Constructs. *Journal of Marketing Research* 16.1: 64.
- Cope, Jason. (2005). Toward a Dynamic Learning Perspective of Entrepreneurship. *Entrepreneurship Theory and Practice* 29.4: 373-397.
- Day, G. S. (1992). Continuous Learning about Markets. *Planning Review*. 20.5 September/October: 47-49.
- Day, G. S. (1994). The Capabilities of Market Driven Organizations. *Journal of Marketing*, 58 October: 37-52.
- Day, G.S. (1999). *The Market-Driven Organization*, The Free Press, New York, NY. Department of Statistics Malaysia and Ministry of Tourism and Culture (www.motac.gov.my).
- Deshpande, Rohit, John U. Farley, and Frederick E. Webster. (1993). Corporate Culture, Customer Orientation, and Innovativeness In Japanese Firms: A Quadrad Analysis. *Journal of Marketing* 57.1: 23.
- Dickson, Peter Reid. (1992). Toward a General Theory of Competitive Rationality. *Journal of Marketing* 56.1: 69.
- Erikson, T. (2003). Towards a Taxonomy of Entrepreneurial Learning Experiences among Potential Entrepreneurs. *Journal of Small Business and Enterprise Development*, 10.1: 106-112.
- Fiol, C. Marlene and Marjorie A. Lyles. (1985). Organizational Learning. *Academy of Management Review* 10.4: 803-813.
- Foley, Anthony and Fahy, John. (2009). Seeing market orientation through a capabilities lens. *European Journal of Marketing*, 43 (1/2): 13 – 20.
- Fornell, Claes and David F. Larcker. (1981). Evaluating Structural Equation Models With Unobservable Variables and Measurement Error. *Journal of Marketing Research* 18.1: 39.

- Fornell, Claes and Fred L. Bookstein. (1982). Two Structural Equation Models: LISREL and PLS applied to consumer exit-voice theory. *Journal of Marketing Research* 19.4: 440.
- Goh, S.C. Elliott, C. and Quon, T.K. (2012). The Relationship between Learning Capability and Organizational Performance. *The Learning Organization*, 19.2: 92 – 108.
- Greenley, G. E. (1995). Market Orientation and Company Performance: Empirical evidence from UK companies. *British Journal of Management*, 6.1: 1-13.
- Grinstein, Amir. (2008). The Relationships between Market Orientation and Alternative Strategic Orientations. *European Journal of Marketing* 42.1/2: 115-134.
- Guo, Chiquan. (2002). Market Orientation and Business Performance. *European Journal of Marketing* 36.9/10: 1154-1163.
- Hanvanich, S., Sivakumar, K. and Hult, G.T. (2006). The Relationship of Learning and Memory with Organizational Performance: The moderating role of turbulence. *Journal of the Academy of Marketing Science*, 34.4: 600-12.
- Herbane, B. (2015). Threat Orientation in Small and Medium-Sized Enterprises. *Disaster Prevention and Management*. 24.5: 583 – 595.
- Hooley, G.J., Greenly, G.E., Cadogan, J.W. and Fahy, J., (2005). The Performance Impact of Marketing Resources, *Journal of Business Research*, 58.1: 18-27.
- Jaafar, M., Maideen, S.A and Mohd Sukarno, S.Z. (2010). Entrepreneurial Characteristics of Small and Medium Hotel Owner-Managers. *World Applied Sciences Journal* 10 (Special Issue of Tourism and Hospitality) : 54-62.
- Jaworski, B.J., and Kohli, A. (1993). Market Orientation: Antecedents and consequences. *Journal of Marketing*, 57: 53-70.
- Jean-Jacques Lambin. (2007). Market-Driven Management: Supplementary web resource material. (Questionnaire to Measure the level of market orientation of a firm). Palgrave Macmillan.
- Jiménez-Jimenez, Daniel, Raquel Sanz Valle, and Miguel Hernandez-Espallardo. (2008). Fostering Innovation. *European Journal of Innovative Management*, 11.3: 389-412.
- Jones, Oswald and Allan Macpherson (2006). Inter-Organizational Learning and

- Strategic Renewal In SMEs. *Long Range Planning*, 39.2: 155-175.
- Jöreskog, K. G. and Sörbom, D. *LISREL 8 User's Reference Guide*. (1996). Chicago: Scientific Software International.
- Kara, Ali, John E. Spillan, and Oscar W. DeShields. (2005). The Effect of a Market Orientation on Business Performance: A Study of small-sized service retailers using MARKOR scale. *Journal of Small Business Management*, 43.2: 105-118.
- Kasim, A. and Dzakiria, H. (2016). Exploring the Effects of Macro-environment on the Predisposition to Adopt Strategic Orientation among Small Medium size Hotel Entrepreneurs. *International Journal of Economics and Financial Issues*, 6 (S7): 1-5.
- Kasim, A. (2015). Environmental management system (EMS): Postulating the value of its adoption to organizational learning in hotels. *International Journal of Contemporary Hospitality Management*, 27.6:1233 – 1253.
- Kasim, A., Gursoy, D., Okumus, F. and Wong, A. (2014). The Importance of Water Management in Hotels: A framework for sustainability through innovation. *Journal of Sustainable Tourism*, 22.7: 1090-1107 DOI:10.1080/09669582.2013.873444.
- Kiernan, M. J. (1993). The New Strategic Architecture: Learning to Compete in the Twenty-First Century. *Academy of Management Executive*, 7.1: 7-21.
- Kohli, A.K., and Jaworski, B.J. (1990). Market orientation: the construct, research proposition, and managerial implications. *Journal of Marketing*, 54.1: 1-18.
- Lai Wan Hooi Kwang Sing Ngui (2014). Enhancing organizational Performance of Malaysian SMEs. *International Journal of Manpower*, 35.7: 973 – 995.
- Mahmood, R., and Hanafi, N. (2013). Entrepreneurial Orientation and Business Performance of Women-Owned Small and Medium Enterprises in Malaysia: Competitive Advantages as a Mediator. *International Journal of Business and Social Science*, 4(1), 82-90.
- Martínez-León, I., and Martínez-García, J.A. (2011). The influence of organizational structure on organizational learning. *International Journal of Manpower*, 32 (5/6) : 537-566.
- Matsuno, Ken, John T. Mentzer, and Joseph O. Rentz (2005). A Conceptual and

- Empirical Comparison of Three Market Orientation Scales. *Journal of Business Research*, 58.1: 1-8.
- Melia, D. (2010). Critical Success Factors and Performance Management and Measurement: A Hospitality Context. Retrieved on 15 January, 2017 from: <http://arrow.dit.ie/tfschmtcon/43/>. Business and Economic Research.
- Michna, A. The Relationship between Organizational Learning and SMEs Performance in Poland (2009). *Journal of European Industrial Training*, 33 (4) : 356-70.
- Narver, John C. and Stanley F. Slater. (1990). The Effect of a Market Orientation on Business Profitability. *Journal of Marketing*, 54.4: 20.
- Nunnally, J. C. and I. H. Bernstein (1994). *Psychometric Theory*. New York: McGraw-Hill Inc.
- Pelham, A.M. (2000). Market Orientation and Other Potential Influences on Performance in Small and Medium-sized Manufacturing Firms. *Journal of Small Business Management*, 38: 48-67.
- Polo, A.I., Frías, D.M., and Rodríguez, M.A. (2012). Validation of a Market Orientation Adoption Scale in Rural Tourism Enterprises, Relationship between the Characteristics of the Enterprise and Extent of Market Orientation Adoption. *International Journal of Hospitality Management*, 31: 139-151.
- Porter, M.E. *Competitive Strategy*, (1980). New York: The Free Press.
- Porter, M.E. *Competitive Advantage*, (1985). New York: The Free Press.
- Reinartz, Werner, Jacquelyn S. Thomas, and V. Kumar. (2005). Balancing Acquisition and Retention Resources to Maximize Customer Profitability. *Journal of Marketing* 69.1: 63-79.
- Roomi, A. M., Harrison, P. and Beaumont-Kerridge, J. (2009). Women Owned Small and Medium Enterprises in England. *Journal of Small Business Enterprises Development*, 16.2: 270-288.
- Rue, L.W., and Ibrahim, N.A. (1994). The Relationship between Planning Sophistication and Performance in Small Businesses. *Journal of Small Business Management*, 3.4: 24-32.
- Seilov, Galimzhan Aidarkulovich (2015). Does the Adoption of Customer and Competitor Orientations Make Small Hospitality Businesses More

- Entrepreneurial? *International Journal of Contemporary Hospitality Management*, 27.1: 71-86.
- Sinkula, J., Baker, W., and Noordewier, T. A Framework for Market-based Organizational Learning: Linking values, knowledge, and behaviour (1997). *Journal of the Academy of Marketing Science*, 25.4: 305-319.
- Sinkula, J. Market Information Processing and Organizational Learning (1994). *Journal of Marketing*, 58: 35-45
- Skokic, Vlatka, Paul Lynch, and Alison Morrison. Hotel Entrepreneurship in a Turbulent Environment. *International Journal of Hospitality Management*, 53 (2016): 1-11.
- Slater, Stanley F. and John C. Narver (1994a). Does Competitive Environment Moderate the Market Orientation-Performance Relationship? *Journal of Marketing*, 58.1: 46.
- Slater, Stanley F. and John C. Narver (1995). Market Orientation and The Learning Organization. *Journal of Marketing*, 59.3: 63.
- Stoelhorst, J.W. and van Raaij, E.M. (2004). On Explaining Performance Differentials: Marketing and the managerial theory of the firm. *Journal of Business Research*, 57.7: 462-77.
- Vitale, R., Giglierano, J., and Miles, M. (2003). Entrepreneurial Orientation, Market Orientation, and Performance in Established and Start-up Firms.
- Voss, Glenn B. and Zannie Giraud Voss (2000). Strategic Orientation and Firm Performance in an Artistic Environment. *Journal of Marketing*, 64.1: 67-83.
- Wiklund, J., Patzelt, H. and Shepherd, D. Building an Integrative Model of Small Business Growth (2009). *Small Business Economics*, 32.4: 351-374.
- Wong, A. (2012), SMEs to account for 41% of GDP by 2020. available at: www.theedgemaalasia/home/go-archive/87-in-the-financial-daily/216479-smes-to-account-for-41-of-gdp-by-2020.html.
- Protcko, E. and Dornberger, U. (2014). The impact of market orientation on business performance –the case of Tatarstan knowledge-intensive companies (Russia), *Problems and Perspectives in Management*, 12.4: 225-231.
- Ladipo, P.K.A., Rahim, A.G., Oguntoyibo, C.A. and Okikiola, I.O.(2016). Market Orientation and Business Performance: A study of interrelationships and effects in

- a small sized hotels within Lagos State Metropolis. *Academic Journal of Economic Studies*, 2.4 December (2016) : 98–119, ISSN 2393-4913, ISSN On-line 2457-5836.
- Hilman, H. and Kaliappen, N. (2014). Market Orientation Practices and Effects on Organizational Performance: Empirical Insight From Malaysian Hotel Industry *SAGE Open*. October-December 2014: 1–8 © The Author(s) 2014 DOI: 10.1177/2158244014553590.
- Zainul, M., Astuti, E.S., Arifin, Z. and Utami, H.N. (2016). The Effect of Market Orientation toward Organizational Learning, Innovation, Competitive Advantage, and Corporate Performance, *Journal of Administrative Sciences and Policy Studies*, 4.1: 1-19, ISSN: 2372-5109 (Print), 2372-5117 (Online), Published by American Research Institute for Policy Development, DOI: 10.15640/jasps.v4n1a1 URL: <https://doi.org/10.15640/jasps.v4n1a1>

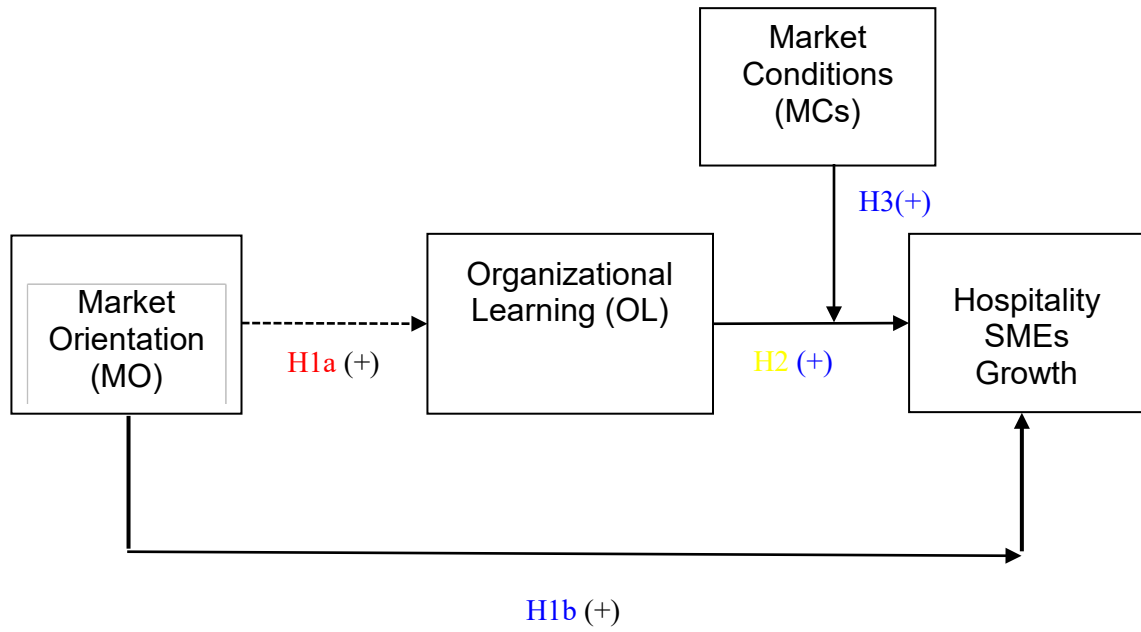


Figure 1: The research model

Table 1: List of questionnaire items and the literature they were based on

Items	Market Orientation	Sources
Q1-6	Market Intelligent	Narver and Slater (1990); Vitale, R., Giglierano, J., Miles, M. (2003); Melia, D (2010).
Q7-15	Dissemination of Market information	Vitale, R., Giglierano, J., Miles, M. (2003); Jean-Jacques Lambin. (2007); Melia, D(2010); Chittithaworn, C., Islam, Md. A., Keaechana, T.(2011)., Mahmood, R., and Hanafi, N. (2013).
Q16-25	Contribution to Customer Value	Vitale, R., Giglierano, J., Miles, M. (2003); Jean-Jacques Lambin. (2007); Melia, D (2010).
Organizational Learning (OL)		
Q26-30	Customer Orientation	Sinkula et al. (1997); Slater, S.F., and Narver, J.C. (1995); Kara, Ali, John E. Spillan, and Oscar W. DeShields. (2005)
Q31-34	Customer loyalty	
Q35-39	Competitive advantages	Slater, S.F., and Narver, J.C. (1995); Slater, S.F., and Narver, J.C. (1995)
Market Conditions (MC)		
Q40-42	Market uncertainly	Jaworski and Kohli's (1993); Voss and Voss (2000)
Q43-44	Competitive intensity	Voss and Voss (2000)
Q45-50	Technology turbulence	Voss and Voss (2000)
SME Hotels Growth (FG)		
Q51-55		Altinay and Altinay (2006)

Table 2: Measure and constructs of the study's variable

Variable	Measure	Constructs	Standardized Loading
			*Cronbach's alpha = 0.71 and Composite reliability=0.80
Market Orientations	<p>Is adapted from Narver and Slater's (1990) scale literature that market orientation consists of three behavioural components — customer orientation, competitor orientation, and interfunctional coordination.</p> <ul style="list-style-type: none"> Customer orientation and competitor orientation include activities involved in getting and disseminating market information about the buyers and competitors. Interfunctional coordination, is the business's internally coordinated efforts to provide customers with superior value. 	The marketing strategies of our hotel are always executed by more than just our marketing department.	0.64
		Our hotel carefully looks into customer value in order to better understand our customer and plan our marketing strategies.	0.75
		Our hotel always looks into giving our customers quality service and value for money experience.	0.66
		Our hotel is fast to anticipate and respond to newly emerging needs of our customers.	0.78
Organizational Learning	<p>Is adapted from Sinkula et al. (1997).</p> <ul style="list-style-type: none"> Commitment to learning is measured by the extent to which a firm places value on learning. Open-mindedness is measured by the 	Our hotel management believes that our ability to learn is our competitive advantage.	0.82
		Our hotel often seeks to improve our products and services by learning from past mistakes.	0.69

	<p>extent to which a firm proactively questions long-held routines, assumptions, and beliefs.</p> <ul style="list-style-type: none"> Shared vision is measured by the extent to which a firm develops and holds a universally understood organizational focus, and gives organizational members a sense of purpose and direction (Sinkula et al., 1997). 	Being a learning organization makes our hotel more proactive to the current market.	0.68
		We are always willing to adopt technology that could build a new technical solution to meet new customer needs.	0.55
Market Conditions	<p>Is adapted from Jaworski and Kohli's (1993) work across three dimensions namely <i>market turbulence</i>, <i>competitive intensity</i> and <i>market growth</i>.</p> <ul style="list-style-type: none"> Market turbulence is measured by the rate of change in the composition of customers and their preferences. Competitive intensity is measured by the degree of competition that a firm faces within the industry. This may be characterized by severe price wars, heavy advertising, diverse product alternatives and 	The competition in this business has become very intense in recent years.	0.74
		Our hotel always needs to change strategies in order to complete with others. We often need to lower our prices to compete with other hotels.	0.76
		We often need to lower our prices to compete with other hotels	0.54
		Our hotel has a good network of support system to survive the competitive nature of this business.	0.68
		Our hotel has difficulty getting adequate sources of	0.62

	<p>added services.</p> <ul style="list-style-type: none"> • Market growth is measured by additional demand for products due to existing customers' increasing purchasing power, new customers, new products or emerging needs for higher quality products. 	<p>funding to keep being competitive in this business.</p>	
Firm Growth	Is adapted from Altinay & Altinay (2006) who emphasised that the least problematic growth measurement is sales	Our hotel has managed to increase our market share in the past two years relative to our competitors.	0.85

	<p>turnover, which is always recorded and can be a good indicator of size and growth.</p> <ul style="list-style-type: none"> • Sales turnover is measured by the average annual sales growth from the business start-up to the present. <p>However, as Barkham et al. (1996) state in their research into SMEs, respondents declined to answer question about their sales turnover because of tax reasons. Taking this into consideration, it is thought that utilising sales turnover alone as an indicator of small business growth is not the most reliable method of extracting growth related information, unless the interviewer builds up a good relationship with the interviewee and extracts the correct information. Therefore, this study incorporates employment growth as another indicator of a firm's growth.</p> <ul style="list-style-type: none"> • Employment growth is measured by the average annual employment growth from the business start-up to the present. 	<p>The return of investment for our company in the past two years was higher than our competitors.</p>	0.87
--	---	--	------

Table 3: Characteristics of the Participating Hotels

	Frequency	Percentage
Rating		
No star	81	31.9
2 stars	100	39.4
3 stars	38	15.0
4 stars	10	3.9
Others	25	9.8
Size and Location of Participating Hotels		
Small hotel in city area	86	33.9
Medium hotel in city area	116	45.7
Small hotel in rural area	29	11.4
Medium hotel in rural area	20	7.9
Others	3	1.2
Number of Rooms		
<50	178	70.1
50-100	52	20.5
101-150	16	6.3
151-200	2	.8
>200	6	2.4
Number of Employees		
<50	254	100.00
Ownership		
Sole Proprietorship	127	49.6
General partnership	27	10.8
Limited partnership	15	6.0
Private limited	73	28.8
Others	12	4.8
Types of Business		

Stand alone	224	88.1
Franchise	11	4.3
Others	19	7.5
Years of Operation		
<10	209	82.1
10-20	28	11.0
21-30	4	1.6
31-40	10	4.1
>40	3	1.2
Offer Meeting Space		
Yes	62	24.2
No	192	75.8
Family Business		
Yes	153	60.4
No	101	39.6
Operated by Management Company		
Yes	73	28.7
No	181	71.3

Table 4: Descriptive statistics, correlations and average variances extracted.

	Mean	S.D.	Cronbach Alpha	Composite Reliability	1	2	3
1. Hospitality SMEs Growth	3.93	0.54	0.67	0.85	0.75	0.53	0.18
2. Organizational Learning Capability	3.96	0.45	0.72	0.80	0.73**	0.51	0.27
3. Market Orientations	4.14	0.47	0.68	0.80	0.43**	0.52**	0.51

The diagonal figures in bold indicate the Average Variances Extracted (AVE) for each construct. The lower diagonal scores are correlations and upper diagonal scores are the squares of the correlations.

* Correlation is significant at the 0.05 level (two-tailed).

**Correlation is significant at the 0.01 level (two-tailed).

Table 5: Results of the hypotheses testing of the full and partial mediation model

Relationships		Full mediation		Partial mediation	
		SPC	t-value	SPC	t-value
H1a	MO → OL	0.52	10.5**	0.52	11.2**
H1b	MO → hospitality SMEs growth			0.06	2.05*
H2	OL → hospitality SMEs growth	0.91	105.0**	0.94	64.3**
Variance explained (R^2)					
Organizational Learning		0.28		0.28	
hospitality SMEs growth		0.83		0.84	

Note: OL = Organizational Learning, MO = Market Orientations, hospitality SMEs growth = Small Medium Hotel Enterprises growth, SPC = Standardized Path Coefficient;

* $p < 0.05$, ** $p < 0.01$