Paper accepted to the 7th INTERNATIONAL CONGRESS OF MARKETING TRENDS

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THE STRENGTHENING EFFECTS OF ACCOMPLISHED CUSTOMER VALUE AND NEW SERVICES SUCCESS ON THE IMPACT OF MARKET ORIENTATION ON FINANCIAL PERFORMANCE

RESUMO

Apesar de grande parte do corpo da literatura revelar que a orientação para o mercado está positivamente associada com o desempenho, diversos investigadores registaram uma relação não significativa (Kirka, Jayachandran, and Bearden, 2005). Estes resultados contraditórios sugerem a necessidade de mais investigação sobre os efeitos da orientação para o mercado no desempenho empresarial. Utilizando dados recolhidos através de um questionário aplicado junto de 448 directores hoteleiros, encontrou-se um efeito directo não significativo da orientação para o mercado no desempenho financeiro das unidades hoteleiras. Contudo, o efeito total torna-se altamente positivo na presença de valor para o cliente e de sucesso nos novos serviços desenvolvidos. Mais ainda, verificou-se que o impacto, da orientação para o mercado no sucesso dos novos serviços, é fortalecido se estiver suportado na obtenção de valor para o cliente.

Palavras-chave: Sucesso dos Novos Serviços, Orientação para o Mercado, Valor para o Cliente, Desempenho Financeiro.

ABSTRACT

Although a large body of literature reveals that market orientation is positively associated with performance, several researchers have reported a non-significant relationship (Kirka, Jayachandran, and Bearden, 2005). These contradictory findings suggest the need to further investigate market orientation's effects on firm performance. Using survey data of 448 hotel managers we found a non significant direct effect of market orientation on the financial performance of the hotel units. Nevertheless, the total effect becomes highly positive in the presence of achieved customer value and new developed services success. Moreover, we found that the impact of market orientation on new services success is strengthened if supported by achieved customer value.

Keywords: New Services Success, Market Orientation, Customer Value, Financial Performance.

1. INTRODUCTION

A recent meta-analysis of the market orientation-performance topic reveals that findings in this subject remain widespread. Although there is a large body of literature demonstrating that market orientation has a positive effect on organizational performance, there are also many studies supporting a non-significant relationship (Kirka, Jayachandran, and Bearden, 2005).

We build on two major streams of the literature to support our research. The first one suggests that the relationship between market orientation and financial performance is mediated by innovation (Gatignon and Xuereb, 1997; Han, Kim, Srivastava 1998; Henard and Szymanski, 2001). The second supports a causal link among market orientation, customer satisfaction, and superior financial performance (Agarwal, Erramilli, and Dev, 2003; Homburg and Pflesser, 2000; Baker and Sinkula, 2005).

While integrating these two streams of the literature we argue that in addition to new services success, the relationship will become stronger when a market-oriented culture is used to enhance customer added value supporting new service performance. Hence, as a direct response to a recent call in the literature, this paper aims to clarify how higher customer value and new product performance mediate the market orientation-performance relationship (Kirca, Jayachandran, and Bearden, 2005). We argue that only through the development and maintenance of an organizational culture that seeks to enhance market-sensing and the customer-linking capabilities of the firm will it become possible to provide high customer value and new services performance (Day, 1994; Hult and Ketchen, 2001). Additionally, it is our goal to provide a better theoretical and managerial understanding of key drivers of new product development success and performance in services market-oriented organizations. Although market orientation is often presented as a major valuable, unsubstitutable, and inimitable resource (Hunt and Morgan, 1995, 1996; Wei and Morgan, 2004), it is still ambiguous how it relates with financial performance.

The article is structured as follows. First, a brief review of the literature is presented. Second, we present the conceptual framework and hypotheses. Third research methodology and our findings are presented. Finally, we conclude with theoretical and managerial implications, limitations and directions for further research.

2. CONCEPTUAL FRAMEWORK

While building on past research, we have developed the conceptual framework presented in Figure 1. This framework considers the impact of market orientation on different performance measures, and the mediating effects of achieved customer value and new services success on the relationship between market orientation and financial performance. It is hypothesized that market orientation improves both achieved customer value and new services success, which in turn, will enhance the financial performance of the firm. Below we define these constructs.

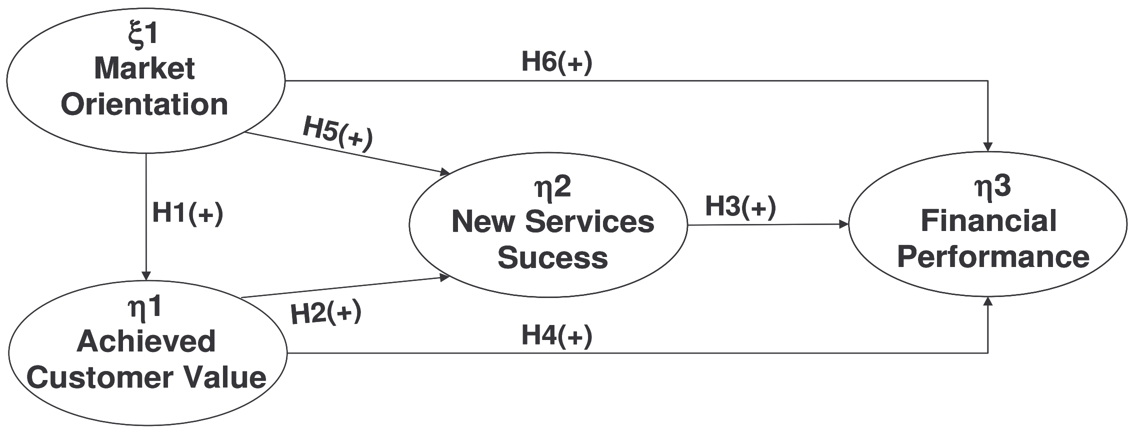
2.1. Market Orientation:

This construct refers to organizational activities related to the acquisition of market intelligence about customers, suppliers, business trends and the macro-environment, and identifies the firm's ability to disseminate this information across departments and behaviorally respond to it (Kohli and Jaworski, 1990; Baker and Sinkula, 1999). Market intelligence includes the notion of current customer needs, but also the anticipation of market trends. In order to disseminate market intelligence, the firm must flow information within and between departments and implement a set of actions in the form of new offerings catering to market developments and customer's expressed and latent needs (e.g., Kohli and Jaworski, 1990; Narver, Slater, and MacLachlan, 2004).

2.2 Achieved Customer Value:

This construct was adapted from the work of Homburg, Hoyer and Fassnacht (2002) and assesses the effectiveness of organization's marketing activities regarding the development of key consumer variables, such as customer satisfaction, customer benefit, and building a positive image of organization. Customer perception is crucial because satisfied customers tend to be loyal, have higher price tolerance, and lower the acquisition and operating costs (Reichheld, 1996). As such, achieved customer value becomes crucial in creating product advantages (Langerak, Hultink, and Robben, 2004) and is central to the long-term performance of the firm (Homburg and Pflesser, 2000).

FIGURE 1 – Conceptual Framework



2.3. New Services Success:

This is a new construct, which builds on the work of Baker and Sinkula (1999) that assesses the introduction rate of new services in the market relative to a largest competitor. Additionally, it captures new services differentiation and degree of success. New services success reflects the courage of taking risks that are inherent to the new service development process (Wei and Morgan, 2004). This construct reveals the services' ability to respond over time to emergent opportunities in a dynamic environment (Walker and Ruekert, 1987), as well as the organizational capacity for flexibility in meeting customers' evolving needs in a changing context (Kirca et al. 2005).

2.4. Financial performance:

Financial performance is usually related to profitability measures that account for the costs of implementing a strategy (Homburg, Hoyer, and Fassnacht, 2002). In this study, we assess managerial satisfaction with key financial measures, such as return on investment, return for shareholders, gross profit margin, and net profit from operations. A better understanding of the marketing-finance interface is seen as a central issue in assessing the value of marketing strategy activities for business' performance (MSI Priorities 2006-2008; Srivastava, Shervani, and Fahey, 1998).

3. RESEARCH HYPOTHESES

By generating clear and better-defined goals, market orientation helps to improve the coordination of market activities and the speed of marketing the product to the final consumer (Kohli and Jaworski, 1990). Market-oriented firms are more likely to have a better performance because of their ability to respond to customer needs and preferences (Jaworski and Kohli, 1993; Kohli, Jaworski, and Kumar, 1993; Homburg and Pflesser, 2000). Moreover, satisfied customers become loyal and tend to more easily spread a positive image to other potential customers (Kohli and Jaworski, 1990). Since market-oriented companies aim to differentiate their products by better understanding market needs and competitors' actions they are also better positioned to satisfy customers (Jaworski and Kohli, 1993). Hence, we propose the following:

H_1: Market orientation has a positive impact on achieved customer value.

The development of new services is often influenced by knowledge brought into the organization that results from monitoring customers' satisfaction. Customers attracted by services with higher value are more likely to become satisfied customers and develop a long-term relationship with the firm (Narver, Slater, and MacLachlan, 2004). Their feedback across time will become a major source of knowledge for the development of new services with greater potential for success (e.g. Day, 1994; Narver, Slater, and MacLachlan, 2004). Hence, we propose:

H_2: Achieved customer value has a positive impact on new services success.

Superior financial performance often results from the development of market offerings with superior value for customers (Hunt and Morgan 1996). Firms may obtain a major source of suggestions for new services when benchmarking the largest competitors and observing customers' behaviors, namely by monitoring their complaints and degree of satisfaction (Narver et al. 2004). This process may lead to a continuous and cumulative customer satisfaction, which has a strong impact on financial performance, due to the customer's willingness to pay (Homburg, Koschate, and Hoyer, 2005). Earlier research (Terwiesh, Loch, and Niederkofler, 1998) indicates that new product performance explains between 30 and 70 percent of organizational profitability variance, depending upon the market context. Hence, we expect that the successful development of new services may result in large gross profit margins to the firm and in a quicker return on the investment. This leads to the following hypothesis:

H_3: New services success has a positive impact on financial performance.

Earlier work supports the notion that nonfinancial performance metrics lead to improved financial performance (Rust, Zahorik, and Keiningham, 1995). Research looking specifically at the performance implications of customer satisfaction and provision of customer benefits demonstrates that these components are positively related with financial performance (Anderson and Sullivan, 1993; Fornell, 1992; Rust and Zahorik, 1993). Research also finds that service quality is strongly associated with the percentage of return on sales (e.g. Buzzell and Gale, 1987). This situation occurs because when these indicators are high, there are lower acquisition and operating costs, greater price tolerance and better recommendations from consumers (Kalwani and Narayandas, 1995; Loveman, 1998; Reichheld and Sasser, 1990; Reichheld, 1996). Another recent empirical study (Homburg, Koschate, and Hoyer, 2005) reveals the existence of a strong positive impact of customer satisfaction on a company's pricing strategy. When companies have a high level of customer satisfaction, they are more likely to charge a premium price for their products or services (Homburg et al., 2005). In line with these findings, we expect that when offering focus on long-term cumulative satisfaction and superior value, companies will increase profit margins and return on the investment. Hence, we suggest that:

H_4: Achieved customer value has a positive effect on financial performance.

Earlier research indicates that market-oriented behaviors are associated with greater innovation and new-product success because of deeper knowledge about customers and competitors, which leads to effective market targeting, product development and positioning (Atuahene-Gima and Ko, 2001; Baker and Sinkula, 2005; Jaworski and Kohli, 1993). Additionally, market-oriented firms have a continuous and proactive disposition toward meeting customer's expressed and latent needs (Narver, Slater, and MacLachlan, 2004; Slater and Narver 1994), as well as reacting to formal and informal feedback received from customers and competitors. Through information acquisition, gathering and processing abilities, the organization acquires more knowledge about the marketplace and enhances its capacity to develop new successful services (Baker and Sinkula's 1999; Li and Calantone, 1998; Narver et al. 2004). Hence, we expect that:

H_5: Market orientation has a positive impact on new services success.

The predominant view in the business literature is that firms tend to perform better when there is a systematic and proactive disposition toward meeting market needs (Atuahene-Gima, 1996; Han, Kim, and Srivastava, 1998). Through the development and management of market information it is possible to link customer attraction and retention efforts with financial outcomes (Moorman and Rust, 1999). However, a recent study (Kirca, Jayachandran, and Bearden, 2005) revealed that although market orientation is often associated with several performance measures, it is rarely connected to profitability, because it includes the costs of implementing a market orientation strategy which might reduce profits (Jaworski and Kohli 1993). Nevertheless, as the fundamental element of market-oriented firms is to focus on customers, which leads to greater customer satisfaction and revenues, it is theoretically justifiable and suggestive of a positive effect. Hence, we suggest that:

H_6: Market orientation has a positive impact on financial performance.

4. METHODOLOGY

4.1. Research Setting:

The research setting is the country of Portugal, and according to the World Tourism Organisation, Portugal is currently the 16^{th} country in the world in terms of tourist and is set to become the world's tenth largest market by 2020, with an expected annual growth of 4%. Portugal's tourism growth depends heavily on the quality and added value provided by accommodation services to their customers. In line with earlier research, in order to test our conceptual framework, we use as unit of analysis each hotel establishment unit (e.g. Homburg and Pflesser 2000; Baker and Sinkula, 1999).

4.2. Survey Instrument Development:

While building on the literature, an initial questionnaire was developed that incorporates a variety of multi-item measures and indicators of the conceptual framework. All the measures were translated from English to Portuguese, using the back-translation method to ensure conceptual equivalence (c.f. Douglas and Craig, 1983). We measured all items using sevenpoint likert scales. The initial version of the questionnaire was then refined with the insights of hotel managers, academic judges, tourism industry experts, general directors of hotel units and members of professional tourism associations.

4.3. Data Collection Procedure and Sampling:

The final version of the questionnaire and a postage-paid reply envelope were mailed to all hotel establishments in Portugal (all over the country and including Madeira and the Azores Islands). There are 2.203 hotel units, according to the database of the "Official Guide for Tourist Accomodation-2003", the official annual publication from the government agency DPT (Directorate General Tourism). In order to increase the response rate, we followed the Total Design Method (TDM) recommendations (cf. Dillman, 1991). The data were collected in early 2005, and we obtained 448 valid responses for an overall response rate of 21% (95% confidence level and 4% sampling error). This result is quite satisfactory, considering that high-level executives are much less likely to respond than people in general population (Hunt & Chonko, 1987). Tests of non-response bias were conducted comparing early (first 75%) and late respondents (last 25%) with regard to all the variables for both samples (Armstrong & Overton 1977). The findings evidenced that nonresponse bias was not a problem in these data.

4.4. Sample and Respondent's Profile:

The target key informants are the persons primarily responsible for each hotel unit accommodation. In the final sample 3.1% of the respondents were owners, 54.5% CEOs, 1.3% administrators, 25.9% directors of the SBUs, and 15.2 % represented other types of directors (e.g. marketing, operations, human resources management and finance). Respondents were also asked to indicate their total years of experience in the industry and SBU (cf. Atuahene-Gima, Slater and Olson, 2005). The means were 18 and 7, respectively. This indicates that although the title of the respondents'positions may be wide-ranging, the individuals appear to have significant knowledge in activities of the unit and of the industry.

Nearly 57% of the respondents reported on establishments in the category of "Hotels and Similars" (i.e., hotel, hotel resort, hotel-apartment, aparthotel, and turistic apartments); 31% are from smaller units in the category of "Hostels and Similars" (i.e., hostel, guest-house, motel); the remainder 12% are from "inns" and "lodges". All are Portuguese establishments, including the Portuguese Autonomous Regions of Madeira and Açores, which are very important from a tourism perspective.

4.5. Measures:

To assess market orientation we used two instruments as a basis: (1) the Kohli, Jaworski, and Kumar (1993) 20-item scale, which covers the generation and dissemination of market intelligence and responsiveness to it; and (2) the Matsuno, Mentzer, and Rentz (2003) market orientation' scale, which extends the scope of market orientation to other influencing factors such as the macroeconomic environment and the supplier's role. In line with previous research (cf. Deshpande and Farley, 1998; Homburg and Pflesser, 2000), as a consequence of the lack of discriminant validity among the three original dimensions, we used a one-dimensional conceptualization of market orientation.

The achieved customer value scale is based on Homburg, Hoyer, and Fassnacht's (2002) work, and is associated with firms' marketing activities, including variables such as customer satisfaction, customer benefit, and building a positive image of the accommodation unit.

The scale to measure new services success was adapted from Baker and Sinkula (1999) and has to do with new services introduction and success rates, and their degree of differentiation. Finally, financial performance was adapted from Siguaw, Simpson, and Baker's (1998) work, and covers the degree of satisfaction with aspects such as the return on shareholders and on the investment, and gross profit margins. Although this is not a perfect tool for assessing financial performance, earlier research demonstrates a strong correlation between subjective perceptions and objective measures (see: Dess and Robinson 1984; Han et al. 1998).

5. DATA ANALYSIS AND RESULTS

5.1. Data Analysis:

We refined the measures and assessed their validity using coefficient alpha, item-to-item correlations, exploratory factor analysis (EFA), followed by a confirmatory factor analysis (CFA) using full-information maximum likelihood (FIML) estimation procedures in LISREL 8.51 (Jöreskog and Sörbom, 1993).

5.2. Measurement Model Results:

In this model, each item was restricted to load on its pre-specified factor, with the four factors allowed to correlate freely. Despite the significant chi-square for this model (χ^2=212.23; 129 df, $p<.00$), the fit indices indicate that the model fits the data well: CIF=.99, IFI=.99, TLI=.99, GFI=.95, AGFI=.93. We also assessed the RMSEA, which incorporates a penalty for lack of parsimony and SRMR for residuals analysis. The RMSEA is .038 and the SRMR is 0.042, both less than the recommended .05 level, thus indicating a close fit to the population.

TABLE 1 – Final Scale Items and Reliabilities

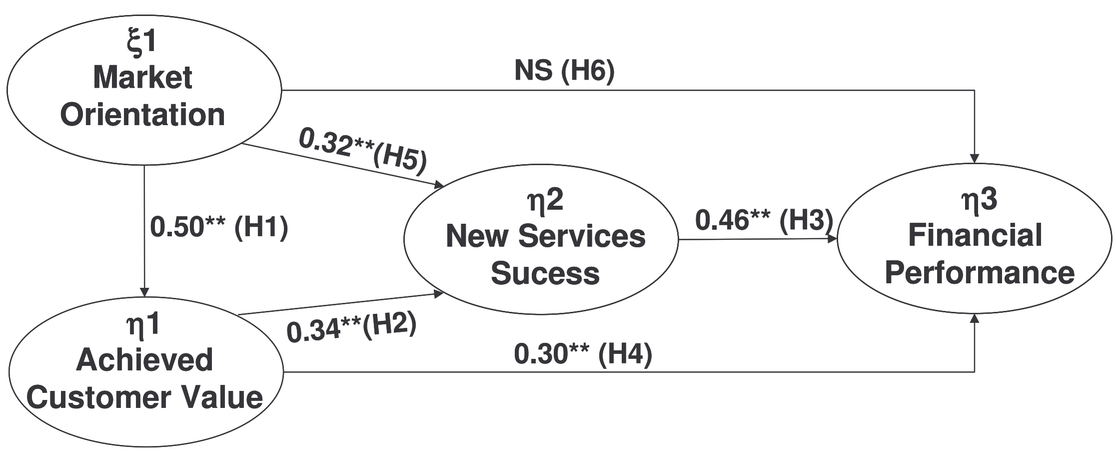
FINAL SCALE ITEMS AND RELIABILITIES	$\alpha/\rho/\rho_{vc(n)}$	Standardized Item-Loading	T-value
MARKET ORIENTATION	**.90/.90/.53**		
Adapted from Kohli, Jaworski, and Kumar (1993) and from Matsuno, Mentzer, and Rentz (2003).			
Please rate your agreement with each of the following statements, regarding your accommodation unit			
Scale: 1 = Strongly Disagree; 7 = Strongly Agree			
1. In this business unit, we do a lot of in-house market research		.67	15.36
2. We periodically review the likely effect of changes in our business environment (e.g., regulation) on customers		.69	16.14
3. In this accommodation unit, we frequently collect and evaluate general macroeconomic information (e.g., interest rate, exchange rate, gross domestic product, industry growth rate, inflation rate)		.66	15.03
4. In this unit, we spend time with our suppliers to learn more about various aspects of their business (e.g. data processing, industry pratices, clientele)		.71	16.57
5. We have interdepartmental meetings at least once a quarter to discuss market trends and developments		.81	20.21
6. Our accommodation unit periodically circulates documents (e.g., reports, newsletters) that provide information on our customers		.71	16.79
7. Market information spreads quickly through all levels in this accommodation unit		.74	17.85
8. Several departments get together periodically to plan a response to changes taking place in our business environment		.80	19.84
ACHIEVED CUSTOMER VALUE	**.87/.87/.69**		
Adapted from Homburg, Hoyer and Fassnacht (2002).			
Relative to your statement objectives, how has your accommodation unit performed over the last three business years with respect to …			
Scale: 1 = Much Worse; 7 = Much Better			
1. Achieving customer satisfaction		.84	20.76
2. Providing customer benefit		.86	21.30
3. Building a positive image of your accommodation unit		.79	18.99
NEW SERVICES SUCCESS	**.91/.91/.77**		
New scale based on Baker and Sinkula (1999a).			
How did your accommodation unit perform during the last three business years, with respect to …			
Scale: 1 = Very Low; 7 = Very High			
1. New service introduction rate relative to largest competitor		.87	22.62
2. New service success rate relative to largest competitor		.97	26.99
3. Degree of new services differentiation		.79	19.80
FINANCIAL PERFORMANCE	**.96/.96/.85**		
Adapted from Siguaw, Simpson and Baker (1998).			
Please rate your level of satisfaction with the performance of your accommodation unit during the last three years, with respect to …			
Scale: 1 = Very Unsatisfied; 7 = Very Satisfied			
1. Return for Shareholders		.89	24.06
2. Gross Profit Margin		.95	27.04
3. Net profit from operations		.95	26.90
4. Return on investment		.90	24.34

Convergent validity is evidenced by the large and significant standardized loadings of each item on its intended construct (average loading size was 0.81). All constructs present the desirable levels of composite reliability (c.f. Bagozzi, 1980), ranging from .87 to .96 (see Table 1). The highest correlation is 0.56 for financial performance and new services success, and the Fornell and Larcker's (1981) index of variance extracted is above the recommended level of .50 for all of the four constructs. Evidence of discriminant validity is revealed by the fact that all the construct intercorrelations are significantly different from 1, and the shared variance among any two constructs (i.e., the square of their intercorrelation) is less than the average variance explained in the items by the construct (see Table 1).

5.3. Path model parameter estimates:

We used the maximum likelihood estimation to assess all the direct, indirect and total effects associated with structural paths (see Table 1) of the final structural model (CFI=.99; IFI=.99, TLI=.99). The first five hypotheses (H_1, H_2, H_3, H_4, H_5) are confirmed. More specifically, we found that market orientation has a strong impact on achieved customer value (.50, p<.01). Thus, there is support for H1. Similarly, with regard to the impact of achieved customer value on new service success, there is also a significant positive effect (.34, p<.01), providing support for H2. Likewise, new service success has a significant positive impact on financial performance (.46, p<.01). Hence, there is support for H3. Similarly, achieved customer value is significantly and positively related to financial performance (.30, p<.01). Hence, there is support for H4. Market orientation is also positively related to new service success (.32, p<.01). Thus, there is support for H5. Finally, market orientation has no significant effect on financial performance. Hence, there is no support for H6. See Figure 2 for a summary of the direct effects.

FIGURE 2 – Summary of Direct Effects



One of the key advantages of using a path model is the added possibility of estimating not only the direct effects, but also the indirect and total effects among latent variables (Bollen 1989; Lages and Montgomery, 2005). Table 2 provides the maximum likelihood estimates for all the direct, indirect and total effects associated with the structural paths.

Table 2 shows that three out of the three possible indirect effects are statistically significant. Interestingly, while the direct relationship between market orientation and financial performance is non-significant, this relationship becomes highly significant in the presence of achieved customer value and new services success (indirect effect=0.37, p<0.01; total effect = 0.28, p<0.01). Additionally, the relationship between market orientation and new services success becomes stronger in the presence of achieved customer value (direct effect=.32, p<0.01; indirect effect=0.17, p<0.01; total effect=.49, p<0.01). Similarly, the relationship between achieved customer value and financial performance becomes stronger in the presence of new services success (direct effect=.30, p<0.01; indirect effect=.16, p<0.01; total effect=0.46, p<0.01).

TABLE 2 – Effects of Exogenous and Endogenous Constructs

(Maximum Likelohood Estimation, N=448)

EFFECT OF/ON	η1 (MP) Achieved customer value			η2 (NSS) New Services Success			η3 (FP) Financial Performance		
	Direct	**Indir.**	**Total**	**Direct**	**Indir.**	**Total**	**Direct**	**Indir.**	**Total**
η1 (MP) Achieved customer value				0.34** (6.33) H_2		0.34** (6.33)	0.30** (5.41) H_4	0.16** (5.34)	0.46** (7.86)
η2 (NSS) New Services Success							0.46** (8.62) H_3		0.46** (8.62)
ξ1 (MO) Market Orientation	0.50** (9.55) H_1		0.50** (9.55)	0.32** (5.98) H_5	0.17** (5.48)	0.49** (9.83)	-0.09 (-1.68) H_6	0.37** (8.53)	0.28** (5.69)

Notes: Values in upper rows are completely standardized estimates; values in lower rows are t-values.
**p<0.01 (two-tailed test).

Since the estimates presented in Table 2 are standardized they may be treated as an indication of the relative importance of each variable to each endogenous variable (Goldberger, 1964).

Findings reveal that both market orientation and achieved customer value have a similar direct impact on new services success (.32, $p<0.01$ and .34, $p<0.01$, respectively). When analyzing the major determinants of financial performance, we found that new services success is the most important determinant (.46, $p<0.01$) followed by achieved customer value (0.30, $p<0.01$).

In sum, five out of the six predicted direct relationships, three out of three indirect effects, and six out of six total effects, are significant at the $p<0.01$ level.

6. DISCUSSION

This study was motivated by a desire to gain a better understanding of the relationship among services marketing-orientation behavior, customer value, new services success and financial outcomes. Our findings offer insights into these issues and provide major implications for academics and practitioners.

6.1. Theoretical Implications:

By integrating two established streams of the literature, our empirical model helps to clarify the complex “market orientation” → “financial performance” phenomenon, while indicating how to improve financial performance through the development and implementation of innovative services which bring added value and customer satisfaction. Interestingly, our study reveals that market orientation has a positive impact on financial performance only in the presence of achieved customer value and new services success. This finding might suggest that market orientation enhances financial performance if used to develop actions that generate growing revenues and profits that exceed the costs of its implementation (Kirca, Jayachandran, and Bearden 2005). Market orientation seems to be associated with financial performance if the company is able to use it to build customer value (i.e., a positive image, customer benefits and higher levels of customer satisfaction) which is used to develop new services clearly differentiated from leading competitors. Due to customers’ willingness to pay more for new services with higher value (Homburg, Koschate, and Hoyer, 2005), these new differentiated services will be associated with larger profit margins and return on investment. Additionally, new services developed on the basis of customers’ feedback also have lower market research costs and consequently will lead to higher financial margins.

6.2. Managerial Implications:

Our findings reveal that the market orientation-performance relationship will be significant if market orientation is used for developing new and valued services. As such, service managers are strongly encouraged to allocate human and financial resources to marketing-oriented activities and services innovation as these fields are crucial in increasing financial outputs. Findings also reveal that higher financial performance is achieved when the service has key characteristics, such as a positive image, higher perceived customer benefits and higher levels of customer satisfaction. Nevertheless, findings reveal that innovative services have a stronger direct impact on financial performance than does achieved customer value. Differentiated service innovation influences key financial variables such as return on shareholders, gross profit margins, net profits from operations and return on investment.

Another relevant managerial finding is that market orientation by itself is not enough to improve financial performance. Although market orientation emphasizes the need for the entire organization to acquire and disseminate market intelligence (Jaworski and Kohli, 1993), it is necessary to use the existing market intelligence to provide customer benefits, create customer satisfaction, build a good image of the organization and create new successful services that are clearly differentiated from competitors. Market orientation is crucial in developing new services success due to a continuous and proactive disposition toward meeting both customers' expressed and latent needs (Narver, Slater, and MacLachlan, 2004). Market orientation provides the basis for developing new services with a superior value for customers, because it influences the firm's propensity to successfully innovate by quickly identifying and responding to customer needs (Baker and Sinkula, 2005). A market-oriented culture puts pressure on the entire firm to focus on customers, enhance its market knowledge, and proactively create new innovative services with a greater value than those developed by competitors.

6.3. Limitations:

Although this study provides a number of new insights, it is important to note its limitations. A first limitation of our study relates to the omission of some variables that were behind our main research focus (e.g. the impact of role conflict and customer relationship management technology). A second limitation regards the specificities of this study's research context and respondents. While enhancing the focus of this research, they may limit the generalization of the results to others contexts, namely to others services or manufacturing firms, either to other countries. A third limitation is related with the hotels establishments, because in this study we did not distinguished different kinds of hotels in order to test the model in more detail across different categories. A fourth limitation is that our research instrument (i.e., the questionnaire) may have created common method variance. However, we used the Harman's one factor test (c.f. Podsakoff and Organ, 1986) to examine the potential common method variance problem inherent to the collection of the dependent and independent variables from the same respondent in the same survey. If common method bias exists, a CFA containing all constructs should produce a single-method factor. The goodness-of-fit indices (TLI = 0.72, CFI = 0.75, IFI = 0.75, GFI = 0.43, and RMSEA = 0.296) indicate a bad fit. Since a single factor did not emerge and one general factor did not account for most of the variance, common method variance is not a problem. Furthermore, we guaranteed confidentiality to all survey participants for self-presentation reasons, which also helps to reduce the possibility of bias in issues such as relationship policies and practices, trust, commitment, cooperation, and satisfaction (Lages and Lages 2004; Singh, 2000). Nevertheless, further research is recommended to use data from multiple informants and collect data in different time periods in order to explore the existence of causal relationships among the constructs and examine the directions of the relationship.

7. CONCLUSION AND DIRECTIONS FOR FURTHER RESEARCH

Extending beyond the limitations, we believe that this research provides a foundation for significant research endeavors to advance a better understanding and systematization of the market orientation-performance relationship. Overall, our empirical findings link marketing actions, service value, new service development and financial outputs. Future studies are also encouraged to integrate research looking at the mediating effects of innovation in the market orientation-financial performance relationship (e.g. Han, Kim, and Srivastava, 1998) with the research supporting a causal link among market orientation, customer satisfaction/added value, and superior financial performance (e.g. Homburg and Pflesser, 2000). Surprisingly, market orientation affects financial outcomes, exclusively through its influence on achieved customer value and new services success. Hence, future work is encouraged to see market orientation, rather than as a major performance determinant, as a solid basis for developing marketing activities that continuously satisfy customers and for developing new services which, in turn, will lead to financial performance.

From a managerial perspective, in order to improve financial performance we encourage the allocation of both human and financial resources towards the improvement of customer value activities and the continuous implementation of innovative and differentiated services. When associated with high levels of customers' satisfaction, these new services may allow charging a premium price, and consequently contribute to improving firm's profitability. It is also strongly encouraged to include in future models other antecedents of market orientation and organizational performance, other intangible performance measures, and understand how the interrelationships presented herein vary across different markets and cultural contexts.

Finally, the focus of this study is to capture a first general view about the performance of all hotel establishements in Portugal and for that we did not distinguished different categories of hotels. An interesting field to future studies is to develop a more narrowed research to test our model in more detail, namely across different kinds or different locations of the hotel establishements.

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