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The determinants and consequences of customer solutions in a learning organization: Analysing the role of performance

This study uses longitudinal data to investigate the relationship between past performance (time 0), customer oriented solutions, innovativeness, and learning orientation (time 1) on the success of new services and their market performance (time 2). Using the last period as a reference the authors aim to shed light on the managerial adjustments to customer solutions and learning orientation arising from market feedback (Lages et al. 2008). Further this adjustment is tested on future market performance.

Results show that performance is an antecedent and a consequence of customer activities. We found that managers will invest in customer-oriented solutions and innovativeness when they face increases in performance, realizing the importance of serving the current customer as well as fostering a culture that supports innovative solutions. Interestingly learning orientation is not vulnerable to short term performance fluctuations. These solutions in turn are important drivers of future performance (Baker and Sinkula 2007; Chandy and Tellis 2000; Christensen and Bower 1996).

We have conducted group analyses to test for high and low levels of environmental turbulence. The group analysis also revealed that market performance is contingent on the relationship between the organization and the environment: there are different routes to new services' success according to the level of environmental turbulence. Stability favours client oriented solutions to achieve new service success, while innovativeness is the managerial response under high turbulence. This increases the importance of learning as a tool to deal with turbulence. Implications for researchers and practitioners are discussed

Introduction

Our research model is based on three main drivers of competitive advantage: innovativeness, customer oriented solutions and learning orientation, and we investigate their relationship to performance through the enhancement of new services success.

As we enter the twenty-first century, the marketing function continues to remain focused on serving customers effectively. Increased competition is forcing companies to place unprecedented emphasis on innovation, whilst providing customer-oriented solutions in order to achieve greater competitive advantage. Managerial evidence has been supported by previous research which reveals that innovation is critical to the provision of superior customer value and sales success (e.g. Gatignon and Xuereb, 1997; Hult and Ketchen, 2001). Despite its importance, research suggests that

innovativeness as a strategic orientation might not be equally suitable for all companies.

This study will contribute to the literature at three levels. First, we revisited the debate of the innovator's dilemma. Although several empirical studies have looked at the relationship between customer orientation and innovativeness (Han et al., 1998, Lukas and Ferrel, 2000, Matsuno et al, 2002), the debate on how much should be invested in a culture that fosters the view of the customer versus another that departs from their view is still alive. An established body of research argues that too much focus on the customer will render the “organization myopic” (Hamel and Prahalad, 1994; Christensen, 1997; Zou et al., 2005) suggesting the need for firms to, at times, disregard the customers' voices and focus on its own innovativeness skills. A second stream of research contends that firms should stay close to the customer, with the customer at the heart of the organization (Deshpande et al, 1993, Gatignon and Xuereb, 1997). These studies argue that firms that consistently identify and respond to customers' needs are in a better position to satisfy customers and perform better against competitors. We will investigate whether promoting organizational climate as innovative or as customer- oriented solutions will relate differently to performance. We investigate the role of learning orientation within this debate. Learning has been seen as a culture that encourages firms to question not only the information they process but also whether their particular approach to new services is suitable to the organization. The question is extended to the marketplace, in particular about core beliefs about customers and better ways to deliver customer benefits (Barker and Sinkula, 1999b). As such the learning orientation is likely to be the avenue to conciliate the innovators dilemma, as it forces the organization to look at customer intelligence as well as challenging the existing value chain.

Secondly, we contribute to the literature by looking at the temporal sequence of performance of these customer activities and learning. For example, several studies have investigated the temporal sequence of performance on innovation (see Bowen et al, 2009 for a review) with conflicting results. Poor performance signals a mismatch between the environment and the organization's strategy. The mismatch is likely to make managers search for remedial action generating information that may motivate corrective adjustments and promote new incremental solutions (Cyert and March, 1963). On the other hand, good performance signals managers that they are getting it right and are likely to create organizational slack (Mone et. al., 1998, Chattopadhyay et al., 2001). Will managers use these resources towards new activities or will they instead invest on their existing relationships? And what about learning orientation, is it a rescue for performance decline?

Thirdly, we will assess performance through objective financial data. By using objective data we

aim to avoid common method bias and contribute to marketing accountability (as suggested by Marketing Science Institute 2008-2012 priorities). This is especially relevant in the service setting where products are more difficult to protect, customer interaction is unavoidable, and firms need to continuously innovate to stay ahead of competitors. We will add to empirical research by moving away from technological innovativeness where the main contributions have been centered (e.g. Andrews and Smith, 1996; Im and Workman, 2004).

Finally, we evaluate the role of the external environment. Environments are increasingly turbulent (Day, 1994; Jaworski and Kohli, 1993) and organizations need to learn quickly in order to adapt (Baker and Sinkula, 2007) and innovate (Ferrier, 2001; Lant et al., 1992). Because firm's responsiveness to a turbulent market is likely to become more important when an organization is faced with an evolving mix of customers and aggressive competitors, we tested our model in high and low levels of turbulence, based on a sample of 138 hotel managers.

Research hypotheses

The concept of innovativeness depends on the standpoint the research takes (Sigwall, 2006 for a review). Some authors define it as the uniqueness or novelty of the product (Im and Workman, 2004), or whether individuals are early adopters of innovation (Kerin et al., 1992). It may be the adoption of an idea or behaviour that is new to the organization or an organizational culture that encourages the introduction of new processes, products and ideas (Hurley and Hunt, 1998). Hult et al. (2004) suggest that future research should delve more deeply into these constructs and their interrelationships in a variety of settings among industrial firms. More recently, Bowen et al. (2009) observes a muddling of definitions of innovativeness.

Hurley and Hult (1998) define innovation along two dimensions: innovativeness and the capacity to innovate. They conceptualize innovativeness as “the notion of openness to new ideas as an aspect of a firm’s culture. Innovativeness of the culture is a measure of the organization's orientation toward innovation.”(p. 44). This aspect of organizational culture is reported to have a positive impact on innovative behaviours as it supports a work environment that promotes individual innovative behaviours and creativity (Sharma 1981; Scott and Bruce 1994; Amabile et al., 1996; Matsuo, 2006). As such this study focuses on innovativeness as an organizational climate that supports innovation.

Menon and Varadarajan (1992) suggest that an innovation oriented culture encourages information dissemination that will require the collection and dissemination of customer intelligence to offer solutions with greater value for customers (Siguaw et al., 2006). Customer orientation is part of a

broader concept of market orientation, first developed by Narver and Slater (1990). They defined it as consisting of three behavioural components: customer orientation, competitor orientation, and inter functional coordination. Market orientation, which has a broader meaning than that of customer orientation, refers to “the organization culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers” (Narver and Slater, 1990, p.21). Of the three components of market orientation, we focus on customer oriented solutions, because it is the most fundamental aspect of market oriented corporate culture (Lawton and Parasuraman, 1980, Desphande et al., 1993), and it is based on a marketing concept that promotes putting the interests of customers first (Han et al., 1998). Some definitions include “the set of beliefs that puts the customer's interest first” (Desphande et al., 1993, p.27) or “firm’s ability and will to identify, analyse, understand, and answer user needs” (Gatignon and Xuereb, 1997, p.78). In fact some studies regard customer orientation and market orientation as synonymous (Desphande et al., 1993, Matsuno, 2006). Homburg and Pflesser (2000) unveiled a multi layer model of market oriented culture that supported market oriented behaviours. Values and norms are supportive of market oriented behaviours but the organizational culture need to add a further layer (artefacts) to produce the desirable market oriented behaviour that will contribute to increasing levels of performance (Narver and Slater 1990). As such this study uses the cultural perspective of organizational norms and values that encourage behaviours that are consistent with market orientation as described above.

Aligned with the market orientation concept is the learning orientation conceptualised as the degree to which the organisation values knowledge, is open-minded and has a shared vision (Sinkula et al., 1997). More specifically, it may be viewed as the degree to which firms are committed to systematically challenge the fundamental beliefs and practices that maximize organizational performance (Argyris and Schön, 1978) including the innovation process itself (Day, 1994; Baker and Sinkula, 1999b). In essence learning orientation is reflected by the presence of values that influence the propensity of a firm to proactively pursue new knowledge and challenge the status quo (Slater and Narver, 1995; Sinkula et al., 1997). Such firms are more likely to question whether core beliefs about customers, competitors and suppliers that provide the basis for actions continue to be applicable. They scan the external environment for new technological paradigms that may offer a better means to deliver core product category benefits (Baker and Sinkula, 1999b). Additionally the firms encourage their employees to question how they operationalize their market-oriented behaviours (Day, 1994), the way in which they interpret the informational output of these behaviours and the way in which they integrate this information with other information (e.g., new

technology). Therefore, learning orientation is a resource that influences the quality of customer solutions, then is arguably as necessary as a market orientation itself (Baker and Sinkula, 1999a).

Past performance as an antecedent

Managers are often asked to take major decisions, even though the information available to them at the time of the decision is incomplete and uncertain. Given that the decision environment is often highly uncertain and the financial stakes large, it is not surprising that firms often revisit such decisions after they obtain new information to determine whether the firm should continue with, modify, or terminate the initially chosen course of action (Biyalogorsky et al., 2006).

Innovativeness: Short term performance signals the fit of current strategy with the environment (Lages et al., 2008). Managers will react to short term performance by developing an understanding of the connections between their actions and the organizations outcomes. For example, gains signal management that they are in the path to success, boosting their confidence about the future (Lant et al., 1992). This confidence is likely to increase the search for riskier projects as those entailing higher levels of innovativeness. In a confident mood managers are more likely to frame activities as opportunities rather than threats (Chattopadhyay et al., 2001; Simon and Houghton, 2003). In an optimistic climate managers will direct their attention to positive past experiences course of action taken and as such start using their own heuristics to make decisions as they are certain about the outcomes and likely to adopt a more entrepreneurial approach to the market (Busenitz and Barney, 1997). Thus when managers frame innovations as opportunities they are more likely to develop a willingness to adopt risky innovations.

A further argument supporting a positive effect between past performance and innovativeness comes from the role of slack literature (Mone et al., 1998). Organizational slack helps to deal with ambiguity of outcomes arising from new projects by providing a buffer to short term operations (Cyert and March, 1963). Availability of organizational slack encourages adaptive responses to performance shortfalls considering innovative alternatives (such as new product introductions, new market entries or acquisitions) as an option that would otherwise be deemed too risky under the context of decline (Bourgeois, 1981; Nohria and Gulati, 1996). Finally a third common argument can be found in the threat rigidity theory (Staw et al., 1981). It posits that when performing poorly, managers focus on initiatives of efficiency gains, cost cutting, and increased accountability. Under threat managers are likely to reduce both the scope and nature of their innovation activities as they are seen as riskier projects with uncertain future revenues. Therefore our first hypothesis is:

H1: There is a positive relationship between past performance and innovativeness.

Customer Oriented Solutions: Western companies are short term oriented. On the one hand,

managers come under considerable scrutiny and pressure when there is a crisis (Billing et al., 1980) and on the other, managers annual bonuses can be tied to short term performance (Fredrickson, 1985, Doyle et al., 1992). As such, managers tend to react to past performance for their own personal interest. In a scenario of growth, managers are likely to feel confident, inducing managers to believe that they have "gotten it right" (Miller and Chen, 1994). When past performance signals the right course of action, customer oriented solutions such as changing prices, labels or packaging, positioning or a new advertising campaign are likely to be reinforced with managers following the same course of action. This reasoning resonated with Cyert and March's (1963) argument that managers in organizations with good performance are less likely to search for new activities because they are satisfied with their aspiration-level performance and find it unnecessary to engage in risky projects, such as in new market segments. On the other hand Miller (1993) argues that as managers become more confident and knowledgeable about current strategies they are likely to reduce the need for experimentation.

Central to relationship marketing is that the goal of managers is to nurture lasting relationships by achieving more business out of existing customers (Morgan and Hunt, 1994; Achrol, 1997, Palmatier, 2006) . Therefore, if the existing customer base is proving to be profitable it is expected that it will receive further incentives from managers. In fact most researchers assume that investments in existing relationships will enhance stronger customer relationships that will boost performance outcomes, such sales growth, share, and profits (Crosby et al., 1990; Morgan and Hunt, 1994). Therefore we put forward the following hypothesis:

H2: There is a positive relationship between past performance and customer oriented solutions.

Under an organizational learning perspective, managers are viewed as assessing past performance in accordance with specified goals and then determining necessary actions to be taken. Hence, managers can be viewed as reactive to past performance in the determination of current strategies. Empirical research in organizational learning demonstrates that past performance influences current managerial decisions (Lant et al., 1992). These findings are consistent with a central assumption of the organizational learning literature, which argues that organizations and individuals set goals and adjust their behaviour in response to favourable and unfavourable feedback (Cyert and March, 1963). For example, Greve (1998) reveals that if performance increases adaptive behaviour declines. This decline occurs because organizations exhibit political resistance to change, and managers face uncertainty regarding the opportunities that exist in the environment (Hannan and Freeman, 1977). In a similar manner, it can be theorized that a firm may be more likely to take a standardized approach to its marketing strategy in an export venture when its past export

performance has been particularly strong (Lages and Montgomery, 2004). In contrast, when a firm is not performing well, managers do not have the privilege of maintaining the status quo and will be more willing to take actions deviating from the firm's current activities and to search for new opportunities in more distant places. This tends to be more risky than sticking to what proved to be successful in the past. This core intuition has been formalized in a number of related simulation models (Lant, 1992; Greve, 1998).

H3: There is a negative relationship between past performance and organizational learning

Innovativeness and customer oriented solutions: Innovativeness as an organization's trait, when adequately resourced, facilitates the implementation of innovations (innovative capacity). Firms with greater capacity to innovate will be more successful in responding to their customers by developing new capabilities that enable them to respond timely (Han et al., 1998). The possession of such orientation will allow firms to accumulate internal capabilities to provide meaningful customers solutions that transform customer's desires and needs into solutions resulting in satisfied customers (Gatignon and Xuereb, 1997; Hult and Ketchen, 2001). These firms trait towards innovative behaviours generate inimitable, valuable, unique resources (Barney, 1991; Teece et al, 1997) that can be used to strengthen the relationship. As customers perceive value in their relationship with the firm, their willingness to develop relational bonds increases as well as their willingness to stay in the relationship (Palmatier et al, 2006). The firm will find itself in a superior market position thus creating a competitive advantage (Amit and Schoemaker, 1993). Therefore we propose:

H4: There is a positive association between levels of innovativeness and customer oriented solutions.

Innovativeness and learning orientation: Firms with strong learning orientations encourage, or even require, employees to constantly question the organizational norms that guide their MIP activities and organizational actions (Day 1991; Garvin 1993; Sinkula 1994; Sinkula et al. 1997). In this respect, learning orientation affects the degree to which organizational members are encouraged, even required, to "think outside the box". This view is in line with the proactive approach to the market. Marketing research has distinguish between a responsive and a proactive approach (Kohli and Jaworski, 1990; Slater and Narver, 1995; Matsuno et al., 2002). The responsive approach is focused on the expressed needs of customers, while the proactive approach attempts to discover and target the unexpressed, latent needs of customers (Slater and Narver, 1995). A responsive firm tends to focus on the expressed wants of customers and attempts to better target existing customer groups. In contrast, the proactive approach is oriented towards the latent, unexpressed needs and unrevealed

preferences of customers. Baker and Sinkula (1999b) and Day (1991, 1994) revealed that learning orientation facilitates shifts in product paradigms questioning long-held assumptions, fundamental beliefs and practices that eventually led to successful innovation. Proactive firms rely more strongly on the exploration of new opportunities recognise that innovation may not always be maximised through a strict interpretation of the feedback received from current customers, channels and competitors (Atuahene-Gima et al., 2005). This view recognises that innovation sometimes requires the vision to predict what the market may become as such they tend to be more innovative, launching more new-to-the-world products (Lukas and Ferrell, 2000) and targeting customers in novel ways. These authors confirmed that the extent to which an organisation engages in a successful product innovation is a function of learning orientation. Hence our hypothesis is stated as follows:

H5: Learning orientation will positively influence innovativeness

New Service Success as a Consequence

Innovativeness: The resource-based view of the firm (e.g., Barney, 1991) sees a firm as an idiosyncratic bundle of resources and capabilities that are available for deployment by the firm's business units but are difficult for rivals to imitate (Amit and Schoemaker, 1993). When innovativeness is deeply embedded in the firm's routines and practices it can become an organizational key capability. Key resources are typically intangible and developed over time (e.g. strong customer relations, culture) making them costly or difficult to trade, imitate or duplicate and becoming part of the firm's idiosyncrasies and thus a source of competitive advantage (Barney, 1991; Day 1994; Teece et al., 1997).

Several studies have indicated that innovativeness has a positive impact on a firm's performance. For example, Hurley and Hult (1998) found that existing innovativeness of divisions in government agencies promoted the divisions' capacity to innovate, as well as the ability of the organization to adopt or implement new ideas, processes, or products successfully. Thus innovativeness enhances its performance because it encourages organization members to come up with new innovative services and products in order to cope with technological and market changes. Empirical studies have also looked at outcomes directly related to innovation, such as the number of innovations an organization is able to adopt or implement successfully, law protected patents, technological knowledge or proprietary production processes (Ritter and Gemunden, 2004), or indirectly such as the ability to negotiate change in the organization's environment (Teece et al., 1997), the development of first mover advantage, fast response to market changes (Kerin et al., 1992), the ability to deal with economic crisis (Grewal and Tansuhaj, 2001) and more committed and loyal employees (Kirca et al., 2005). Thus we expect that innovativeness has a direct impact on the success of launching new services.

H6: There is a positive relationship between innovativeness and new services success.

Customer Oriented Solutions: In general the marketing theory predicts that serving the needs of the customer better by providing products that fit their needs creates an advantage for firms as their products are perceived as standing out from competition (Day, 1991; Andrews and Smith 1996). Consistently identifying and responding to customer's current needs and preferences and anticipating future needs and preferences firms will be in a better position to satisfy customers and perform better against competitors (Cadogan et al., 2002). Such ability will bring higher revenues to the organization as it develops capabilities that can be developed and combined to create valuable and unique solutions (Day, 1994) placing the organization in a better position than competitors (Hunt and Morgan, 1995). The underpinning logic is firmly grounded on the resource-based view of the firm (e.g., Barney, 1991) where the firm is a bundle of assets and capabilities that can be combined to produce competitive advantages.

At the turning of the millennium researchers have also turned attention to the adoption of the customer centric marketing in place of product and segment centric marketing (Sheth et al., 2000). The importance of fostering successful relationships, such that both parties achieve long-term benefits, is highlighted in relationship marketing studies (Morgan and Hunt, 1994). This stream of research is grounded on the assumption that stronger customer relationships has positive performance outcomes (Crosby et al., 1990; Morgan and Hunt, 1994, Palmatier, 2006). Effective practice of relationship marketing implies a strong customer focus which increases their willingness to develop relational bonds, a decreased propensity to leave a relationship (Morgan and Hunt, 1994), have a more long term orientation in the relationship (Ganesan, 1994), enhanced or flexibility (Lusch and Brown, 1996) that will generate higher sales (Siguaw et al., 1998) through enhanced customer satisfaction, loyalty, image, positive word of mouth and reduced price sensitivity (Simpson et al. 2006). Customer oriented solutions are a key dimension of this relationship aiming at getting more business out of existing customers and fostering the acceptance of new products. Therefore our last hypothesis is:

H7: Customer oriented solutions are positively related to new services success.

Baker and Sinkula (1999) demonstrated that a firm's learning orientation is likely to directly influence organizational performance by facilitating the type of learning that leads to innovations in products, procedures, and systems. This implies that the learning processes may be critical in creating a sustainable competitive advantage in the firm. In fact learning has been playing a prominent role in new theories on competitive advantage (Hunt and Morgan, 1995) as competitive

advantages result from resources and capacities created and controlled inside the organisation such as innovation, people's learning skills and organisations' entrepreneurial capabilities (Hunt and Morgan, 1995). This study looks specifically to the effects of innovativeness, customer oriented solutions and learning orientation as key performance drivers of new developed services.

New product success is a dimension of performance that involves the firm's ability to adapt to changing conditions and opportunities in the environment (Walker and Ruekert, 1987). A strong learning orientation is likely to be a route to new product development on its own without needing to relying on external sources of information. For example, firms with high learning orientation may not always follow a purely market-oriented approach to new product development because they do not require direct signals from the market to lead their new product development process because they are capable of learning from all available sources including internal ones that help questioning long held beliefs.

Therefore, we propose a positive link between learning orientation and new services success because it improves the predisposition to accept innovative processes, practices, and decision making, which drive to the development of new services with success (Matsuno et al., 2002).

Hence, we suggest that:

H8 : There is a positive relationship between a learning orientation and new product success

Based on previous findings it is acceptable that the success of new innovative services is a consequence of greater customer satisfaction with the introduction of new services, and that this may result in large gross profit margins to the firm, and in a quicker return on the investment. Additionally, Baker and Sinkula (1999b) recognised that learning orientation facilitates the type of higher-order learning that leads to shifts in product paradigms. This dynamic generative learning will enable firms to be first to market with differentiated successful innovations, and to engage innovative activities that increase productivity (Baker and Sinkula, 1999a, 1999b; Sinkula et al., 1997).

Moreover, services innovation may lead to a continuous and cumulative customer satisfaction, which Homburget al., (2005) found to have a strong impact on profit margins and the willingness to pay. Similarly, we expect that the successful development of new services may result in large gross profit margins to the hotel units and in a quicker return on the investment. This leads to the following hypothesis:

H9: New service success will impact positively the financial performance

Method

Sample Procedure

Services have become the primary sector of the world's economy. In 2009 services accounted for approximately 70% of the total gross value added for the OECD countries (OECD, 2010). Consistent with the marketing concept there has been a strong call to investigate market orientation on the service sector (Cano et al., 2004). Several studies have reported that this relationship should be stronger for service compared to manufacturing firms, due to the greater dependence on person-to-person interactions that are predominant in the service sector (e.g., Singh, 2000; McNaughton et al., 2002). Given that service organizations have more customer interactions than manufacturing firms, service companies will leverage more on their customer orientation strategies than manufacturing.

We focus on the hotel industry. In 2009 the international tourism accounted worldwide to provided over 235 million jobs and forecast shows that by 2020, 1 in every 10.9 jobs will be related to the travel and tourism industry (WTTC, 2010). The research setting is the country of Portugal. According to the World Tourism Organisation, Portugal is currently ranked 28th in the world in terms of tourist visits, and is set to become the world's tenth largest market by 2020, with an expected annual growth of 4%. As with many countries in the EU, Portugal's tourism growth depends heavily on the quality and added value that accommodation services provide to their customers.

We use as unit of analysis each hotel establishment in order to test our hypothesis, the instrument employed was a postal questionnaire.

Data Collection Procedure

All 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 seven-point Likert scales. The final version was mailed to 2.203 hotel establishments from the Portuguese "Official Guide for Tourist Accommodation-2003" database. The data was collected in 2005, with 448 valid responses yielding an overall response rate of 21% (95% confidence level). After matching the questionnaires with the available financial data, our sample was further reduced to 138 usable questionnaires. The respondents are organized as follows 66% CEOs, 4% administrators, 15 % directors of the SBUs, and 17 % a wide range 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 the SBU. The means were 18 and 7, respectively. These data suggest that the key informants had a deep knowledge of the topic and were well qualified. Tests of non-response bias were conducted comparing early and late respondents (Armstrong and Overton, 1977). No evidence of bias was found.

Measures

Innovativeness and customer oriented solutions were assessed on a scale adapted from Homburg and Pflesser (2000), in their study of identifying a culture that supports market orientation. For innovativeness we ask respondents to rate how their business unit emphasized innovation and creativity, cooperative work and valued entrepreneurial thinking (1 = Strongly Disagree; 7 = Strongly Agree). To assess customer oriented solutions respondents were questioned how often the following was heard of on their business unit “we now try to look at this problem from the customer’s point of view...”, “ What is the value added to the customer of doing that?” and “Can we offer the customers what they are expecting from us?” (1= Very Infrequent; 7=Very Frequently). Learning orientation was measured by adapting Baker and Sinkula (1999a) scale (1 = Strongly Disagree; 7 = Strongly Agree) if they agreed with questions such as “.. basic values of this hotel unit include learning...”, “ the collective wisdom in this hotel unit is that once we quit learning, we endanger our future”. Full item scales can be found in appendice A.

Performance. New service success was adapted from Baker and Sinkula (1999a) by asking respondents to indicate, “how has your business unit performed over the last three years, with respect to new service introduction rate, success and differentiation relative to largest competitor”.

Objective performance was measured using the value of sales per room. Past performance was measured in 2003 and future performance in 2006. We further measured environmental turbulence adapted from Menon et al.,(1999). We asked respondents to describe the level of changes in the following areas over the past three years (1= Very low; 7= Very high) in terms of market opportunities, production/process technology in the industry and products/services innovation in your industry.

Data Analysis

Measurement Estimation

In order to assess the validity of the measures the items are subjected to CFA using LISREL 8.51 (Jöreskog and Sörbom, 1993). The chi-square for this model is significant (chi-square=410.32, $p<.00$). Since the chi-square statistic is sensitive to sample size, we also assess additional fit indices:

the Comparative Fit Index (CFI= .97) and the Tucker-Lewis Fit Index (TLI= .96). The RMSEA of this measurement model is .06. All constructs present the desirable levels of composite reliability (Bagozzi, 1980) and all passed the Fornell and Larcker's (1981) test of discriminant validity. Convergent validity was evidenced by the significant standardized loadings of each item on its intended construct (average loading size was 0.75). Objective performance was measured using sales per room Appendix A.

Structural paths

The assessment of the structural model were performed using Partial Least Squares (PLS) with Smart PLS 2.0 (Ringle et al., 2005). The model was tested using the intensity of the path coefficients (β) and applying the non-parametric bootstrap technique to assess the precision and stability of the estimations obtained. Consistent with Chin (1998) a bootstrap test (500 subsamples) was used to generate the standard error and t-values of the parameters. Table 1 summarizes the PLS structural analysis for the hypothesized relations.

Table 1 Model Path Coefficients and t values

| | | Estimates | t-values |
|----|--|-----------|----------|
| H1 | Past performance – Innovativeness | 0.16 | 2.62 |
| H2 | Past performance–Customer oriented solutio | 0.11 | 2.15 |
| H3 | Past performance – Learning Orientation | 0.07 | 0.91 |
| H4 | Innovativeness - Customer oriented solutions | 0.31 | 3.46 |
| H6 | Innovativeness – New Service Success | 0.22 | 2.37 |
| H5 | Learning Orientation -Innovativeness | 0.64 | 13.33 |
| H7 | Learning Orientation - New Service Success | 0.21 | 2.59 |
| H8 | Customer solutions – New Service Success | 0.21 | 2.34 |
| H9 | New Service Success – Future Performance | 0.23 | 3.39 |

- Significant at $p < .05$; ** Significant at $p < .01$; *** Significant at $p < .001$ two-tailed test.

H1 specifies that innovativeness is influenced by the level of past performance. Our results show a positive association between past performance and innovativeness (.155, $t = 2.69$, $p < .05$) supporting H1. In H2 we stated that short time results influenced the level of customer oriented solution within the firm. We found that positive performance levels will direct managerial attention to further customer oriented solutions rendering support to H2 (0.11, $t = 2.25$, $p < .05$).

H3 predicted a negative relationship between learning orientation and performance. This hypothesis was rejected as the relationship was found to be non significant (0.07, $t = 0,868$, $p < .05$).

The higher the organization climate towards innovation the more the organization will produce customer oriented solutions. In line with the predictions of H4 we found that organization innovativeness strengths the delivery of customer oriented solutions as management attempts to

fulfil customers expectations of the organization offerings. H4 was supported (0.36, $t = 3.5$, $p < .05$). H5 predicted a positive influence of learning orientation on the organization's innovativeness. This was strongly supported in this study (13.478, $t = 13.756$, $p < 0.5$)

H6 predicts that innovativeness will have a direct impact on new service success. We found that innovativeness has a significant positive coefficient (.220, $t = 2.39$, $p < .05$), H6 is supported. H7 predicts that customer oriented solutions will have a positive contribution to new service success. We found a significant coefficient (.205, $t = 2.328$, $p < .05$). H7 is supported.

H8 and H9 pertained to the outcomes of learning orientation to new service success and ultimately to performance. Learning orientation is positively related to new service success (.210, $t = 2.838$, $p < .05$) thus H8 is supported and new service success relates positively to future performance (.231, $t = 3.300$, $p < .05$) thus supporting H9.

Multi-group Analysis:

Because H3 provided unexpected findings we decided to conduct further analyses to understand the positive influence of past performance on learning orientation. We aimed to understand if the main effect derived from populations characterized by different values.

Consistent with prior research we examined whether the effects were contingent upon the level of environmental turbulence. Environmental turbulence includes technology and market turbulence: technology turbulence is the rate of change associated with new product technologies, and market turbulence is the rate of change associated with the composition of customers, customer preferences, and competitor strategies (Jaworski and Kohli, 1993). We focus on this construct as turbulence is likely to force organizations' proactivity by requiring rapid responses, such as product adaptations or modifications, to satisfy changing preferences of customers (Jaworski and Kohli, 1993). In such environment firms that want to keep up with and stay ahead of competitors, need to be attentive listeners and learners. If on the one hand responding to fast changing customer preferences is likely to be achieved through close contact with the market, on the other hand fast changing technology is more likely to be met by innovative research driven products, than close contact with the market. Both approaches to turbulence are likely to be reinforced by organizational learning. Learning oriented firms are more likely than others to use extensive sources of information, knowledge and experience to recognize and exploit opportunities. Hence, organizational learning is expected to be more important in fast pace environments.

Organizational learning theory argues that learning occurs when firms take into account the local environment when building their strategies (Sinkula et al., 1997). Managerial decisions are influenced by market forces (Lages et al, 2008) and become a source of learning that can then be

used to develop internal capabilities that facilitate the organization's adaptation to the environment. Continuously learning, critically evaluating processes, external needs and technologies of customers and competitors are sources of learning, used to by organizations to respond faster to fluctuating customer preferences or come up with new to the world products.

Furthermore performance feedback will let managers know if they are on the course to success. Trial and error in turbulent markets is increasingly important as the adaptation/reaction period is much shorter (Lages et al, 2008). Thus, firms exploring learning opportunities are able to proactively preserve and enhance their capabilities by reducing the likelihood of ignoring the potential of emerging trends and practices from the marketplace (Paladino, 2007). These findings are aligned with the organizational learning literature that predicts that organizations adjust their behaviour in response to performance feedback (Lant and Mezias, 1992; Levitt and March, 1988) with a firm's ability to adapt quickly associated with its ability to learn from market opportunities and environmental changes.

As such we have conducted group analysis to test for differences in results whether firms operated in turbulent or stable environment. The analysis was conducted by sorting the sample in ascending order of environmental turbulence and then splitting it at the median to form two groups, one with relatively low environment turbulence and the other with relatively high environment turbulence. Next, performance was regressed on the full model allowing all regression coefficients to take on different values in the two subgroups.

Results showed that in high turbulent environments past performance is a determinant of both customer solutions (client and innovativeness) and learning orientation influencing. Increasing important are the solutions for existing customers. The route to new services success in such environments is very strongly influenced by the levels of innovativeness with customer oriented solutions with only a marginal (.0018, $p < 0.05$) and non significant influence.

By contrast in stable environments (low turbulence) client oriented solutions are the driver of new services success, down playing the role of learning and with innovativeness as a route to new service success. As expected, the influence of short term past performance is much less felt on organizations, although the relationship with learning assumes now the hypothesised direction. Please see table 2a and b

Table 2a Multigroup Analysis – High Environmental turbulence n= 63

| | Estimates | t-values |
|--|-----------|----------|
|--|-----------|----------|

| | | | |
|----|---|------|-------|
| H1 | Past performance – Innovativeness | 0.22 | 2.79 |
| H2 | Past performance–Customer oriented soluti | 0.36 | 2.31 |
| H3 | Past performance – Learning Orientation | 0.18 | 2.36 |
| H4 | Innovativeness -Customer oriented solutions | 0.01 | 0.03 |
| H6 | Innovativeness – New Service Success | 0.44 | 2.88 |
| H5 | Learning Orientation -Innovativeness | 0.68 | 10.06 |
| H7 | Learning Orientation - New Service Success | 0.11 | 0.81 |
| H8 | Customer solutions – New Service Success | 0.02 | 0.1 |
| H9 | New Service Success – Future Performance | 0.2 | 1.77 |

- Significant at $p < .05$; ** Significant at $p < .01$; *** Significant at $p < .001$ two-tailed test.

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Table 2b Multigroup Analysis – Low Environmental turbulence $n = 63$

| | | Estimates | t-values |
|----|--|------------------|-----------------|
| H1 | Past performance – Innovativeness | 0.08 | 0.51 |
| H2 | Past performance–Customer oriented soluti | 0.04 | 0.78 |
| H3 | Past performance – Learning Orientation | -0.1 | 0.56 |
| H4 | Innovativeness-Customer oriented solutions | 0.49 | 4.42 |
| H6 | Innovativeness – New Service Success | 0.11 | 0.84 |
| H5 | Learning Orientation -Innovativeness | 0.67 | 9.49 |
| H7 | Learning Orientation- New Service Success | 0.14 | 1.07 |
| H8 | Customer solutions – New Service Success | 0.39 | 3.44 |
| H9 | New Service Success – Future Performance | 0.22 | 1.8 |

- Significant at $p < .05$; ** Significant at $p < .01$; *** Significant at $p < .001$ two-tailed test.

Discussion

This study develops a model that simultaneously tests the ability of innovativeness, customer oriented solutions and learning orientation to indirectly affect organizational performance through new service success. Findings show that both variables are important routes to new service success but our key find is that the relative importance of these solutions are dependent on the levels of environmental turbulence. Moreover learning orientation is an effective way to maximize new service success regardless of the dynamics of the environment.

Contrary to predicted past performance does not significantly influence a learning orientation. Values of learning make the firm able to extract lessons from both successes and failures to generate new insights (Baker and Sinkula, 1999a) and as such we would expect past performance to influence learning orientation. This suggests that the values of learning are culture traits deeply embedded not vulnerable to short term performance.

Short term performance has a significant impact on both customer solutions and learning in high turbulent environments. To deal with turbulence firms need to deploy different internal capabilities (innovativeness and customer oriented solutions) to maximize new service success. Our results clearly indicate innovativeness is more conducive of new services success than customer oriented solutions in turbulent environments while under stable conditions drivers of new service success become the customer oriented solutions. This means that the organization needs internal flexibility

to deploy the different competencies required by the environment in which they operate. This flexibility can be achieved through a learning orientation.

The impact of customer oriented activities on performance is in line with the relationship marketing and resource based view, suggesting that customer solutions and learning are culture-based, firm-specific, complex capabilities that can lead to sustainable relationships that will create durable competitive advantages (Day 1994; Hunt and Morgan, 1995). Relationships are strengthened by the existence of a learning orientation as this ability gives the organization the flexibility to direct resources to respond more efficiently to changes in market (either opportunities or technology). This is in alignment with considerations by many scholars (Dickson, 1992; Baker and Sinkula, 1999) that organizational learning is the key to firm success, the ability to learn faster than competitors and is a source of sustainable competitive advantage.

Theoretical implications

Our contribution is threefold for future research. First, our analysis suggests that short term performance is an antecedent of both customer activities but the influence on customer solutions is more important ($\beta=0.155$ vs $\beta=0.113$). This indicates that the sense of security arising from increased performance (availability of slack) supports a culture of ideas and creativeness but managers will primarily focus increasing resources on initiatives to support the mainstream customer. The belief that managers will direct their search to fix a performance problem by searching familiar options first (Chattopaddhyay et al, 2001) and using existing competencies to provide short-term success (Atuaheme Gima, 2005) is not fully supported¹. The finding becomes important as both initiatives have a direct impact on performance. Declines in performance are likely to reduce the levels of innovativeness and customer oriented solutions thus decreasing the investment on the internal abilities of the organization to launch new services successfully. This finding is aligned with the threat rigidity theory where decline is synonymous of shrinking resources, increasing internal rigidities and control in order to achieve the efficiency and cost reduction needed to put performance on the upward trend again.

Secondly we found a strong link between innovativeness and the ability to think solutions through

¹ We tested if managerial tenure would influence the organizational response from past performance. According to Aiken and West (1991), the presence of the influence is evidenced by the significance of its interaction coefficient. Following this procedure we found that tenure did not influence the impact past performance has on customer oriented solutions. But we found a negative and significant coefficient for innovativeness (-0.237 , $t = 3.38$, $p < .05$). This suggests that the greater managerial experience, the weaker is the relationship between past performance and innovativeness. These findings are expected. For example, the executive life cycle (Miller and Shamsie, 2001) suggests that executives start by learning about strategies and ways to implement them and then will avoid projects that entail higher risk of failure that can represent a threat to the sources of power and status of senior management.

the customers' lens. The internal marketing literature (see Gounaris, 2006 for a review) argues that the main source of customer satisfaction is the staff which in turn must have their needs met before they can properly serve the customers (Rafiq and Ahmed, 2000). Values of creativity, cooperation and entrepreneurship are likely to be employees' motivators. Motivated, committed employees will contribute and suggest to the organization's *modus operandis* engaging in broader array of innovative activities that can be used to stay close to the customer that eventually will increase success of new services.

Findings also revealed a strong influence of learning orientation on the levels of innovativeness. A learning orientation turns information into valuable internal knowledge from many sources: the market, direct experience, or the experiences of others. Motivated employees are essential to grasp all these sources - an essential aspect of service innovation, as firms cannot generate insights for new services without it (Sinkula et al., 1997). Learning orientation becomes the facilitator between an innovativeness and a customer oriented focus because it helps the organization to experiment with new ways to deliver service benefits while discarding limiting beliefs and assumptions about the external environment (Baker and Sinkula, 1999b) and as such increase its levels of innovativeness. This dynamism enables the reconfiguration of its structure and resource reallocation to foster new services, including those in existing and emerging markets (Slater and Narver 1995).

In all learning oriented can be a way to balance the “innovator's dilemma” (Christensen, 1997): short-sighted customers do not necessarily know what they really want, so the firm will scan and innovate on their behalf, rescuing the organization from the “tyranny of the served market” (Hamel and Prahalad, 1994). On the other hand the firm can “get closer to the customer” to increase share and fight off competitors (Drucker, 1954; Day, 1994) with the assurance that continuous questioning, openness of communications and shared vision will not render the “organization myopic” (Hamel and Prahalad, 1994).

Finally the environment plays a decisive role on the effect of the vicious/virtuous circle of performance. According to many authors environment turbulence moderates the relationship between customer oriented solutions, innovativeness and learning to performance. For example, Dickson (1992) emphasizes the importance of learning in transferring information into knowledge, arguing that in dynamic and turbulent markets, the ability to learn more quickly than competitors may be the only source of sustainable competitive advantage. Kirca et al. (2005) argue that technological turbulence is likely to diminish the impact of customer oriented solutions on performance because when technology is changing rapidly, research and development-driven

innovation becomes more important to a firm's performance than does the customer-focused innovation as answers do not lie in the market (Grewal and Tansuhaj, 2001; Kohli and Jaworski, 1990). Zou et al, (2005) argue that technological turbulence is likely to demand more responses from innovation as shortened product life cycles erode existing competitive advantages propelling other firms to the forefront.

Our study shows that under high levels of environment turbulence innovativeness is more important to new service success than learning orientation or customer oriented solutions. It seems that when technology and consumer preferences change quickly, firms need to introduce more creative products to stand out from competition than just following mainstream customers. Existing customers are not sufficient to develop new service efficiently, a favourable attitude toward innovation (i.e., new ideas, cooperation and entrepreneurial thinking) may be the key. This is also a reflexion of the nature of innovativeness and learning orientation as both have a strong internal focus (business processes and self-renewal), whilst customer oriented solutions have a strong external focus: the market and competition. As such innovativeness and learning are more suitable to cope with challenges that do not demand a market focus. Stable, predicted environments achieve maximization of new service success by staying close to mainstream customers rather than prioritizing internal innovativeness or learning. Why is this?

Learning organizations have the internal competencies to stay tuned with the environment delivering, as a result, new services more successfully. This is because learning has direct influence on new services success but also by the ability to influence levels of innovativeness which in turn facilitates both the delivery of solutions new to the world and to existing customers. These organizations because read their reality quickly they can allocate internal competences to cope with the challenges of the context. This echoes Baker and Sinkula (1999) arguments that on the one hand learning is expected to impact more on environments where technologies changes render product obsolete more rapidly and on the other hand they help overcoming the risk of managerial complacency and inertia in stable environments“. In an environment in which no new overt signals from competitors, customers, or channels demand change, improving performance may depend totally on the motivation and ability of an organization to look proactively at the environment in a new way and, in essence, to change it themselves to their advantage” (Baker and Sinkula, 1999 p. 423).

We expected turbulence to make managers more attentive to short term performance as the need to

learn quicker than competitors may be the major source of sustainable competitive advantage (Dickson, 1992), market responsiveness is more need in evolving and changing customer preferences (Jaworski and Kohli 1993) and shorten product life cycles demand a constant adaptation on strategy (Lages et al., 2008). Our results confirm these arguments.

Worthwhile to note is the negative coefficient of learning ($\beta = -0.1$) in stable environments under conditions of performance decline. When the sources of information are fully available in the market (due to the stability opportunities and technologies are likely to be more transparent to all) asking the organization to engage more fully on learning and apply it to current market situations are seen as the preferred way to fix a performance problem (Cyert and March, 1963).

Managerial Implications

Our results fit with the new paradigm that mass consumption is giving way to the one focused on individuals. Sharp increases in higher education, standards of living, social complexity, and longevity gave rise to a new desire for individual needs and wants. The leading edge of consumption is now moving from products and services to relationships enabled by interactive technologies: Amazon.com, Apple, eBay, and YouTube. The customer value is coming from individual tailor made services at reduced cost (the new concept of frugal innovation, Immelt et al., 2009), expressing a convergence of technological capabilities and the values associated with need and desires of the customer. A good example is the internal frame of mind of Apple when it understood that iPod users wanted to be connected to one another. By broadening the scope of its offerings, creating new partnerships and business models Apple was able to go from a stand-alone iPod to the iPhone delivering building a strong market leader position.

This shows managers need to continuously provide solutions to mainstream customers while introducing new services that question the existing market logic. The ability to interact with the customer should be directed not only to cultivate brands but also to build strong customer relationships. In times where information sources are accessible to all (customer forums, *blogs*, online purchasing and social networks) only the adequate climate can help the organization to translate these increasing levels of information into relevant customer services. This source of advantage is particularly valuable in services where imitation is easier and technology may provide limited advantage as it eventually will be available to all that can afford it. Positive customer oriented attitudes, however are considered much more difficult to introduce. Dedicated salesperson, social entertaining sharing the customer experience are more likely to contribute to building customer–firm relationships than frequency-driven loyalty programs or product that are of very

high quality standards but do not relate to what customers want (Palmatier et al., 2006). For instance, employees are likely to determine the level of adoption of self-service services, by explaining and “selling” its advantages to customers. Organizations need employees, market and customer knowledge to develop successful new products and services assuring for example, they are corrected implemented and executed by customers. These organizations depend on their staff to build strong customers ties.

On the other hand reinventing the consumption experience from customer's point of view, at a fraction of the cost can only be achieved by if the firm balance the need to listen to the market while questioning the existing value chain. Customers should not be regarded as a route to the answer but as critical market intelligence that can focus the new service team in searching for ingenious solutions. This view is learning oriented because it encourages the teams to engage in, but not to blindly depend on the knowledge generated through market-oriented behaviours (Baker and Sinkula, 1999a). Such a view recognizes circumstances when customer information may be flawed or misleading, as in the numerous cases where customers cannot foresee the application of breakthrough technologies that render existing paradigms obsolete. This inability often causes customers to give overly optimistic reviews of “new” product concepts that only represent incremental innovations in existing paradigms.

Finally our result caution managers that we may be in the presence of a vicious cycle of performance as investment in core internal values that facilitate innovation and solutions to customers are being disregarded. Regardless, learning orientation is not affected by short term past performance suggesting that the construct holds whether performance decreases or increases. The “rigidity” of the construct can be used to break the vicious cycle of performance by the ability of the organization to question mental models and “theory in use” and in the process finding novel solutions (the creation of more efficient organizational structures, the improved use of technology , the more effective use of capital markets, more open channels of communication, innovative training techniques etc (Baker and Sinkula, 1999) that eventually will generate in new services. Values of innovativeness and customer focus seem more likely to be at odds with external pressures

Limitations and future research

While direct effects of both customer solutions and learning orientation were all observed, the specific nature of these effects need to be more specifically explained. For example we can infer but not demonstrate from this research that different types of learning (generative or adaptative) play a

differentiate influence on innovativeness and customer oriented solutions. Also, we can infer but not confirm that the innovativeness is more likely to produce explorative services and customer oriented solutions more exploitative solutions. Exploration is defined as the “experimentation with new alternatives having returns that are uncertain, distant and often negative”, while exploitation is the “refinement and extension of existing competences, technologies and paradigms” (March, 1991, p.85). Research suggests firms need to develop both exploratory and exploitative capabilities to ensure long-term success (Atuahema- Gima, 2005). Although we can infer support for these arguments we cannot fully demonstrate it.

Our results should be viewed in light of the constraints of the study. For example we speculate that when the environment is stable managers will see learning orientation as a solution to fix a performance decline. The numbers in our sample failed to support this finding and its implications on performance. Future studies could look at validating this finding by enlarging the sample. Furthermore we can only take our group analysis as indicative as some of the effects are not supported and this could be due to the sample size. We encourage future research to investigate this line of inquiry further.

Although we used a longitudinal study the time span used may have not been enough to reflect the full effects from short term perform on one hand and to understand its full effect on performance on the other. Future research is encouraged to explore the impact of long term objective performance measures on the constructs at study: innovativeness is likely to produce effects on a longer time span than customer oriented solutions (Lages et al., 2008) while learning should prove to be an important orientation for sustained growth. Our measures of new service success are self-explicated as opposed to objective measures used to evaluate performance. Future research should also investigate other objective measures such as return on investment, gross profit or more market oriented measure such as market share, customer satisfactions, providing customer benefits, etc. In addition, we sampled only one industry, hotels in one context, Portugal. It may be interesting to explore the dynamics of customer solutions and learning processes in other industries and contexts.

Other moderating effects should be tested. Critical to innovation and learning are some internal conditions such as the risk profile of managers, the urgency to react to the short term performance due to shareholders pressures, annual bonus or even the competition. For example are competitors incursions in the market demanding more innovativeness or customer oriented solutions? Do they have different bearings to new service success? What type of learning could help in neutralizing competitor's moves? Future studies could evaluate the influence of such characteristics.

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Appendix A – Final Scale Item and Reliabilities

| | □/□/□ vc(n) | Standardized Item-Loading | T-value |
|---|--------------------|------------------------------|---------|
| INNOVATIVENESS (adapted from Homburg and Pflesser, 2000) | | | |
| | .77/.80/.56 | | |
| Please rate your agreement with each of the following statements, regarding your accommodation unit Scale: 1 = Strongly Disagree; 7 = Strongly Agree | | | |
| 1. In our business unit, we particularly emphasize innovativeness and creativity | | .75 | 9.09 |
| 2. In our business unit we aspire to cooperative work | | .85 | 10.59 |
| 3. In our business unit we value very highly that every employee thinks and acts like an entrepreneur | | .66 | 7.71 |
| CUSTOMER ORIENTATION (adapted from Homburg and Pflesser, 2000) | | | |
| | .76/.78/.55 | | |
| Please indicate the frequency of the articulation of the following or similar sentences during meetings in your business unit Scale: 1= Very Infrequent; 7=Very Frequently | | | |
| 1. "If we now try to look at this problem from the customer's point of view..." | | .77 | 9.02 |
| 2. "What is the value added to the customer of doing that?" | | .86 | 10.20 |
| 3. "Can we offer the customers what they are expecting from us?" | | .57 | 6.39 |
| LEARNING ORIENTATION (adapted Baker and Sinkula, 1999 a). | | | |
| | .84/.85/.45 | | |
| Please rate your agreement with each of the following statements, regarding to your accommodation unit. Scale: 1 = Strongly Disagree; 7 = Strongly Agree | | | |
| 1. The basic values of this hotel unit include learning as a key to our competitive advantage. | | .77 | 15.911 |
| 2. The collective wisdom in this hotel unit is that once we quit learning, we endanger our future. | | .64 | 7.141 |
| 3. All employees are committed to the goals of this hotel unit. | | .74 | 17.018 |
| 4. Top leadership believes in sharing its vision for the business unit, with the lower levels. | | .63 | 7.696 |
| 5. Our hotel unit places a high value on open-mindedness. | | .78 | 14.394 |
| 6. Managers encourage employees to "think outside of the box". | | .75 | 10.895 |
| NEW SERVICE SUCCESS (adapted from Sinkula and Baker, 1999) | | | |
| | .91/.91/.77 | | |
| 1. New service introduction rate relative to largest competitor. | | | |
| | | .84 | 22.76 |
| 2. New service success rate relative to largest competitor. | | | |
| | | .94 | 26.85 |
| 3. Degree of service differentiation. | | | |
| | | .90 | 20.06 |
| ENVIRONMENTAL TURBULENCE (adapted from Menon et al.,1999) | | | |
| | .81/.83/.68 | | |
| Please indicate how would you describe the level of changes in the following areas over the past three years Scale 1= Very low; 7= Very high | | | |
| 1. Market opportunities. | | .62 | 13.60 |
| 2. Production/process technology in your industry. | | .88 | 21.44 |
| 3. Products/services innovation in your industry. | | .85 | 20.34 |