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An analysis of the relationship between market orientation and business performance in the hotel industry

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Abstract

The purpose of this study was to conduct an investigation into the link between market orientation and business performance in the hotel industry. Data were generated from 63 hotels in Hong Kong. The findings indicated that market orientation is positively and significantly associated with the marketing performance and financial performance of a hotel. The implications of the findings are discussed and the limitations of the study as well as future research directions are addressed.

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1. Introduction

During the last decade, the term “market orientation” has received much attention in the marketing and strategic management literature (Day and Wensley, 1988; Greenley, 1995; Jaworski and Kohli, 1993; Kumar et al., 1998; Narver and Slater, 1990; Ruekert, 1992; Wong and Saunders, 1993). It has often been assumed that

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market orientation is positively related to business performance. Despite the importance of market orientation to business success, systematic inquiries to gain a deeper understanding of the construct have only recently begun, following the pioneering work of Kohli and Jaworski (1990) and Narver and Slater (1990). Subsequently, a number of empirical studies have attempted to assess the association of market orientation with profitability (e.g., Bhuian, 1997; Greenley, 1995; Raju et al., 1995; Ruckert, 1992), market share (e.g., Deshpande et al., 1993; Pelham and Wilson, 1996), new product success (e.g., Appiah-Adu, 1997; Atuahene-Gima, 1995), and customer satisfaction (e.g., Gray et al., 1998).

What is noteworthy is that although research on market orientation is abundant, most of the past studies mainly focused on manufacturing sectors. Recently, some studies have attempted to validate the market orientation model and its scale in some service sectors, such as financial services (Bhuian, 1997), health care services (Kumar et al., 1998; Raju et al., 1995), and architectural services (Barksdale and Clopton, 1994). However, relatively few researchers have addressed, in the empirical sense, the proposition that the adoption of market orientation leads to improved performance in the hotel industry, especially in an Asian context. To fill this existing gap in the literature, the present study attempts to examine the current state of market orientation in the hotel industry. More specifically, this study has two objectives, each designed to contribute to the emerging body of empirical literature on the relationship between market orientation and business performance. The first objective is to assess the scale properties of the market orientation construct in the hotel industry. The second objective is to test empirically the hypothesized relationship between market orientation and business performance in the hotel industry.

The remainder of this paper is structured as follows. In the first section, previous research relating to market orientation is reviewed so as to provide a basis for this study. Next, the methodology, including sampling, data collection, and measures, is presented. In the third section, the reliability and validity of the market orientation concept, along with its impact on business performance, in the hotel industry are assessed. Finally, the academic and managerial implications as well as directions for future research are discussed.

2. Previous research on market orientation

2.1. The marketing concept and market orientation

The marketing literature asserts that the adoption of the marketing concept is the foundation for successful performance. The marketing concept was formally introduced in the writings of McKitterick (1957) and Keith (1960). It defines a distinct *organizational culture* or business philosophy that puts the customer at the center of the firm's thinking about strategy and operations (Deshpande et al., 1993; Deshpande and Webster, 1989). The marketing concept is generally considered to be made up of the following three pillars (Cravens, 1994; Dalrymple and Parsons,

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