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## Väitöksiä - Dissertations

# Influences of Market Orientation and Trust on the Innovativeness and Performance of Small and Medium Enterprises in Lithuanian Tourism Networks

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The focus of this paper is on market orientation and trust impacts on innovativeness and performance of managers in tourism. The tentative models with combined data from several countries found positive relations between the main latent variables. This tentative model is null hypothesis.

While considering the fundamental shift in East Europe to market economy, I find it necessary to (dis-)confirm the tentative model. There is reason to believe that historical contexts still influence people's behavior. Thus, it may be that the null hypothesis cannot be confirmed. This justification for the choice of the paper theme leads to the research question: how market orientation and trust influence innovativeness, and how these affect the performance of enterprises in tourism networks, specifically in Lithuania?

The quantitative approaches used univariate and multivariate analyses including modelling of survey based data. The scientific contribution of this research was that it was the first study to establish the relations between Market Orientation and Trust on Innovativeness and Performance.

The original hypotheses were disconfirmed to the extent that the Trust to Innovativeness relationship proved to be negative. Further studies are needed to shed light on whether this reflects the sample & population only, or the post-socialist society.

*Keywords: Trust, Market orientation, Innovativeness, Performance, Tourism destination networks*

The focus of my dissertation is on market orientation and trust impacts on innovativeness and performance. While being a part of the Experience Stratos 2007–2017 research program I have studied this topic and published tentative models with combined datas from several countries before. In these preliminary studies I found positive relations between the main latent variables. Therefore, the tentative model proposed in this dissertation was my null hypothesis (Figure 1).

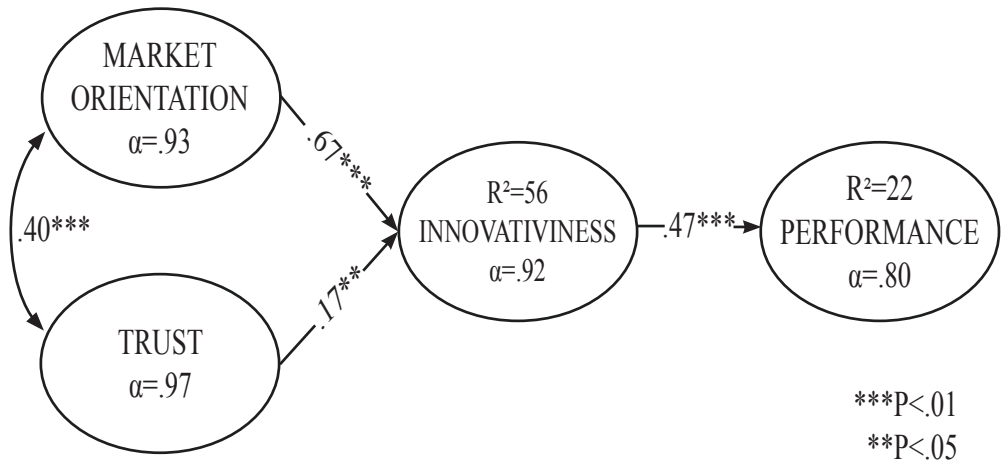


Figure 1. Hypothetical model (Source: Ruibyte, E., Haahti, A., and Pesämaa, O., *Proceedings of Rencontres de St Gallen*, 2010).

As a Lithuanian, and in considering the fundamental shift from post-socialist market economies after fifty years of communist rule, I find it necessary to (dis-)confirm the tentative model. Why? The Baltic states, as well as other countries in this region, did not have a market economy for more than 50 years. The changes brought by the historical circumstances after the 1990s were followed by a sudden boost in market economy, which was no ordinary development to the system. Such economies were not based on trust, and there was reason to believe that context still influence people's values, attitudes, and choice behaviors too. Therefore there might be reason to believe that the null hypothesis could not be confirmed.

Networks of tourism businesses strongly contribute to the overall development of tourism destinations by increasing the attractiveness and competitiveness of the region through distinctive staged experiences (March & Wilkinson, 2007). According to Emerson (1981), a business network can be defined as a set of two or more connected business relationships, where a transaction is implemented between business companies that are conceptualised as collective participants. Moreover, competition within a network can be very intense because small and medium enterprises may lack trust in each other. According to Misztal (1996), trust is seen as the basis for stable relationships, vital for the maintenance of cooperation, fundamental for any exchange and necessary for even the most routine interactions. On the other hand, the majority of scholars (Gambetta, 1988; Misztal, 1996; Sako, 1992; Smith & Lohrke, 2008) associate trust with the positive performance of companies and claim that trust is a highly necessary and desirable property for organisational interaction.

Moreover, from a managerial perspective, Tsiotsou and Vlachopoulou (2011) confirmed that market orientation is also a crucial success factor for business performance and that travel and tourism services could improve their performance by adopting market orientation. Furthermore, many scholars have researched the links also between innovativeness and performance. They said that services or products with a higher degree of innovation have higher sales and financial performance and lead to better business performance (Gatignon & Xuereb, 1997).

The aim was to evaluate the interest and work of Lithuanian tourism companies as well as to see what actions could improve the companies' performance. After the review of previous research, the following research question was formulated: *How do Market Orientation and Trust influence Innovativeness and how do these affect the Performance of tourism companies in the destination networks?* In order to answer this research question, five objectives were set up: (1) To understand the institutional context affecting tourism companies in the destination networks in Lithuania. (2) To identify the role of Market Orientation (MO) of tourism companies in the destination networks and its influence on Performance. (3) To identify the role of Trust of tourism companies in the destination networks and its influence on Performance. (4) To identify the role of Innovativeness of tourism companies in the destination networks and its influence on Performance. (5) To identify MO and Trust influences on Innovativeness and Performance of tourism companies in the destination networks.

## Methodology

The methodological ambitions of this research influenced the choice of mixed methods design. This included, first, content analysis of institutional factors that have an impact on the business enterprising environment in Lithuania. Clearly, Lithuania has a well-established institutional structure in the tourism industry as well as a developed legal framework. However, the public sector still lacks understanding of the tourist industry as an important sector in the economy. Consequently, the state fails to provide sufficient support for tourism-related businesses and creates obstacles for the development of the country as a tourism destination.

Second, quantitative approaches used univariate and multivariate analyses including modelling of survey based data. As I sought to deny the null hypotheses, i.e. the selected constructs were related, and influenced each other (putative causality, i.e. I assume causality even though I do not test it in a longitudinal setting). In order to collect data, the Experience Stratos trust project questionnaire was used (here only the relevant questions of it); it was also used in Finland, Sweden and other partner countries. Eight health and seaside resort destinations which have existing networks and potential in destination development were chosen for analysis in Lithuania. As these were the main health and seaside resorts as well as the main tourism areas of the nation, I claimed that the results of this study reflect the general networking situation in Lithuania.

The data for this study consisted of responses from 922 organizations. It gave an opportunity to use a hold out sample for initial modelling and (dis-)confirmatory approach in the second half of the sample.

## Results and Conclusions

Results reveal that Market Orientation has a strong effect on Performance. Most researchers have claimed that a company which follows market orientation has better organizational performance (Deshpande & Farley, 1998; Jawoski & Kohli, 1993; Slater & Narver, 1999). This study also confirmed the findings of previous researches. Such companies in the destination network become more efficient in commercializing new products, their profit increases faster, as well as the number of employees. A market oriented company can keep recent customers satisfied and loyal, can attract new customers, and achieve the needed level of growth, market share, as well as performance. On the other hand, in a previous study Tsiotsou (2010) has found that market orientation cannot make a direct impact on company’s performance without service innovation.

The rest of the factors had no direct effect on Performance (Figure 2).

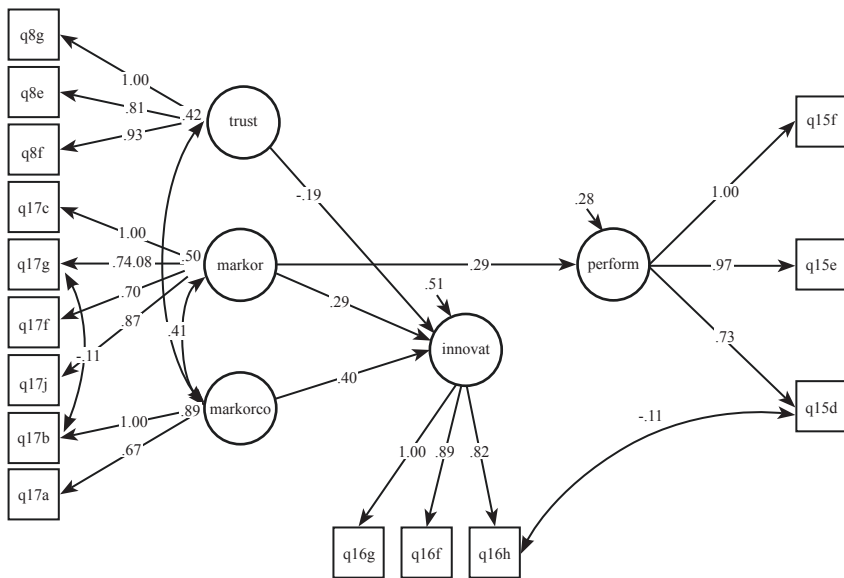


Figure 2. Trust, Market Orientation, MOTDC, Innovativeness influence on Performance.

The established model also showed that Innovativeness was affected by both factors (Market Orientation, Trust) but Innovativeness had no direct effect on Performance. Jing Zhang and Yanling Duan (2010), stated that the role of innovativeness is not significant to companies which adopt responsive market orientation. The results of the research gave us the presumption that companies in health and seaside resorts in Lithuania adopt responsive market orientation. It can be explained by the circumstances that destinations are small and market economy is “young” in these regions. Service companies can achieve better business performance even through less innovative services (Atuahene-Gima, 1995; Berry, Shankar, Parish, Cadwallader, & Dotzel, 2006).

Meanwhile, the influence of Trust on Innovativeness was significant, low, but negative. This revealed that the more companies in the eight health and seaside resorts in Lithuania trusted each other, the less they were eager to be innovative in the destination networks. I assumed that some companies become too comfortable and apathetic and they “forgot” to improve, to look for innovative solutions. Also, the less companies trust each other, the more innovative services they apply, because companies want to be exceptional in the market and get the biggest market share. Nevertheless, such destination networks are also not very stable. Therefore, I could not confirm the tentative model, the null hypothesis.

The scientific contribution of this research was that it was the first study to establish the relations between Market Orientation and Trust on Innovativeness and Performance. The original hypotheses were disconfirmed to the extent that the Trust to Innovativeness relationship proved to be negative.

As with any study, the findings must be viewed with some limitations. The results of the study do not represent the overall situation of countries which have similar cultural background. Moreover, the analysis does not include discussion and analysis of companies’ size and its influence on trust, market orientation, innovativeness and performance. Further studies are needed to shed light on whether this reflects the sample & population only, or the post-socialist society.

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