

Performance measurement systems: Does market focused learning and entrepreneurial orientation improve travel agency performance?

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Introduction

Essential to successful organisations, performance measurement involves ‘setting goals, developing a set of performance measures, collecting, analysing, reporting, interpreting, reviewing and acting on performance data’ (Smith & Bititci, 2016, p. 3). Within tourism research, studies exploring performance measurement typically focus on quantitative accounting-based performance indicators with contextualised within the hotel industry (Huang, 2008; Sellers-Rubio & Nicolau-Gonzálbez, 2009; Sainaghi, Phillips, & Zavarrone, 2017; Yılmaz & Bititci, 2006). However, the intangibility of many tourism services and the increasing importance of longer-term financial measures render a reliance on traditional accounting based measurement systems unsuitable (Huang, 2008; Phillips & Louvieris, 2005).

Therefore, more comprehensive performance management systems, which include both financial and non-financial performance measures, have received considerable attention throughout business research (Homburg, Artz, & Wieseke, 2012). Homburg, Artz, and Wieseke (2012) refer to such systems as being comprehensive performance measurement systems (CMPMS). Here, they contend that central to these performance measurement systems is the degree of comprehensiveness, which consists of the three components: breadth; strategy fit; and the yield of information related to cause-and-effect relationships. ‘Breadth’ refers to the picture provided by a range of financial and non-financial performance measures, based on both historical and contemporary information. Another essential concept is how the CMPMS fits with the overall strategy of the organisation, and whether it reflects the strategic targets of the organisation. Finally, the third component relates to whether the CMPMS can clarify and expose the cause-and-effect relationships within the value chain. As such, this aspect of

CMPMS is inherently concerned with gaining and subsequently utilising a deep understanding of the idiosyncrasies of the market in which the organisation is operating.

This ‘market-focused learning’ is concerned with the way in which an organisation collects, processes, analyses, and subsequently uses information relating to the market it operates within (O’Cass and Weerawardena, 2010). The collection of this information goes some way to answering the questions posed by CMPMS, as it provides information which can illuminate a range of both external and internal, financial and non-financial metrics important to the organisation. Resultantly, we hypothesise that, in acting as a progenitor for both macro- and micro- market related data collection, CMPMS provide necessary direction and structure and positively affect market focused learning (H1). The capability to learn from the market, and to share the product of this learning with employees, provides an organisation with the foundation from which to compete (O’Cass and Weerawardena, 2010; Vorhies & Morgan, 2005; Weerawardena, 2013). Further, market-focused learning stems from a proclivity to proactively explore and refine new and existing market segments, keep abreast of competitor actions and advancements, and maintain an understanding of sector-wide innovation and technological trends (Slater & Narver, 1999; Hooley et al., 2001). If the information gleaned from market-focused learning is collected in a robust fashion and subsequently analysed, shared internally and used appropriately, it can serve as a source of competitive advantage. Given this, this study hypothesises that market-focused learning positively impacts upon the overall performance of the organisation (H3).

Further, compliant with strong market-focused learning and the desire to understand sector-wide innovations, many organisations internally foster a degree of entrepreneurial orientation in order to facilitate long-lasting success (Zellweger & Sieger, 2012). Entrepreneurial orientation is comprised of five dimensions: autonomy, innovativeness, proactivity, risk-taking, and competitive aggressiveness (Lumpkin & Dess, 1996; 2001). When considering innovativeness, organisations are considered as having an entrepreneurial orientation when there is explicit managerial openness to and acceptance of new, unorthodox, or revolutionary approaches or technologically aimed at improving the firm’s core activities. With regards to risk-taking, entrepreneurially oriented firms are typically less concerned with maintaining the status-quo, have higher rates of project approval, and pursue riskier projects where returns are less certain but could potentially be higher (Martin & Javalgi, 2016). Further, entrepreneurial orientation is underpinned by proactivity. Here, as with CMPMS, there is an emphasis on long-term orientation and prolonged success, strategic advancements, and the impact of being first-

to-market with a given experience, brand, product, or service (Zellweger & Sieger, 2012; Martin & Javalgi, 2016). Resultantly, we hypothesise that CMPMS positively affects entrepreneurial orientation (H2).

Firm overall performance comprised of three dimensions: customer satisfaction, market effectiveness, and current anticipated profitability (Vorhies & Morgan, 2005). The most obvious of these, anticipated profitability, is concerned with the expected financial performance of the organisation. This includes the overall profitability of the business unit; the return on investment achieved by shareholders, and whether the performance of the firm has met predetermined financial goals over a set period of time. Market effectiveness is concerned with the organisation's place within the market, but is again likely to directly impact upon the financial performance of the organisation (Morgan, Vorhies, & Mason, 2009). This dimension of overall firm performance considers the organisation's growth relative to competitors, whether revenues have increased, the extent and rate of customer acquisition, and the extent to which sales to existing customers have increased. The final indicator of firm overall performance centres on customer satisfaction. Here, there is an emphasis on customer retention, sustained positive customer feedback, and the realisation of a defined value proposition (Homburg, Koschate, & Hoyer, 2005).

Given the parallels between innovativeness, proactivity, competitive understanding, satisfaction, and growth, we hypothesise that firms with strong entrepreneurial orientation generally experience better overall performance (H4). Finally, as the overall performance of an organisation is aggregated from financial and non-financial considerations, and with many of these parameters measured explicitly within CMPMS, organisations where the comprehensive nature of CMPMS is embraced may perform better. Thus, this study posits that CMPMS positively affects overall firm performance (H5). Figure 1 represents a holistic graphical demonstration of the hypotheses.

[HYPOTHESIS FIGURE]

Method and Results

Data for this study was collected by means of a questionnaire from employees in a leading travel agency with six branches located within two major cities in Iran. These branches are interconnected with regards to their marketing management strategies and work together closely in order to service their customers. To ensure content validity, items for the constructs

were adapted from constructs within extant literature (Homburg, Artz & Wieseke, 2012; Martin & Javalgi, 2016; Vorhies & Morgan, 2005).

The conceptual framework and hypothesis was assessed using PLS-SEM, as it is suitable for testing complex models with comparatively small sample sizes (Hair, Hult, Ringle, & Sarstedt, 2017; Wells, Taheri, et al., 2016). Second, it is suitable for reflective, formative and higher-order constructs (Becker, Klein, & Wetzels, 2012). In this study, in accordance with previous research (Homburg et al., 2012; Martin & Javalgi, 2016; Vorhies & Morgan, 2005), CMPMS, firm overall performance and entrepreneurial orientation were conceptualized as higher-order measures composed of first-order factors.

The convergent validity of reflective constructs was assessed using composite reliability (CR) factor loadings and average variance extracted (AVE). The discriminant validity was tested in two ways. First, following Fornell and Larcker (1981), we found the square root of the AVE of all constructs larger than all other cross correlations. Correlations among all constructs were below the threshold (0.70). Second, heterotrait–monotrait (HTMT) ratio of correlations approach was used (Henseler, Ringle, & Sarstedt, 2015), with all values significantly different from 1; establishing discriminant validity (Wells et al., 2016).

Exploratory factor analysis (EFA) was used to confirm that each of the higher-order constructs (CMPMS, entrepreneurial orientation and firm overall performance) were reflectively represented by their underlying constructs. Findings show that all item loadings exceed the minimum threshold (0.50) under the respective dimensions (Hair et al., 2010). Following Becker et al. (2012), the repeated measures approach was used to estimate the PLS-SEM hierarchical component models (HCMs). All items of the higher-order constructs were assigned reflectively to their respective dimensions. Further, all items within each underlying higher-order construct was assigned reflectively to their higher-order construct. Finally, the link between each higher-order construct and their respective dimension were specified reflectively. We find that CMPMS, entrepreneurial orientation and firm overall performance are higher-order constructs represented reflectively by their underlying first-order dimensions.

[RESULTS FIGURE]

Prior to testing hypotheses, we assessed predictive relevance (Q^2), effect size (f^2), SEM-PLS goodness-of-fit, and Standardized Root Mean Residual (SRMR). All demonstrate good model

fit, and support the suitability and acceptable predictive relevance of the PLS-SEM. Figure 2 represents the results of the PLS-SEM.

The findings suggest that CMPMS negatively and significantly influences market-focused learning (contradicting H1). However, in line with H2, CMPMS was found to positively affect entrepreneurial orientation. Similarly, H3 and H5 were supported by the findings, which suggest that market-focused learning and CMPMS both positively affect firm overall performance. Nonetheless, H5 was not supported by the findings, with entrepreneurial orientation found to negatively affect overall firm performance.

Discussion

This study provides a nascent exploration of antecedent factors impacting upon travel agency performance, and the relationship between CMPMS, market-focused learning, entrepreneurial orientation, and firm overall performance in a less-tangible service provision environment. This study contributes to the wider body of tourism literature by exploring the impact CMPMS has on firm overall performance. Indeed, this study is one of the first tourism studies to focus on CMPMS in a travel agency setting, with prior studies focusing exclusively on the hotel sector.

Prior studies directly link CMPMS and both market-focused learning and entrepreneurial orientation to increased firm overall performance (Hooley et al., 2001; Martin & Javalgi, 2016; Smith & Bititci, 2016). However, while the findings of this study echo the above in suggesting that CMPMS and market-focused learning have a positive impact upon firm performance, it contends that entrepreneurial orientation *can* have a negative impact upon the overall performance of an organisation. This may be due to the notion that risk-taking at odds with the defined and solid measures representing ‘success’ within the boundaries of overall firm performance and acceptable parameters of CMPMS. We intend to explore the reasons for the negative impact in a number of semi-structured interviews with travel agency employees.

Finally, this study is potentially limited by the restrictive nature of the data collection method adopted. Future research should adopt a mixed methods approach, incorporating a qualitative phase, in order to provide a more holistic understanding of the overall performance of travel agencies. Additionally, data could be sought from customers and tourism trade associations in order to test or supplement the findings by drawing upon perspectives other than those contained within the organisation. Further, the data analysed throughout this study was collected from employees of a single travel agency in Iran, potentially limiting the generalizability of the findings due to both the geographic and organizational specificity.

Future research could consider drawing upon data from different geographic of organisational contexts.

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