

Accountability via social and financial performance of the hospitality sector: the role of market orientation

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Abstract

Purpose – This study aims to examine the three dimensions of market orientation, namely, customer orientation, competitor orientation and inter-function coordination, which influence the accountability in the financial and social performance of tourism operators in large touristic cities.

Design/methodology/approach – In total, 95 usable questionnaires as the required data were collected from the top managers of four- and five-star hotels in Iran.

Findings – Partial least squares (PLS) results confirm that customer orientation and inter-function coordination influence both the financial and social performance of the hospitality sector yet reveal that competitor orientation has no significant relationship with social performance.

Research limitations/implications – These findings not only highlight the compatibility of PLS with various forms of statistical analyzes but also furthers the current understanding of hospitality networks in megacity economies, where literature are scarce.

Practical implications – The findings of this study can help policymakers, tourism associations and practitioners enhance the accountability and sustainable financial and social performance of the hospitality industry in megacities. This study proposes some unique measurements for the social and financial performance of the hospitality sectors.

Originality/value – The paper states some new measurements for the social performance of the hospitality sectors. In addition, measuring the impacts of market orientation on the financial and social aspects of hotels is totally unique.

Keywords Financial performance, Iran, Market orientation, Accountability, Hospitality, Social performance

Paper type Research paper



1. Introduction

Tourism is one of the primary drivers of economic systems in most countries. Over the past century, tourism has become one of the most fruitful industries in many societies, regardless of the efficiency of their economic systems. Even some fossil-resource-rich countries around the Persian Gulf, including the UAE, Qatar, Saudi Arabia and Iran, have begun to acknowledge the importance of tourism (Zamani-Farahani and Henderson, 2010). Meanwhile, European countries and most developed societies, such as Germany and Italy, have realized the substantial positive impacts of tourism at a much earlier time and have been benefiting from this industry for many years (Balaguer and Cantavella-Jorda, 2002; Dritsakis, 2004). Some developing countries, such as Taiwan, Malaysia and Turkey, have also invested fundamentally in tourism and hospitality infrastructures and have subsequently generated a remarkable amount of tourism and hospitality revenues to compensate for their lack of income from their under-earth resources (Kim and Chen, 2006; Musa, 2000; Ünal *et al.*, 2017).

The hospitality sector is a crucial player in the tourism industry. Many researchers have argued that tourism will witness almost no improvements in the future if the hospitality sector is neglected (Choi and Sirakaya, 2006; Frey and George, 2010; Lashkarizadeh *et al.*, 2012). As such, the success of a country's tourism industry pivots, in no small degree, on the performance of the hospitality industry. Accordingly, a sustainable hospitality sector is of the key importance in effective and successful tourism.

However, the perspectives regarding the sustainability of the hospitality sector, i.e. the hotels and other accommodation providers, are not necessarily parallel across different stakeholders. For example, business leaders in the hospitality sector are often less engaged in the efforts to reduce negative impacts on climate change, although it has been widely acknowledged that being environmentally friendly contributes to long-term relevance of organizations, including hotels (Chen, 2010; Dritsakis, 2004; Frey and George, 2010). This argument leads to a question of whether the hospitality sector inculcates a satisfactory level of accountability in their operation.

Accountability is a concept requiring an actor to comply with expected standards of conduct (Izaguirre, 2015). From the perspective of the stakeholder theory, a firm has to be accountable to its shareholders, customers and other stakeholders (Freeman *et al.*, 2004). The shareholders, being the financiers of the firm, require financial rewards on their investment. Similarly, customers want to experience the value of their purchases. However, the demands and desires of different cohorts of stakeholders are often in opposite ends of a similar spectrum. For example, the investors who want to maximize their returns on investments will require the firm to look for avenues to increase the price or reduce costs or both. At the same time, the customers want to maximize their utility for the service they purchase. An increase in price will drive up the customers' expectation even further, while reducing cost would mean the firm may not be able to service the customers well for having fewer resources, e.g. less number of staff at the hotel to serve customers. In such situations, some mechanisms should be used to balance the needs of different stakeholders to ensure the firms remain competitive and relevant. Maintaining this competitiveness and relevance, thus, leads to a notion for the firms to operate sustainably (Rosli *et al.*, 2020).

Sustainable performance has been defined differently across various industries. According to Cheney *et al.* (2004), sustainability is a platform that allows those organizations that have reached a certain level to apply additional strategies to increase their efficiency and profit. This definition is in-line with the needs of accountability, at least from the shareholders' perspective. To maximize the benefits for their stakeholders, firms are expected to play an active role in the development of their societies and conduct

corporate social responsibilities by building an appropriate infrastructure for implementing their mid- and long-term plans (i.e. their responsibilities to their society and stakeholders). According to [Kazemian *et al.* \(2016\)](#) and [Sebhatu \(2009\)](#), organizations cannot be considered sustainable unless they have long-term positive financial and social performance. Accordingly, for the tourism and hospitality industry, the long-term sustainable performance can be measured based on its long-term financial and social performance ([Manning, 1999](#); [Schianetz and Kavanagh, 2008](#)).

However, what are the elements that may help organizations achieve sustainable performance? Several strategies have been implemented to address the limited performance of organizations. Among them, the concept of market orientation has been identified as one of the most comprehensive, practical and appropriate managerial tools, which aims to enhance the performance level of an organization ([Bhuian and Habib, 2005](#)). [Kohli and Jaworski \(1990\)](#) defined market orientation as a company philosophy that focuses on discovering and meeting the needs and desires of customers and on identifying the movement of competitors within the market. Overall, the concept of market orientation comprises three dimensions as follows:

- (1) Customer orientation (driving the organization based on the demands and desires of customers).
- (2) Competitor orientation (monitoring the market to guide just-in-time and proper reactions).
- (3) Inter-function coordination (enhancing the integration and efficiency of organizations through inter-departmental interactions) ([Kazemian *et al.*, 2016](#); [Kohli and Jaworski, 1990](#)).

Over the recent years, the performance of the Iranian tourism industry has been threatened, due to some influential external factors, such as newly implemented sanctions on Iran and their very critical consequences ([Khodadadi, 2016](#); [Seyfi and Hall, 2019](#)). It was initially expected that the presumed Iran nuclear deal and the shifting of the sanctions imposed by the UN, EU and the USA would be a new dawn for the Iranian hospitality sector ([Khodadadi, 2016](#)). However, the change in the US administration team, and its subsequent withdrawal from the deal, had diminished all the hope. These sanctions have practically reduced Iran's access to materials and products needed for the oil and energy sectors, have prompted many oil companies to withdraw from Iran, and have also caused a decline in oil production due to the reduced access to technologies needed to improve their efficiency. However, the oil industry was not the only one who suffers from these political challenges ([Pratt and Alizadeh, 2018](#); [Yildiz, 2020](#)). The tourism and hospitality industry of Iran has also been badly affected by the sanctions, in many ways, notably the significant reduction in international tourists, and the deprivation from the required resources to develop the proper infrastructure for this industry ([Khodadadi, 2016](#)). Considering these issues that have negatively impacted the tourism and hospitality industry in Iran, the importance of finding solutions for the better performance of this industry has become crucial.

There have been some studies conducted on measuring the impacts of sanctions on the tourism industry of Iran ([Farahani and Shabani, 2013](#); [Khodadadi, 2018](#); [Seyfi and Hall, 2019](#)), but they have not considered and studied the dimensions of market orientation as ways to address the social and financial performance of this industry. The influences of market orientation on different aspects of the business have been widely investigated in the literature ([Bhuian, 1997](#); [Farrell and Oczkowski, 2002](#); [Ghani and Mahmood, 2011](#); [Kazemian *et al.*, 2015](#)). Some solutions for enhancing the long-term performance (sustainability) of tourism sectors

have also been proposed (Aminian, 2012; Choi and Sirakaya, 2006; Frey and George, 2010; Hassan, 2000). The possible impacts of different phenomena on the performance of the tourism industry have also been examined in the literature (Chowdhury *et al.*, 2019; Polo *et al.*, 2013; Ramayah *et al.*, 2011; Said *et al.*, 2016; Yeh and Trejos, 2015). However, almost no empirical research has adopted market orientation to assess the accountability in the sustainable social and financial performance of the hospitality sector in cosmopolitan metropolises. On this premise, this research aims to explore the possible impacts of the three dimensions of market orientation on accountability in the social and financial performance of hotels in Mashhad, Iran. This paper also contributes by using a combination of known financial measures (i.e. profitability, liquidity and solvency) and a new set of measurements for measuring social performance (i.e. maintenance of market share, the stability of customers' satisfaction and level of recruitment) of hotels.

The rest of this paper is organized as follows. Section 2 reviews the related literature. Section 3 explains the theoretical research framework. Then, Section 4 describes the research methodology. Subsequently, Section 5 presents the research findings. Finally, Section 6 discusses the research outcomes, presents the conclusions and implications of this work and recommendations for further research.

2. Theoretical background

This section reviews studies related to accountability and performance and develops the conceptual framework. Hypotheses and item measures that are derived from the existing literature are also presented in this section.

2.1 Accountability and sustainable performance in the hospitality sector

The relevance of accountability in different aspects of the tourism industry has been recently emphasized (Dwyer, 2005) as the essential players in the industry are expected to be accountable and responsible for their influences on the society (Komppula and Reijonen, 2006; Schianetz and Kavanagh, 2008). Kolk (2008) showed that organizations with a high level of accountability tend to focus on board supervision and structuring of performance responsibilities, as well as on compliance, ethics and external verifications. Agency theory has a pivotal role in this respect. The importance stems from dilemmas and complexities that the managers face when trying to fulfill their accountability for the stakeholders, while their interests clash with those of the managers. Adams and McNicholas (2007) described differences among organizations in their motivations for achieving sustainable financial and social performance and greater accountability.

Kazemian *et al.* (2014) argued that accountability in performance is essential for all organizations financially and socially. In other words, the hospitality sector must be accountable for their long-term financial and social performance. While the financial performance is mostly well-understood, social performance, however, has been defined and measured from many perspectives, such as the use of environmental, social and governance concept (Lahouel *et al.*, 2020; Uyar *et al.*, 2020) or the use of artefacts (or outcomes) of what is transcribed by the dimensions upon which social performance is conceptualized. For the purpose of this study, the latter approach was considered as suitable, in line with Agyabeng-Mensah *et al.* (2020), which suggest that where social performance is related "to the enhancement of organizational reputation through the adoption of practices that safeguards the society and the welfare of employees" (p. 3). Social performance in this study, thus is defined within the confine of stakeholders engagement outcomes which are measured through the ability of the firm to sustain its market share (a proxy of a broader customer and community engagement, Wu, 2004), stable customers' satisfaction (representing customer

engagement, [Schianetz and Kavanagh, 2008](#)) and level of recruitment (a derivative of employee engagement, [Manning, 1999](#)). These three pillars constitute a reasonable approximation of corporate outcomes relating to stakeholder management, which is the foundation of social performance.

The above discussion highlights the match between the final goals of market orientation and those of accountability. Therefore, this paper aims to fill the research gap regarding the possible impacts of market orientation on accountability in the performance of the hospitality sector.

2.2 Influences of market orientation

As mentioned earlier, market orientation is an efficient managerial tool for improving the current circumstances of organizations in various industries. [Farrell and Oczkowski \(2002\)](#) assessed and compared the influences of market and learning orientation on organizations. They found that market orientation not only presents the most comprehensive strategy for enhancing the performance of organizations but also encompasses various learning orientation strategies.

The importance of Farrell and Oczkowski's findings were further compounded in [Bhuian and Habib \(2005\)](#). They examined the linkages among organizational entrepreneurship, application of market orientation strategies and performance of organizations in Saudi Arabia and revealed that the striking positive relationship between market orientation and organizational performance could influence entrepreneurship. In other words, they found that highly market-orientated organizations are better entrepreneurs and are more likely to perform effectively compared with non-market-orientated organizations.

Similarly, [Brik et al. \(2011\)](#) examined the impacts of market orientation on the performance of corporations in an emerging economy, such as Dubai, with the moderating effects of corporate social responsibility (CSR). [Brik et al. \(2011\)](#) used customer-, competitor-orientation and inter-function coordination to measure the dimensions of market orientation. The overall performance was measured based on financial performance, employee commitment and corporate reputation. The results confirmed the strong relationship between the performance of entities and the bundled of CSR and market orientation.

Moreover, [Mitchell et al. \(2010\)](#), extensively reviewed the literature of market orientation and its impact on the performance of entities. Then, the study proposed a reconceptualization of market orientation as a sustainable market orientation, which comprises of three sustainable marketing model, namely, socioecological market orientation, environmentally green corporate marketing strategies, macro-marketing lens. The research discussed the fundamental advantages of implementation of the proposed model, such as, to be more applicable in a macroeconomic environment, a more comprehensive approach to corporate marketing and more strategic effectiveness.

However, despite the increasing amount of substantial empirical and theoretical research on the benefits of market orientation, these studies have recently demonstrated a "shift" and argued that "creating a market orientation is only a start" ([Slater and Narver, 1990, p. 6](#)). Most of these studies have commented that organizations must be market-oriented as a whole ([Brik et al., 2011](#); [Mitchell et al., 2010](#); [Said et al., 2016](#); [Shuhidan et al., 2016](#)). This paper aims to contribute by investigating the effects of each dimension of market orientation separately, in addition to the overall impacts of market orientation.

The theoretical framework of this paper lies in the perspective of the stakeholder theory. Based on the stakeholder theory, the entity should try its best to maximize the benefits of all

the stakeholders, and not only the shareholders (Freeman, 2004; Freudenreich *et al.*, 2019). This study examines how the market orientation could maximize the benefits of the shareholders (through enhancement of financial performance) and also employees and customers (via improvement of social performance). This argument is consistent with the findings of Iazzi *et al.* (2020), which examined various entities' practices in communication with their stakeholder engagement, from different political, cultural and social perspectives, within the tourism industry. The study was carried out in a cross-country pattern by analyzing company websites and sustainability reports. The findings show that European companies pay a higher level of attention to the maximization of their stakeholders than American and Asian companies. It is also found that the size of the entity is an influencing factor of the stakeholders' benefits.

2.3 Theoretical framework

Referring to the prior discussion, a theoretical framework is developed for this study. Figure 1 presents the proposed theoretical framework and hypotheses formulated based on the actual work and grounded on agency theory.

This paper investigates the impacts of the three dimensions of market orientation (as independent variables) on accountability through sustainable performance, which is measured by two proxy variables: financial performance and social performance of the hospitality sector.

Among the independent variables, customer orientation is related to how firms operate around their customer desire. Customer-oriented companies identify a specific customer target market (CUS1) and predict customer current and future demands (CUS2). This, in turn, helps the companies to achieve superior customer value, which stands among main objectives of the organizations (CUS3) (Buhalis and Mamalakis, 2015; Chung, 2012; Jaworski and Kohli, 1993; Kohli and Jaworski, 1990; Said *et al.*, 2016). Reichheld and Sasser (1990) found that those organizations with a high level of customer orientation tend to achieve sustainable financial performance. Therefore, this paper hypothesizes the following:

- H1. Customer orientation significantly influences the financial performance of firms in the hospitality sector.
- H2. Customer orientation significantly influences the social performance of firms in the hospitality sector.

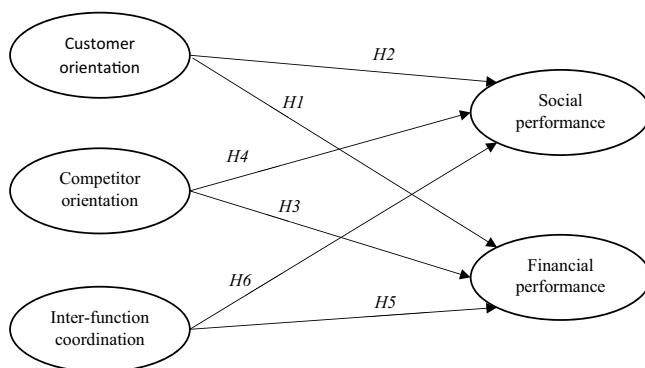


Figure 1.
Theoretical
framework

As the second dimension of market orientation, competitor orientation refers to the ability of organizations to gain a clear and realistic view of the competitive intensity within the market (COM1), evaluate their own capabilities and their competitors (COM2) and gather and disseminate relevant business-related information to the top management level (COM3) to help them make appropriate reactions whenever necessary (COM4) (Jaworski and Kohli, 1993; Narver and Slater, 1990a, 1990b; Said *et al.*, 2016; Tiedemann *et al.*, 2009). Armstrong and Collopy (1996) revealed that monitoring competition landscape within the market is a prominent element of managerial decisions that can help organizations to secure long-term profitability. Therefore, this paper hypothesizes the following:

- H3. Competitor orientation significantly affects the financial performance of firms in the hospitality sector.
- H4. Competitor orientation significantly influences the social performance of firms in the hospitality sector.

As the third dimension of market orientation, inter-function coordination is related to the interactions within organizations that can enhance their effectiveness. Several items measure this dimension, including the emphasis that the management places upon the level of their innovativeness (INT1), risk tolerance (INT2), inter-departmental connectedness (INT3) and conflicts (INT4) (Gresham *et al.*, 2006; Jaworski and Kohli, 1993; Said *et al.*, 2016). According to Lado and Maydeu-Olivares (2001), inter-function coordination has a pivotal role in making an organization more integrated. Thus, this study hypothesizes the following:

- H5. Inter-function coordination significantly influences the financial performance of firms in the hospitality sector.
- H6. Inter-function coordination significantly influences the social performance of firms in the hospitality sector.

For the dependent variables, a financially sustainable organization must demonstrate long-term profitability (FIN1), liquidity (FIN2) and solvency (FIN3) (Gersl and Hermanek, 2007; León, 2001). Regarding the indicators of the social performance of tourism sectors, Wu (2004) argued that the social performance of hotels could be measured by checking whether they can maintain their current customers and attract new ones. Therefore, this work uses “maintaining the hotel’s market share over the past few years” as the first indicator of social performance (SOC1). Schianetz and Kavanagh (2008) argued that a socially sustainable hotel must be able to keep its customers satisfied for a long time. Therefore, this study uses “maintaining a stable level of customer satisfaction” as the second measurement of social performance (SOC2). Manning (1999) asserted that socially sustainable hotels must have a positive recruitment rate that is the number of its employees must always be higher than the number of people who have left their positions in the company. Therefore, this study looks into “level of recruitment” as another measurement of social performance (SOC3). Table 1 summarizes all the constructs, items and measurements used in this study.

3. Methodology

This study is survey-based research. This section describes the data collection methods and the partial least square structural equation modeling (PLS-SEM) procedure, which is used to analyze the data. Demographic data is also summarized in this section to describe the samples.

Table 1.
Constructs and item
measures

Constructs	Items	Code	References
Customer orientation	Having an identified target market	CUS1	Jaworski and Kohli (1993), Kohli and Jaworski (1990), Narver and Slater (1990), Armstrong and Collopy (1996), Lado and Maydeu-Olivares (2001)
	Recognizing customers' current and future demands and desires	CUS2	
	Creating customers' superior value	CUS3	
Competitor orientation	Evaluating competitive intensity	COM1	
	Intelligence generation	COM2	
	Intelligence dissemination	COM3	
	Responsiveness	COM4	
Inter-function coordination	The emphasis of the management on being innovative	INT1	
	The risk tolerance of the management	INT2	
	Inter-departmental conflicts	INT3	
	Inter-departmental connectedness	INT4	
Sustainable financial performance	Sustainable profitability	FIN1	León (2001), Gersl and Hermanek (2007)
	Sustainable liquidity	FIN2	
	Sustainable solvency	FIN3	
Sustainable social performance	Maintaining market share	SOC1	Wu (2004), Schianetz and Kavanagh (2008), Manning (1999)
	Stable customers' satisfaction	SOC2	
	Level of recruitment	SOC3	

3.1 Research design

This work examines the impacts of the three dimensions of market orientation on accountability in the performance of the hospitality sector in a metropolitan area in the Middle East. The study focuses on employees of upscale hotels in Mashhad, the second-largest city in Iran, with a population of more than six million. Mashhad is also considered one of the most popular metropolises in the Middle East among the tourists because of its natural, historical and religious backgrounds (Aminian, 2012; Moumeni *et al.*, 2008). A total of 43 four- and five-star hotels in the city were identified and 160 survey instruments containing seven-point Likert scale type questions were sent to the hotel employees whose ranks were from line managers up to the directors of operations. These levels of employment were selected for two reasons: first, their exposure to the hotels' operation and their awareness of the organization policies relevant to the scope of this study; and second, their direct involvement in the operationalization of the policies.

A total of 94 usable responses were collected, representing a 59% response rate. Table 2 summarizes the profile of the respondents.

3.2 Data analysis

PLS-SEM analysis was run using Warp PLS 6.0. PLS-SEM is a variance-based SEM. This statistical method was applied in this work because of its aim to maximize the explained

SBR 16,2	Demography	Frequency	(%)
	<i>Gender</i>		
	Male	59	62.7
	Female	35	37.2
246	<i>Age</i>		
	<30	11	11.7
	31–40	26	27.6
	41–50	38	40.4
	50<	19	20.2
	<i>Position</i>		
	Public Relation Manager	9	9.5
	Director of Operation	13	13.8
	Director of Sales	19	20.2
	Event Manager	15	15.9
	General Manager	8	8.5
	Shift Leader	13	13.8
	Director of Marketing	17	18
Table 2. Demographic data of respondents	<i>Classification of hotel</i>		
	Four Star	24	56
	Five Star	19	44

variance in the dependent latent constructs (in this case, financial and social performance) to enhance their predictive power and to facilitate theory development (Hair *et al.*, 2011; Sinkovics *et al.*, 2016). PLS-SEM is arguably suitable in research where the research setting is simultaneously data-rich, and theories are still at their infancy (Wold, 1983), and where the emphasis of the study is exploratory rather than confirmatory (Hair *et al.*, 2011). From a technical aspect of statistical analysis, PLS-SEM does not subscribe heavily on normality assumption compared to a covariance-based SEM, although, some scholars argue that the covariance-based SEM is sufficiently robust to violation of the normal data distribution in specific circumstances (Hair *et al.*, 2011; Henseler *et al.*, 2009).

A two-step approached was used in the analysis. This analysis began with an assessment of the measurement model, followed by the structural model. The quality of the measurement model was assessed through item reliability, convergent and discriminant validity, and overall reliability based on composite reliability estimates and Cronbach’s alpha. Variance inflation factor (VIF) was also examined to determine if multicollinearity was present in the model.

For the structural model, coefficient of determination, R^2 , predictive relevance of the model through Stone-Geisser test, Q^2 , structural path coefficients, β and their respective effect size, f^2 were looked into.

4. Results

The results of the assessments on the measurement model and the interpretation of parameter estimates in the structural model are presented in this section.

4.1 Assessment of the measurement model

Individual item reliability was confirmed through standardized item loading on parent factors (i.e. latent constructs) that exceed the minimum value of 0.50, as shown in Table 3.

						Hospitality sector
Latent construct	Measurement item	Loading	CR	Cronbach's alpha	AVE	<div>247</div>
Customer orientation	CUS1	0.9113	0.9272	0.8822	0.8093	
	CUS2	0.9027				
	CUS3	0.8847				
Competitor orientation	COM1	0.7638	0.8945	0.8582	0.6803	
	COM2	0.7819				
	COM3	0.8764				
	COM4	0.8706				
Inter-function coordination	INT1	0.7818	0.8513	0.7765	0.5893	
	INT2	0.7148				
	INT3	0.7467				
	INT4	0.8230				
Financial performance	FIN1	0.9010	0.8783	0.7905	0.7090	
	FIN2	0.9074				
	FIN3	0.7013				
Social performance	SOC1	0.8847	0.8928	0.8841	0.8112	
	SOC2	0.9075				
	SOC3	0.9096				
Notes: CR = Composite reliability; AVE = Average variance extracted						Table 3. Items and constructs reliability

The instrument's reliability was demonstrated with sufficient Cronbach's alpha and composite reliability of more than 0.70, together with VIF of less than 5.0, as shown in Table 4.

Table 3 also provides supports for convergent validity where composite reliability for all latent constructs of more than 0.70 and average variance extracted (AVE) of more than 0.50. Table 4 further suffice evidence of discriminant validity for the constructs with the square-root of AVEs exceed their construct correlation values.

The measurement model indicates sufficient reliability and validity. Therefore, the parameter estimates for the structural model can be used to determine if the hypotheses are supported.

4.2 Structural model results

The structural model parameter estimates show that customer orientation, competitor orientation and inter-function coordination collectively account for 36% variation in social performance ($R^2 = 0.36$, $adj. R^2 = 0.34$) and 70% in financial performance, ($R^2 = 0.70$, $adj. R^2 = 0.69$). The full model also provides supports for its predictive relevance with Stone-

	VIF	Competitor orientation	Customer orientation	Financial performance	Inter-function coordination	Social performance	
Competitor orientation	4.83	0.8248					Table 4. Construct correlations and square-root of AVEs
Customer orientation	4.57	0.1638	0.8996				
Financial performance	3.45	0.3861	0.2698	0.8420			
Inter-function coordination	3.20	0.2731	0.3587	0.2772	0.7677		
Social performance	1.61	0.1432	0.1137	0.1962	0.3969	0.9007	

Notes: Square-root of AVEs is in bold on the diagonal; VIF = Variance inflation factor

Geisser, Q^2 indicates positive values for both outcome variables (social performance: $Q^2 = 0.37$; financial performance: $Q^2 = 0.70$). These parameter estimates and path coefficients are illustrated in Figure 2.

In Figure 2, except for competitor orientation-social performance, all other structural paths are statistically significant at a 95% confidence interval, providing supports for *H1*, *H2*, *H3*, *H5* and *H6*. The effect sizes for these significant paths range from small to medium effect. Cohen (1988) categorizes effect size of 0.02, 0.15 and 0.35 as having a small, medium and substantial effect, respectively.

For the financial performance, the results shown in Figure 2, inter-function coordination places the largest magnitude ($\beta = 0.37, p < 0.001$) on financial performance, followed by competitor orientation ($\beta = 0.31, p < 0.001$) and customer orientation ($\beta = 0.22, p < 0.001$). However, the pattern is different in social performance where the customer orientation places the most influence ($\beta = 0.32, p < 0.001$). This is followed by inter-function coordination ($\beta = 0.24, p < 0.05$). The influence of competitor orientation is negligible ($\beta = 0.08, p > 0.05$).

5. Discussion

This study applies PLS to determine the accountability of the performance of the tourism sector to the three dimensions of market orientation. As expected, customer orientation has positive and significant impacts on both the financial and social performance of hotels in megacities, thereby supporting *H1* and *H2*. These findings provide several implications for hotel managers. First, they must identify their customer target market by identifying to whom they are providing their hospitality services. In this way, their hotels can offer appropriate services based on the desires of their customers. These hotels must also be able to identify the background of their customers (e.g. whether they are local or international guests) if they are meant to provide services to specific industries or factories. Each customer group may demand specific types of services. Therefore, if the hotels know their customers very well, then they can more suitably cater to them, e.g. if most of their customers are staying in the city for medical tourism, agro-tourism, etc. This study suggests that knowing the customer target market can significantly affect the financial and social performance of hotels.

Second, by recognizing and analyzing the current needs of their customers, hotels can foresee their future needs and always be a step ahead of their customers. Third, by

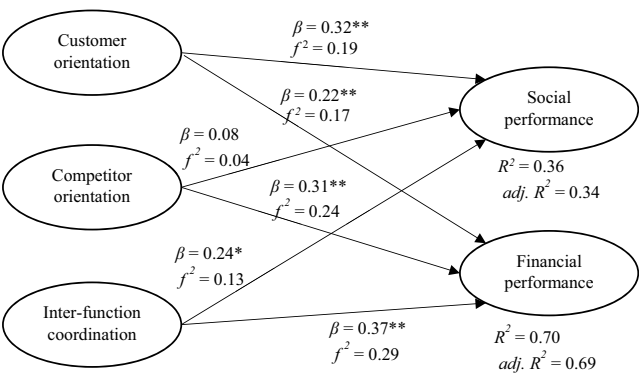


Figure 2.
Structural model

creating superior customer value that is by looking at their customers not merely as financial resources but also as stakeholders, these hotels tend to show accountability in their financial and social performance. This finding is consistent with those of several previous studies (Choi and Sirakaya, 2006; Kolk, 2008; Noor and Muhamad, 2005; Polo *et al.*, 2013; Singh and Ranchhod, 2004; Szymanski and Henard, 2001; Wu, 2004). Moreover, this study finds that the application of customer orientation strategies more significantly affects social performance than financial performance. This result may be ascribed to the long-term impacts of maintaining satisfied customers based on the present circumstances of hotels.

Inter-function coordination also has substantial positive impacts on the financial and social performance of the hospitality sector, thereby supporting both *H5* and *H6*. This finding is very reasonable. If hotel managers attempt to be innovative by providing their customers with services that they cannot find in other hotels, then their hotels would become more appealing to customers. Moreover, if the inter-departmental connectedness and conflicts within a hotel are managed and monitored by the top management, then this hotel becomes highly integrated and effective. These outcomes are also in line with the findings of Gresham *et al.* (2006), Qu and Ennew (2008), Singh and Ranchhod (2004) and Szymanski and Henard (2001). Notably, this study also finds that inter-function coordination has a more significant effect on financial performance than on social performance.

Despite its significant effect on financial performance, competitor orientation has an insignificant yet positive impact on social performance, thereby supporting *H3* and rejecting *H4*. In other words, knowing the degree of competition in the market and gathering and disseminating relevant knowledge to the top management can help managers make just-in-time decisions and react appropriately to their competitors, which will consequently enhance the financial performance of their hotels. These results corroborate the findings of Armstrong and Collopy (1996), Chung (2012) and Hult (2011), who all posit that competitor orientation does not affect the social performance of hotels. However, these findings are inconsistent with those of Kumar *et al.* (2011) and Tortosa *et al.* (2009). These results may be explained by the nature of the hospitality industry. In other words, promoting intense competition among entities within a market may negatively affect some intangible assets of organizations. For instance, promoting competition within the hotel market can prevent some hotels from maintaining their market share. Furthermore, some actions of competitors can reduce customer satisfaction or drive hotel managers into ceasing their recruitment or laying off some of their employees to reduce their operating expenses. However, attracting the customers of competitors has an indispensable role in improving the financial performance (including their profitability, liquidity and solvency) of hotels.

Overall, the findings of this study are aligned with the UNWTO's (2020) Global Code of Ethics for Tourism, Articles 8 and 9 that emphasize on the importance of the secure and sustainable working condition for the employees of the hospitality sectors, and more importantly, the maintenance of high satisfaction of the customers.

Conceptually, the collected results are consistent with the perspective of the stakeholder theory, which prioritizes the management of an entity to fulfill the social and financial interest of the entity's stakeholders. Particularly, the findings suggest that the hospitality sector may create added value for their stakeholders by paying attention to the customers' current and future desires and making the hotels more integrated, and additionally, concentrate on the competitors' actions to maximize their financial benefits.

6. Conclusion

This study investigates how accountability is achieved through the performance of firms operating in the hospitality sector, which is proxied by financial and social performances. These performances are hypothesized to be influenced by how the firms' operation is customer- and competitor-oriented and inter-function coordinated. The findings show that customer orientation and inter-function coordination have significant effects on both the financial and social performance of hotels in Mashhad, Iran. However, competitor orientation significantly affects only the financial performance but not the social performance of these hotels.

The outcomes of this research contribute to the theoretical aspects of market orientation and tourism and hospitality literature, and may likely be applied in other megacity economies. First, this study examines each of the three dimensions within the market orientation concept, as a separate indicator, within the context of tourism and hospitality. Hence, the results could show the individual impact of each dimension of market orientation on the financial and social performance of the hospitality sector. This approach is useful, as many other previous studies have mainly investigated market orientation as a whole concept in different industries (Brik *et al.*, 2011; Mitchell *et al.*, 2010). Furthermore, this study also provides useful insights into the factors and areas that policymakers, tourism associations and other leaders could consider promoting tourism in Mashhad. The finding suggests that customers are a key resource for sustainable financial and social performance of hospitality operators and inter-function coordination has a vital role in enhancing the efficiency and performance of hotels. Accordingly, hotels must focus on and develop effective marketing strategies to achieve sustainable financial and social performance. Some relevant marketing guidelines could be followed to attract more guests. For examples, the hotels could offer some exciting promotions and deals to their customers during their peak season, identify the origin cities of their customers to provide some possible distinct services, establish or activate relationships with some governmental entities (such as city municipalities or city councils) to improve the experience of their guests at the hotels (especially for tourists coming from overseas) and offer their loyal guests special prices. Additionally, the hospitality sector in Mashhad could use the findings from this study as an assist them interacting with other stakeholders within their business environments.

This study may also offer useful insights for tourism and hospitality planners and players because tourists accumulate not only physical experiences of tourist spots but also experiences of cultural norms through a successful tourism orientation. Based on these experiences, hotels can create superior value for their customers and meet their needs at the best possible level. This paper also identifies the various types of information that must be considered to establish the validity and reliability of the measures being used in survey studies. Future studies are expected to benefit from the information contained in this paper.

This paper also has a few limitations. From the market orientation perspective, future research must consider other elements that may contribute to enhancing the performance of the hospitality sector, including corporate governance and efficiency, as an independent, mediator or moderator variables depending on the nature of their research framework. The framework of this research can also be examined in other collectivistic or less collectivistic business environments. Comparative studies must also be conducted to measure the level of market orientation of the hospitality sector in different countries.

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