IMPACT OF MARKET ORIENTATION AND ENTREPRENEURIAL ORIENTATION ON HOTEL PERFORMANCE WITH MEDIATING INNOVATION

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Abstract
The objective of the research is to analyze the effect of entrepreneurial orientation, market orientation on the performance of Non-Star Hotels with innovation as a mediating variable. The data analysis method used in this study is Partial Least Square Structural Equation Modeling (PLS-SEM) with the help of the Smart PLS Version 3 program. The sample of this research is the manager and director of non-star hotels in the Riau Islands, Indonesia. The results of this research are influence between entrepreneurial orientation, market orientation towards innovation and innovation affecting hotel performance. Other results are market orientation and entrepreneurial orientation influencing hotel performance with innovation as a mediating variable. This research can contribute to non-star hotel managers can implement customer orientation and competitor orientation.

Keywords: Entrepreneurship Orientation, Market Orientation, Innovation, Hotel Performance.

1. INTRODUCTION
With the establishment of tourism as a leading sector in Indonesia, Indonesia ranks 9th in world tourism. Increasing the number of tourists needs to be balanced with an increase in the provision of accommodation rooms. Tourists visiting tourist areas need a place to stay. Accommodation is a highly important factor for visitors which expect comfort, good service, cleanliness and more. Therefore the hotel acts as an indicator to find out how many tourists visit the area of tourist attraction. The development of the hotel industry can be seen through the indicator of hotel room occupancy rate (number of rooms sold/used). Hotel room occupancy rates also play an important role as a notice of the success of hotels in selling their rooms. The higher the occupancy rate, the more rooms sold means more taxes are paid to the regions (BPS, 2018). With so many tourists coming to the Riau Islands, the hotel industry has good prospects. According to Richard & Petriella (2018) that tourist spending in Indonesia is divided into 40% used for accommodation, 40% is used for transportation, and 20% is used for eating, traveling and buying souvenirs. With the increasing need for tourists who want to reduce the cost of tourism in terms of transportation and accommodation to make tourists shift to stay in non-star hotels so competition between star hotels and non-star hotels increases.

Competition in hospitality is increasingly complex with the entry of Airbnb. Airbnb stands for Air Bed and Breakfast, has a business model such as Uber, acts as a broker for homeowners, apartments, or other places to stay for rent to consumers in need. The Airbnb application is a mobile application for renting apartments, private rooms or homes as accommodation units.
considered threatening the national hotel industry. (Dewanto & Rina, 2017; Marjudin, 2017). Airbnb poses a threat to 1-star and non-star hotels so as to reduce room occupancy rates despite increased tourist visits (Richard & Petriella, 2018). The presence of Airbnb as an innovation in the field of technology allows for more efficient economic sharing, some feel disturbed because of the loss of their existence. Many industries are affected by the presence of this application-based technology innovation. Once in the transportation sector, now the hotel sector is affected by technological innovation. The hotel sector began to lose occupancy (Dewanto & Rina, 2017; Mudasir & Fokoddam, 2018). The decrease in room occupancy rates began to be felt since the presence of Airbnb, which made apartments for rent like hotels (Idris, 2017).

Facing the demands of environmental change and technological advancements, non-star hotels need to improve the company's strategy. A competitive and dynamic business environment is needed for successful businesses to re-create on an ongoing basis to obtain or maintain superior performance and competitive advantage (Azim, Abdullah & Gorondutse, 2017). Responding to these demands, hoteliers must make continuous improvements by making some major strategic alignments, one of which is by applying market orientation. Market orientation (MO) if used properly can help hotels to achieve superior organizational performance and have a competitive advantage (Jassmy & Bhaya, 2016).

In addition to using market orientation, companies can use entrepreneurial orientation (EO) to achieve sustainable competitive advantage in an ever-changing business environment (Sirivanh, Sukkabot, & Sateeraroj, 2014). Innovation is considered the best way to compete because it encourages organizational growth including is an engine that allows organizations to maintain their survival. The challenges faced by organizations make companies embrace innovation as part of the company's strategy. Therefore, innovation must be done thoroughly as an essential driver of competitiveness and profitability. Different challenges covered with organizations force to embrace innovation as part of the company's strategy. Consequently, innovation must be done well as an important driver of competitiveness, productivity, and profitability (Obeidat, 2016).

Previous studies have shown that the influence within entrepreneurial orientation (EO), market orientation (MO) also performance has been widely studied including the results are that market orientation (MO) impacts performance. Nevertheless, relatively rare studies discuss the effects of entrepreneurial orientation (EO), market orientation, and performance within the hotel industry, especially non-star hotels. Most studies examine manufacturing and service companies (Kharabsheh, Ensour, & Bogolybov, 2017; Ozcomert, Erdil, Kitapci, & Alpkan, 2018; Pratono, Darmasetiawan, Yudiarso, & Jeong, 2019); SME’s (Hughes, Hodgkinson, Hughes, & Arshad, 2017; Hilarious, Carsrud, & Oflazoglu, 2017; Noraindah & Rohaizat, 2016). This study analyzes whether there is an influence of market orientation (MO) and entrepreneurial orientation (EO) on hotel performance with innovation as mediation.

2. Literature Review and Hypothesis
2.1 Hotel Performance
The success of an organization is very dependent on the company's performance related to its ability to implement strategies effectively to achieve organizational goals. (Hani Al-Dmour et al., 2015). Several researchers have defined diverse definitions for firm's performance, because firm
performance is a very broad concept and changes in meaning according to the perspectives and needs of users (Moh'd T. Masa'deh, Yousef Obeidat, Shawqi Zyod, & Hamdi Gharaibed, 2015). Organizational performance indicates the direction an organization necessitates improvement of tangible also intangible sources to obtain the goals and peaks of the organization's work processes and activities. According to Cho & Dansereau (2010), organizational performance is defined concerning the goals and objectives of the organization. Tomal (2015) mentions organizational performance as the actual result of an organization that is measured against the intended output of that organization. Because organizational performance is a multidimensional concept, it seeks to measure the achievements of the company's proposed goals for different stakeholders in a given period (Richard, Devinney, Yip, & Johnson, 2009).

2.2 Market Orientation (MO)
Market orientation has a focus on customers and competitors, so they can increase their knowledge, produce action and drive innovation. In a study conducted by Moghaddam, Imani, Erteza, & Setayeshi (2013) shows a positive relationship between market orientation and performance. As a result, companies need to improve their performance through market orientation activities. Innovation can be seen as the extent to which an organization generates, receives and implements new ideas, processes, products, or services. Organizations innovate because of pressure from the external environment, such as competition, deregulation, isomorphism, scarcity of resources, and customer demand due to internal organizational choices, such as gaining special competencies, achieving higher levels of aspiration, and increasing service levels and quality (Mahmoud, Balkson, Owusu-Frimpong, Nwankwo, & Trang, 2015). The results of studies that state that market orientation influences innovation are Agarwal, Krishna Erramilli, & Dev, 2003; Johnson, Dibrell, & Hansen, 2009; Obeidat, (2016)
From the description above, the research hypothesis is
H1 = Market Orientation influences Innovation

2.3 Entrepreneurial Orientation (EO)
Entrepreneurial orientation (EO) as a strategic orientation correlates to the entrepreneurial perspectives of the company's strategy, this defines the company's enthusiasm to stay leading of its competitors and catch advantage of new opportunities to fasten in innovation into an uncertain situation (H. L. Chen & Hsu, 2013). Some research results state that entrepreneurial orientation influences innovation such as the results of research from Dave, 2011; Kocak et al., 2017; Tajeddini, 2010; Zhou et al., (2005)
Research hypothesis based on the information above is
H2 = entrepreneurial orientation influences innovation

2.4 Innovation
Several studies such as Kim, Basu, Naidu, & Cavusgil (2011); Rhee, Park, & Lee, (2010); Tajeddini, (2010) mentions innovation as the main key and important element for organizational growth and performance and knowledge. as an element that cannot be separated from organizational performance, the cause of agreeing this factor in this research is that innovation becomes a different element in the market and it is a factor that distinguishes small and medium-
sized companies. Moghaddam et al., (2013) said that innovation influences financial performance, namely the volume of sales or sales growth, profitability and return on investment. Previous researchers have examined the relationship between innovation and business performance and found significant positive relationships (Bucktowar et al., 2015; Dave, 2011; Kocak et al., 2017; Lisbon, Skarmeas, & Lages, 2011a, 2011b; Muhammad Saqib, Masoodul, & Sadia, 2014; Nawab, Nazir, Zahid, & Fawad, 2015; Obeidat, 2016; Pett & Wolff, 2011; Prayitno, Wahyudi, Faculty, & Farida, 2017; Saunila, Pekkola, & Ukko, 2014; Serna & Martínez, 2016; Tajeddini, 2010; Torre & Solari, 2011; Zhou et al., 2005).

Based on the explanation above, the research hypothesis is 

\[ H_3 = \text{Innovation affects the hotel performance.} \]

3. Research Methodology

This study adapted research items from past studies. For market orientation, the instrument of research population is non-star hotels in Riau Islands. The sample of this study is the Non-Star Hotel in Batam, Riau Islands. The sample method in this study is to use a non-probability sample that is each population element does not have the same opportunity to be sampled. The method of determining the sample using a purposive sample that is collecting samples based on certain criteria in accordance with the objectives of the study. (Hair, Celsi, Money, Samouel, & Page, 2015). The respondents of this study were the Director of Non-Star Hotels and Non-Star Hotel Managers. This research questionnaire was adopted from previous studies. Market orientation uses 10 items adopted from Hilman & Kaliappen (2014), Entrepreneurial Orientation uses 10 items adopted from Gupta & Gupta (2015), Innovation uses 7 items from Byukusenge, Munene, & Orobia (2016) and hotel performance uses 5 items from Espino-Rodríguez & Ramírez-Fierro (2018) as 10 items that were adapted from Grawe et al. (2009).

4. Results and Discussions

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Sample mean</th>
<th>T Statistics</th>
<th>P Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation -&gt; Hotel Performance</td>
<td>0.758</td>
<td>16.147</td>
<td>0.000</td>
</tr>
<tr>
<td>Entrepreneurial Orientation -&gt;</td>
<td>0.386</td>
<td>2.775</td>
<td>0.006</td>
</tr>
<tr>
<td>Market Orientation -&gt; Innovation</td>
<td>0.390</td>
<td>2.410</td>
<td>0.016</td>
</tr>
</tbody>
</table>
In table 1 it can be concluded that H1, H2, H3 are accepted because their P Values are below 0.05. These results indicate that EO and MO influence innovation and innovation affects hotel performance.

<table>
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<th>Table 2 Indirect Effects</th>
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<tr>
<td><strong>Sample Mean</strong></td>
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<tr>
<td>---------------------</td>
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<tr>
<td>Entrepreneurial Orientation -&gt; innovation -&gt; hotel performance</td>
</tr>
<tr>
<td>Market Orientation -&gt; Innovation -&gt; hotel performance</td>
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</tbody>
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From table 2 it can be concluded that EO influences hotel performance with innovation as mediation, MO influences hotel performance with innovation as mediation. Innovation as a mediating variable can be proven with a P value below 0.05.

**5. Conclusions and Implications**

The research concludes that market orientation and entrepreneurial orientation influence hotel performance with innovation as mediation. The role of orientation and entrepreneurial orientation in non-star hotels is very large because it can affect innovation at the hotel. Non-star hotels must innovate based on consumer orientation and competitor orientation. Market orientation has a focus on customers and competitors, so they can increase their knowledge, produce action and drive innovation. With a market orientation that is customer orientation, non-star hotels can find the needs and desires of customers and adjust services accordingly. By tailoring services to meet customer needs, hotels can improve existing services or make small innovations to satisfy customers. The results of this study prove that EO is a strategic orientation that determines the company's compliance to linger at the lead of competition including taking benefit of new opportunities to engage in innovation in an uncertain situation.

This research is expected to help the Non-Star Hotels in Riau Islands in terms of improving performance through innovation. Non-Bintang Hotels are advised to be able to implement a customer orientation and competitor orientation, which is a survey of consumers to find out what consumers know. The survey can be in the form of making a questionnaire filled out by consumers who have stayed at the hotel containing about satisfaction, service and what needs are really from consumers. Also, the hotel must always monitor the movements of hotel competitors on the strategy carried out and schedule regular meetings to discuss competitors' actions and competitor performance.

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