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INFLUENCES OF MARKET ORIENTATION AND TRUST ON THE INNOVATIVENESS AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN LITHUANIAN TOURISM NETWORKS

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ABSTRACT

The focus of this thesis is on market orientation and trust impacts on innovativeness and performance of managers in tourism. While being a part of the Experience Stratos 2007–2017 research program we have studied this topic and published tentative models with combined datas from several countries before. In these preliminary studies we found positive relations between the main latent variables. This tentative model is my null hypothesis.

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? Soviet economies were not based on trust, and there is a reason to believe that context still influences our values, attitudes, and, therefore, our choice behaviors, too. Therefore there may be reason to believe that the null hypothesis cannot be confirmed. This justification for the choice of the thesis theme leads me to the research question, which is how market orientation and trust influence innovativeness, and how these affect the performance of enterprises in tourism networks, specifically in Lithuania. The theoretical discussion focus is, therefore, on market orientation, trust, innovativeness and performance in tourism networks.

The methodological ambitions of this research influenced the choice of mixed methods design. This includes, first, the 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, the quantitative approaches used univariate and multivariate analyses including modelling of survey based data. In order to collect data, Experience Stratos trust

project questionnaire was used (here only the relevant questions of it) which was also used in Finland, Sweden and other partner countries. Eight health and seaside resort destinations were chosen for analysis in Lithuania which has the existing networks and potential in destination development.

The data for this study consists 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 reveal that Market Orientation has strong effect on Performance. The rest of the factors have no direct effect on Performance. The established model also showed that Innovativeness is affected by both factors (Market Orientation, Trust) but Innovativeness has no direct effect on Performance.

The influence of Trust on Innovativeness was significant, low, but negative. Therefore, we cannot 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. Further studies are needed to shed light on does this reflect the sample & population only, or the post-socialist society.

KEY WORDS: Trust, Market orientation, Innovativeness, Performance, Tourism destination networks

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER 1. NETWORKING PERCEPTION IN LITHUANIA AND ITS' PROBLEMATICS

The research question of this dissertation is how market orientation and trust influence innovativeness and how these affect the performance of enterprises in tourism networks. The research focuses on four subtopics: these are market orientation, trust, innovativeness and performance in tourism networks. To answer the research question, the study explores the Lithuanian tourism management and public system as the context of operations of tourism companies and public organizations in the destination networks in Lithuania.

This first chapter describes the background and reasons why this dissertation was started, contextualizes the empirical setting, determines the purpose. The main research question and the objectives addressed. The chapter ends with a description of the structure of the report.

1.1   Each project has its' roots

The idea for this research developed over time. The decision was mainly influenced by my exchange studies at the University of Lapland in 2005, where I had the pleasure to meet Professor Antti Haahti. I had an opportunity to participate in several research projects and field research trips organised and supervised by the Professor. These formed the background for our collaboration. In late 2006, based on earlier Stratos value studies, we started to develop the research theme of commitment, trust and loyalty in destination networks. These were based on the insights gained during the field research case studies and scientific literature.

This became the main research objective for my Bachelor thesis. Later contacts at the establishment of the first ISET symposium introduced us to Dr Ossi Pesämaa, who had focused on the same theme in his doctoral

research. This opportunity created a shared and elaborated research project, which became the first of the Experience Stratos 2007–2017 research programme projects. I continued to study the same problems in my Master's thesis, as it was the means of deepening my knowledge of the research field, and at the same time continuing the development of the Experience Stratos research and several comparative projects within it.

The focus of my doctoral dissertation is on market orientation and trust impacts on innovativeness and performance of managers in tourism. The topic is also of interest for other research members of the Experience Stratos research group. The questionnaire used in this dissertation relates to the one originally prepared by Dr Ossi Pesämaa. This questionnaire was chosen because it was a part of Experience Strator longitudinal research project. Therefore, sharing this resource created a shared platform for international, comparative resource of small and medium tourism enterprises (SMTEs). Moreover, same questionnaire was used in my master thesis, which recovered interesting results of Lithuanian context, but the sample size was small enough to continue further research.

While being a part of the Experience Stratos 2007–2017 research program we have studied this topic and published tentative models with combined datas from several countries before. In these preliminary studies we found positive relations between the main latent variables. The first common comparative paper was co-authored by me together with Prof. Antti Haahti and Dr Ossi Pesämaa, and published in the Proceedings of Recontres de St.Gallen in 2010. The comparative pilot study sample was from Finland, Sweden and Lithuania. The tentative model based on combined data formed the null hypothesis of this study. It provided insights that business performance in the network was strongly related with market orientation, as well as related with trust and innovativeness (see Appendix 1).

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. I decided to evaluate the situation in Lithuania, and find the specifics of this region. The Baltic states, as well as other countries in this region, did not have a market economy for more than 50 years. The changes wrought by the historical circumstances after the 1990s, were followed by a sudden boost in market economy, which was no ordinary development to the system.

Soviet economies were not based on trust, and there is a reason to believe that context still influences our values, attitudes, and, therefore, our choice behaviors, too. Therefore there may be reason to believe that the null hypothesis cannot be confirmed. This justification for the choice of the thesis theme leads me to the research question, which is how market orientation and trust influence innovativeness, and how these affect the performance of enterprises in tourism networks, specifically in Lithuania. The theoretical discussion focus is, therefore, on market orientation, trust, innovativeness and performance in tourism networks.

The methodological ambitions of this research influenced the choice of mixed methods design. This includes, first, the content analysis of institutional factors that have an impact on the business enterprising environment in Lithuania. Second, the quantitative approaches used univariate and multivariate analyses including modelling of survey based data.

The scientific contribution of this research is establishment of relations between Market Orientation and Trust on Innovativeness and Performance.

1.1.1 Experience Stratos

The Stratos research groups[1] have studied entrepreneurship through two previous research programs in eight European countries during the years 1979–2007. The previous groups' working ethics and the creation of an international platform for senior and junior researchers' learning have indicated highest level of excellence achieved in international comparative, academic research. Among other achievements about 20 persons completed their doctoral studies within the previous two Stratos research programs.

Recent Experience Stratos research program was launched in 2006–2007 by the representatives of several countries in the annual ISET symposia. It consists of longitudinal research projects in countries including Nordic, Central European and Mediterranean parts of Europe, as well as other countries outside the EU. Experience Stratos is an international research

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1.   Based on the STRATOS 1979–1991 (chair Prof. Dr. Ingolf Bamberger) and INTER-STRATOS research programs 1989–2007 (chairs Prof. Dr. Rik Donckels, Prof. Dr. Antti Haahti; EXPERIENCE STRATOS 2007–2017 chair, coordinator Prof. Dr. Antti Haahti (Antti.Haahti@ulapland.fi)

program that focuses on experience economy and different management problems in tourism destinations, as well as networks and individual enterprises. The broad purpose is to study interrelationships between strategic orientations and resiliency[2] of small and medium enterprises in selected tourism destination communities ranging from urban to rural, and exhibiting growing to marginalized conditions. Relationships between factors of growth or decline in dynamic and difficult conditions are of interest to this research group. Researchers aim to get a better understanding of entrepreneurial dynamism in tourism destinations and resiliency of selected human ecosystems. This is studied through multidisciplinary approaches and mixed sequential methods. Moreover, this research program aims at studying the path to entrepreneurship and the strategic behaviour of SMTEs.

The research program involves several subprojects for longitudinal comparative purposes in partner countries (see Appendix 2). This study belongs to subproject 4 "Contents of strategic behavior i.e. Management perspective" (Haahti, 2007).

1.2   Why do we need this research?

Tourism is a competitive branch of business, and needs to offer the highest experience for the visitor. After obtaining independence from Soviet control in 1991, Lithuania began to recognise tourism as the means to enhance the boost in its economy and development. Membership in the European Union opened up new resources and provided the possibility of promoting the country within Europe.

Today the Lithuanian tourism sector has an economic structure as well as approved institutional structure, which contribute to the renovation of tourism infrastructure and is capable of ensuring high-level services by professional labour sources. The recession in 2008 also had an impact on the market. Lithuanians started to rediscover their country by spending weekends travelling around Lithuania, staying in countryside areas, discovering

2.   Resilience = capacity to be sustainable

local crafts, health resorts and spas, as well as the pleasures of the seaside. Looking from the international perspective the situation has also changed. International cheap flight airlines, such as Ryanair, Wizzair etc. entered the Lithuanian market, with the consequent increase in the number of destinations. This led to an increase in visitor numbers from countries such as England, Norway, Italy and other European countries. Visitors from neighbouring countries, such as Belarus and Russia are also constant visitors of Lithuania. The main attractions for such tourists are shopping opportunities and seaside entertainment. The only difficulty at the moment is the visa regime, which restricts tourism for visitors from Belarus and Russia. Nevertheless, the number of tourists from eastern countries is almost greater if compared to the number of tourists coming from European countries (State Department of Tourism, 2013).

Consequently, expansion of the tourism market creates opportunities for tourism networks to increase their competitive advantage and strengthen the emphasis on the quality of visitor experiences. In order to provide high-quality experiences, increase competitiveness and provide good performance results, tourism networks need more than a sum of participants. The final quality that customers perceive in a tourism destination depends on how organisations are interconnected, the way they act and interact with each other to stage tourism experiences. Value to tourists is delivered by a complex network of interacting and interdependent participants. Therefore, networking may become a major source of competitive advantage where networks of tourism businesses contribute strongly to the overall development of a tourism destination by increasing the attractiveness and competitiveness of the region through distinctive stage experiences (March & Wilkinson, 2007).

According to Emerson (1981), a business network can be defined as a set of two or more connected business relationships, in which a transaction is implemented between business companies that are conceptualised as collective participants. All networks cross the private-public sector boundaries involving business enterprises, authorities and citizen groups (Halme & Fadeeva, 2000). The role of entrepreneurs as well as the government is vital for tourism development (Gibson et al., 2005).

Moreover, competition within a network can be very intense because small and medium enterprises may lack trust in each other. Companies do not recognise the benefits of developed trust and fail to obtain strong

competitive advantages in the development of destinations. For example, a study of 13 tour operators and travel agencies in Lithuania has shown that companies often lack long-term cooperation due to the imbalance of influence and power, which leads to distrust (Bagdoniene & Hopeniene, 2006). The concept of trust is an intangible asset strongly associated with the economic success of each entrepreneur including overall achievements of the destination.

Many authors agree that trust shapes networking by bringing participants together and, therefore, these relationships lead to positive consequences such as minimised transaction costs, time range of collaboration, reduced risk and uncertainty (Sako, 1992; Mayer et al., 1995; Kautonen & Walter, 2003). 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. The attempt to develop and enhance trust between networks may result in mutual benefits to the company and the destination itself.

However, some authors claim that trust has no role to play in the case of the performance of organisations (Williamson, 1993). On the other hand, the majority of scholars (Gambetta, 1988; Sako, 1992; Misztal, 1996; Smith and Lohrke, 2008) associate trust with the positive performance of companies and claim that trust is a highly necessary and desirable property for organisational interaction. When participants trust each other they are more willing to engage themselves in cooperative activities which enable further development of trust.

According to some scholars, if a tourism company wishes to improve performance, it needs to adopt a certain degree of market orientation. From a managerial perspective, Tsiotsou and Vlachopoulou (2011) confirmed that market orientation is a crucial success fparticipant for business performance and that travel and tourism services could improve their performance by adopting market orientation. Also, in addition to the direct impact on performance, market orientation can enhance other marketing resources and increase performance using those resources.

However, a contradiction exists regarding market orientation influences on business performance relations. In a broad review of related literature, the majority of studies (around 70%) which investigated a direct relationship between these two constructs, stated positive effects- around 30% found no effects whereas around 2% indicated negative effects.

Many scholars have researched the links between innovativeness and performance. They say that innovative services or products with a higher degree of innovation have higher sales and financial performance and lead to better business performance (Gatignon and Xuereb, 1997). The nature of services entails a need to establish trustworthiness with customers (Vargo and Lusch, 2008). Service companies such as tourism companies can achieve better business performance even through less innovative services (Atuahene-Gima, 1995; Berry et al., 2006). But then it could be questioned if these two features (innovativeness and performance) are actually related and can influence each other.

In order to investigate the role of market orientation, trust and innovativeness effects on the performance of tourism companies in destination networks, eight destinations, which have existing networks and potential in destination development, were chosen in Lithuania (see Figure 1).

FIGURE 1 Health and seaside resorts in Lithuania (Lithuanian Resorts' Association, 2013)

Moreover, health and seaside resorts have a diverse current tourism situation and a number of companies working in the tourism industry. Some of them are more developed than others. In some destinations this is determined by the location, i.e. natural resources, because different destinations have different natural resources, e.g. mineral water or sea. In other destinations it is determined by entrepreneurs' behaviour and willingness to cooperate and work for one purpose. Also, the organisational framework of the Lithuanian tourism industry, legislation and European Union funding facilitate the building of networks and enable networking relationships among companies. However, entrepreneurs in Lithuania, like in other

post-socialist countries, lack trust and commitment to each other and are considered as risk averse (Bagdoniene & Hopeniene, 2006). Thus, they fail to exploit the available opportunities of improving their own businesses and overall development of the destination.

This dissertation will contribute to the identification of the networking situation in eight destinations in Lithuania. As these are the main health and seaside resorts as well as the main tourism areas of Lithuania, we could claim that the results of this study reflect the general networking situation in Lithuania. The aim is to see and evaluate the interest and work of Lithuanian tourism companies as well as to see and advice what actions could improve the companies' performance. The results of the dissertation should show how market orientation, trust and innovativeness affect tourism companies' performance in destination networks in previously mentioned Lithuanian regions.

1.3   The focus: research question and objectives

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 the Trust of tourism companies in the destination networks and its influence on Performance
4. To identify the role of the 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

The achievement of the first objective gives a clear picture of how tourism companies in destination networks are affected by the institutional context i.e. value systems and by legal acts as well as the institutional tourism framework in Lithuania. However, we delimit the study of the institutional context in content analysis of important constrains and influences, but do not intend to study how these influence tourism networks – that remains for post-doctoral research projects. The achievement of objectives 2 and 3 clarify the influence of market orientation and trust on the performance of companies in the tourism networks. The 4th and 5th objectives reveal the role of market orientation and trust in innovativeness and influence of these constructs on performance. It is a scientific contribution of this dissertation because no link has been previously established in the entrepreneurship or strategic management literature (at the time of writing). Furthermore, data obtained from the survey helps to understand the following objectives and gives the opportunity to find and confirm the model based on the data collected in eight health and seaside resorts in Lithuania. It also gives a clear vision of where the networking culture stands in Lithuania.

1.4   How do we achieve these objectives?

The methodological ambitions of this research influenced the choice of mixed methods design in empirical analyses. The first aim calls for a qualitative content analysis of institutional features that have an impact on business entrepreneurship in Lithuania. The following objectives call for quantitative approaches i.e. modelling of survey-based data. As we seek to deny the null hypotheses, i.e. the selected constructs are related and influence each other (putative causality i.e. we assume causality even though we do not test it in a longitudinal setting). We developed a survey to collect the data needed. At the pilot stage comparative samples were small, therefore, we aimed at collecting a large enough sample and to include triangulation in this process to enhance reliability that would give us the opportunity to use a hold out sample for initial modelling and (dis-)confirmatory approaches in the second half of the sample.

We first carried out a content analysis of documents describing Lithuanian tourism organisational structure to shed light on the role and responsibilities of the different public and private participants involved in Lithuanian tourism administration. Content analysis was focused on facts that disclose the role of organisations in tourism administration, tourism development policies, features that might influence networking and building of trust between organisations or organisations and the state. The content analysis of legislation and development programmes focuses mostly on features that influence the performance of companies and networking. Content analysis of association law focuses on the formation and performance of tourism-related associations and how it influences overall networking.

Analysis of the national tourism development programme attempts to build a picture of the importance of regional development and support for business on the national level. The study of legislation related to EU support, discloses opportunities for business development and development of the destination. Qualitative designs have their own modes of validity. According to Lincoln and Guba (1985) there are four criteria to evaluate qualitative research. The criteria are credibility, transferability, dependability, and confirmability. These are included in the reporting of content analytic results.

To enhance the validity of the empirical quantitative part of the research, clearly stated results of the study are presented by using accurate and reliable methods. In order to ensure valid conclusions and analysis, it was necessary to undertake the triangulation concept, which involved collecting data by multiple methods and from multiple sources. This enhanced the reliability of collected data and conduct of related analysis. Triangulation limits personal and methodological biases and enhances trustworthiness of a study (Bryman and Bell, 2007). The discussion on the control of error sources is included in the analysis of reliability. This is followed by an enquiry into the following modes of validity – face validity, convergence validity, discriminant validity and predictive validity as necessary facets of construct validity.

1.5   The structure of the doctoral dissertation report

In order to get the overall picture of related fields, major approaches are reviewed in the theoretical framework where the main studies – entrepreneurship and strategy – of business management, organizational management and behaviour, tourism destination management are discussed. Consequently, business management and entrepreneurship in tourism are the foundation of this study. It is hoped that the study becomes a longitudinal research during post-doctoral stage (Figure 2).
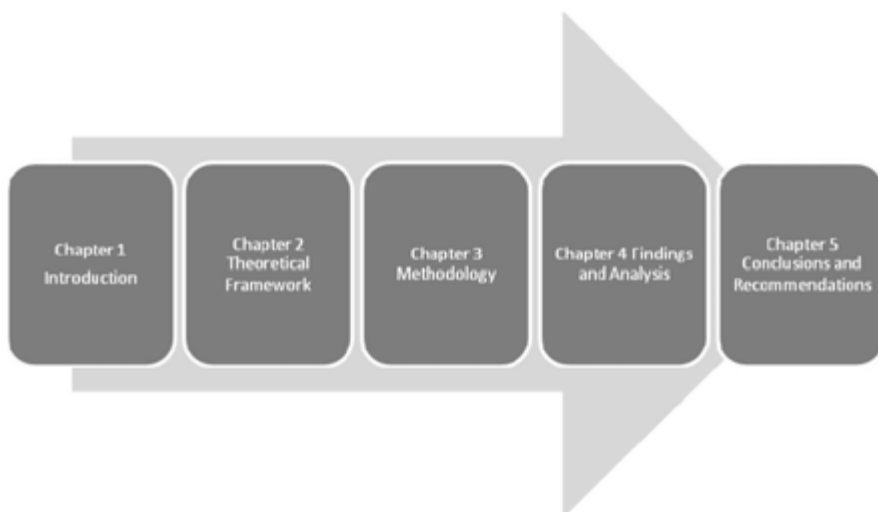
FIGURE 2 Display of chapters

The following chapter discusses the methodology and background of the research. The n*ext chapter provides an analysis of secondary data which presents the institutional framework of Lithuanian tourism and discusses the findings of survey results in Lithuania. Consequently, the results of the research are provided.* Finally, the conclusion chapter provides the answer to the research question and gives recommendations for further research.

"If everyone is moving forward together, then success takes care of itself" – Henry Ford

CHAPTER 2. THEORETICAL FRAMEWORK

The main research question of this paper is how market orientation and trust influence innovativeness and how these affect the performance of tourism companies in the destination networks. In order to answer the research question, this chapter is dedicated to:

- *Reviewing the existing literature on networking, market orientation, trust and innovativeness*
- *Acknowledgement of different analytical approaches to the role of market orientation, trust and innovativeness in the performance of tourism networks*

2.1   Networking

The networking subchapter first presents the concept of cooperation as a needed view to networking and as one of the forms of business relationships. Therefore it is followed by an explanation of networking and typology of networking. Finally, the network structure and different analytical approaches of networking are presented, which is followed by explanation of the construct of destination and the influence networking has on it.

2.1.1   Business relationships

A business relationship can be defined as a process where two or more firms and/or other types of organizations *"form strong and extensive social, economic, service and technical ties over time, with the intent of lowering total costs and/or increasing value, thereby achieving mutual benefit"* (Anderson &

Narus, 1991). It can occur and develop in many different forms of interaction. The understanding of diverse business relationships is important in order to understand what features influence development and performance of the companies in relationships.

The growth of business relationships between non-profits, corporations and governments is intensive and vital for many industries, especially for tourism because of its complexity. The use of collaborative activities is significant in bringing together a range of interests and resources for development of business which directly influence the enhancement of company's competitive advantage (Huxham, 1996). According to Bramwell & Lane (2000), collaboration within tourism industry could be very structured and characterized by legal contracts, or it could be unstructured and arranged by verbal agreements between companies. Either way it is an important fparticipant influencing further performance of the companies. Therefore, collaboration can be analysed in a form of strategic partnership, joint ventures, networks, etc.

Business-to-business relationships such as strategic partnerships require legal agreements between companies that empower the companies to share profits and losses of the business in which all of them have invested in. Very often tourism partnerships focus on cooperative marketing initiatives or intersectional planning in order to increase competitive advantage in the market, get access to new technologies, increase ability to provide wider range of services, etc. However, loss of autonomy may occur, increasing complexity and commitment (Mohr & Spekman, 1994). Therefore, the analysis of business relationships often brings to consideration business networking because of flexibility and possibility to include many participants.

Nevertheless, it is important to recognize and discuss the links between business network and geographical destination clusters because of many similarities these two concepts share. As Porter (1998) claims, clusters could be described as geographical concentrations of companies and institutions in a particular field that are linked together. On the other hand, in the performance of a cluster, a major role is played by the networking relations and very often between organizations operating in different sectors. While participants in clusters compete globally, they interact with each other within local networks. According to Rosenfeld's (2001) distinction between cluster and network, clusters are more likely to create demand for more firms with similar values and related capabilities, while networking

makes it easier for companies to engage in complex activities. As in the case of tourism industry which involves a variety of companies such as accommodation, leisure, entertainment, restaurants and transportation in and to a destinations. Such a wide scope of company engagement in the network very often can solve issues regarding lack of marketing and management skills and lack of funds. Consequently, regarding the nature of this study, in the following discussion it was chosen to focus on networking and network as relevant types of business relationships.

2.1.2 Network and Networking differentiation

Links and connections between companies and relationship between their managers in the current business world are set in networks of social, professional and exchange relationships. Ability to collaborate with other participants in the business field is a core competence of organizations or regions in order to create value (Ewen, 2007). Networking and networks function as a way of creating value collectively. These two concepts operate within individual or community context and could be differentiated because of diverse functions in collaboration.

According to O'Donnell (2004), networking is an action which depends on the company's owner-manager as well as on the people with who communication is focused on. It helps companies to access specialised resources and information systems as well as internalize competencies and assets (Braun, 2005). Networking *"is relevant to all types of networks, and refers to cultural patterns of behaviour whose functions serve a mix of exchange, communication and social purposes"* (Tinsley & Lynch, 2007). It is a cultural phenomenon, the activity of which mostly depends on the cultural background of people and companies in the region thus, it is significant for competitive advantage of regions or companies.

On the other hand, network can be defined as relationships between individuals and groups in order to reach specific goals and purposes (Tinsley & Lynch, 2005). There is no direct and single definition which could generalise network. For some it is an organized system (Szarka, 1990), for others a specific type of casual association (Knoke & Kuklinski, 1983), or just an informal group (Ewen, 2007). Therefore, Lynch (2000) claims that network is the company's interaction with external environment while

concentrating on business relations, regional and strategic management as well as on the companies' behaviour on the basis of cultural conditions. All organizations are not tangible objects, but more social substances with their own activities, thoughts and people working in them. The operations of these "*social objects*" are not limited to one specific location and they are built upon relationships which provide security and trust (Gummesson, 1994). Companies can participate in one or more overlapping networks, depending on perceived value they get from them, e.g. lower transaction costs and etc. (Braun, 2005).

All humans are more or less social and thus all of us form networks. A person's self-image determines what connections are formed and the person's network shapes his or her identity. Therefore, each association is unique. When launching some project or aiming at some activity, the network of connections that the entrepreneur establishes is the main tool that helps to construct and operate these processes (Johannisson, 1998). First, these networks are *personal*. Entrepreneurs activate their personal resources to create innovative experiences and services. Secondly, such networks have a relevant *spatial* aspect. The entrepreneur and his company for various reasons, such as historic, realistic and representational, is attached to a place. Therefore local and regional socio economic atmosphere is an important feature. Thirdly, the lively part of the entrepreneur's network should be *dynamic*. This is especially important in the early stages of entrepreneurial occupation (Johannisson, 1998).

Every person is the main point of his or her personal network. That means that each entrepreneur has an *egocentric* network. Such network consists of all direct and indirect ties. Moreover, each entrepreneur belongs to a different group of networks based on occupation, trade, place or other features. Such groups of entrepreneurs are *sociocentric* networks. (Johannisson, 1998).

Johannisson (1998) has also studied the differences of networking in traditional and in knowledge-based companies. The results of the study confirm the idea that knowledge-based companies are more anxious about networking than traditional companies. Among knowledge-based companies professional ties are more common than commercial ties.

Network, by itself, does not have the potential to generate benefits, but the use of network through the process of networking brings the benefits to the members of it. *"Network might simplistically be viewed as structure and scaffolding that supports and contains networking, but this is rich in social*

meaning, texture and the relationships involved in the process of networking" (Ewen, 2007). The ideas and people's actions create networking which develops in the course of time.

In order to avoid confusion related with interrelation of previously mentioned concepts, many analysts choose to use concepts, such as partnership, joint ventures, or others. However, it does not give any proper solution as these concepts have their own meaning in the specific perspective. In this paper I chose to use the concept of networking as it mostly refers to cultural pattern of behaviour. Moreover, it is highly related to cultural background of Lithuanian companies as well as other companies in countries researched by Experience Stratos (2007–2017) research group.

2.1.3 Networking typology

Different authors provide a diverse typology of networking according to the features the network is carrying. However, all networks share links when networking such as effective knowledge transfer, resource distribution and social relationships between companies.

Consequences of globalisation and worldwide growth of tourism business influence the classification of networking into local and non-local (global). As Eraydin & Fingelton (2006) claim, local networks are more likely to involve companies located close to each other that demonstrate informality and openness. Global networking demonstrates relationships between partners in different places that have less links and are open for more formal relationships. Erkus – Oztruk (2008) in the study of Antalya tourism region claimed that the size of a company highly affects the level of network relationships. The study was conducted between 12 clusters within Antalya, where companies of different size operate. By using network and cluster theory, and taking benefits of the *"economies of agglomeration"* into consideration, the study provides positive relations between large firms and global networking. However, the study confirms that very often small companies are more likely to connect into local networks, which highly contribute to local and regional development by increasing its competitive advantage. Therefore, further focus of the study is based on networking from local perspective.

Szarka (1990) classified networking by including economic and social components of small companies and provided three categories of networks. First of all, he identified *"exchange network"* where trading partners are the core element, because of financial exchange, financial costs, income generation, and other commercial transaction between companies. Economic benefits are core within this type of network. Secondly, *"communication network"* includes the companies that do not have trading links but have effect of its business activities, for example, consulting, semi-information flow between companies, relations with local and central government. The exchange of information is most likely within communication networks. Third *"social network"* consists of linkages between family members, friends, owners of the company and their employees or other use of particular personal relations. Moreover, social network could be divided into *"personal network"* (concrete contact with specific individuals), and *"cultural dimension"* where values, attitudes and behaviour are of prime importance in explaining the nature of the relationships.

O'Donnell et. al. (2001) claims that research in entrepreneurial field is more likely to divide networking in two categories such as *"formal networks"* and *"informal networks"*. Relationships influenced by social contacts, where the main participants are individuals, belong to the informal category (social networking); while relationships based on commercial transaction with the main participants being organisations belong to the formal network. Regarding formal network relationships, companies mostly focus on minimization of transaction costs while gaining resources through market apparatus or through hierarchical structure of the companies. According to this hierarchical structure of companies, two more types of inter-organisational networks can occur: vertical and horizontal network. The vertical network mostly pictures dyadic buyer-seller relationships within value-adding system. Horizontal networks mostly involve organisations in the same industry or relationships between actual or potential competitors.

Social networking or in other words informal networking is more likely to form within small and medium size companies, because of the possibility to create or use personal contacts. The importance of meetings and communication between entrepreneurs is a key feature that drives networking, because of common belief *"to know with who business is done is equally important as to know how to do business"* (O'Donnell et. all, 2001).

One of the main authors in the field of social networks is Mitchell (1969), who points out the importance of personal relationships between people who are involved in some social exchange or transaction. Mitchell (1969) claims that personal relationships are built by participants who choose to include certain people in a network or they are involved due to some kind of moral obligation. The structure of friendship, communication, trust, and reliance is important between participants in order to develop networking relationships. Rowley (1997) adds that structure of the networking and the organization's position in the network determines its tendency to develop relationships with other members.

In conclusion, as Table 1 demonstrates, networking may be distinguished according to geographical distribution of network partners, economic and social components in collaboration between participants and social relationships between participants involved. This differentiation of networking might influence overall structure of networking and concepts of it such as density, centrality and other ties between participants.

TABLE 1 Network typology

Networking	Distinguishing feature
Local and global (Eraydin & Fingeltos (2006); Erkuz-Oztruk (2008)	*Local networks* – involve companies located close to each other; *Global networking* – involve partners in different countries.
Exchange networking *Communication networking* *Social networking* (Szarka (1990)	*Exchange network* – financial exchange, financial costs, income generation, and other commercial transaction between companies. *Communication network* – consulting, semi–information flow between companies, relations with local and central government. *Social network* consist of linkages between family members, friends, owner of the company and his employees or other use of particular personal relations.

Formal and informal networking (O'Donell et. all (2001); Mitchell (1969)	*Informal networking* – relationships influenced by social contacts, where main actors are individuals, belong to informal category (social networking); *Formal networking* – relationships based on commercial transaction with the main actors. Main focus on the minimization of transaction cost while gaining resources through market apparatus or through hierarchical structure of companies.

2.1.4 Network structure

Informal networks often explain the overall structure of business networks, because many authors believe that all economic transactions are more or less surrounded by and involved in social relations.

Some authors use concepts of density and centrality in order to explain overall structure of the networks and central position within a network (Rowley, 1997). However, concepts of *"ties"* are mostly used to express network structure because they focus on links that connect participants within networks and demonstrate changes in the relationships. For instance, a study conducted by Pavlovich (2003) in tourism destination of Waitamo Caves (New Zealand) demonstrated the changes and development of ties between participants while destination competitiveness increased. Consequently, any analysis of ties between organisations helps to understand the features that influence construction of relationships between participants and how these relationships influence overall networking.

2.1.4.1 Network ties

> *"It is argued that the degree of overlap of two individuals' friendship networks varies directly with the strength of their tie to one another".* Granovetter, 1973.

Direct and indirect ties between participants create positive conditions for social relations between persons, objects, companies, governmental bodies, etc. (Ewen, 2007). Network ties have a big influence on destination

development, therefore, it is important to understand and identify the concepts of *"strong ties"* and *"weak ties"* in network relations.

According to Granovetter (1985), "*strong ties*" reflect the relations between participants within the group. These ties encourage inclusion into social network where people are related and know the same information as the other person in the network. In this case the information could come from the same resources. *"Weak ties"* reflect the participants' relations with some external groups. "*Weak ties*" are necessary to get new ideas into the network and different knowledge from the external environment. Contact with people outside the network occurs through *"structural holes"* which enable companies to get new information from external sources that have no connection with the network. According to Dubini & Aldrich (1991), *"strong ties"* are reliable relations which companies can trust; meanwhile *"weak ties"* reflect not very close social relations, which are also not emotional. The strength of ties can vary depending on participants in the network and their willingness to be positioned along *"weak"* or *"strong"* ties.

According to Uzzi (1996), if a network has too many strong ties and fewer weak ties, over embeddedness can occur. In this case all members off the network know the same information as others and this leads to low flexibility and decrease of competitiveness. The best potential for the network is to have both types of relations with bigger social embeddedness. It creates competitive advantage, because networks are able to get some additional knowledge and information from "weak ties", meanwhile "strong ties" support knowledge creation (Pavlovich, 2003).

2.1.5 Networking and destination

As Buhalis (2000) rightly observed, destination is traditionally considered to be well-defined geographical area such as a country, a town or an island. However, destinations are increasingly regarded as *"perceptual"* concepts. Consumers can interpret them subjectively and their interpretation depends on the purpose of the visit, itinerary, education and past experiences. Buhalis (2000) gave an example that London can be a destination for a German business traveller, but Europe can be a destination for tourists from Japan, who visit six European countries in two weeks. Another example of a destination can be a cruise ship, while other passengers of the same ship may consider

their destination to be port cities that they visit. Some destinations can also be artificially divided by geographical or political barriers. An example of politically divided destination is the Alps. They are shared by Italy, France, Austria and Switzerland but travellers often regard it the same product.

A destination is actually a combination of tourism products, services and experiences (Buhalis, 2000). Cooper, Fletcher, Gilbert, Shepherd and Wanhill (1998) define destinations as the focus of facilities and services designed to meet the tourists' needs. Most destinations are made up of six main elements: attractions (natural, man-made, fake, purpose built, heritage, particular events); accessibility (entire transport system comprised of routes, terminals and vehicles); amenities (accommodation and catering facilities, retailing, other tourist services); available packages (packages pre-arranged by intermediaries as well as principals); activities (all activities available at the destination and the things that consumers will accomplish during their visit); additional services (services used by tourists such as banks, telecommunications, post, newsagents, hospitals, etc.) (Buhalis, 2000). These elements can be regarded as sources of competitive advantage because their appeal might influence tourist's selection of a particular destination (Mojic, 2012). It is essential for successful development of tourism to consider the value of these resources and to improve them. Because destinations are combinations of tourism products, their quality very much depends on co-operation between all local suppliers of products and services and on collaboration between the private and public sector.

Most destinations can be classified into six types: urban, seaside, alpine, rural, authentic (often developing countries), and unique-exotic-exclusive (see Table 2).

Urban destinations are among the oldest travel destinations, which emerged from the foundation of civilizations. People used to travel to other cities to meet politicians and business partners, attended large events, like the Olympic Games in ancient Greece. This also generated tourism. People travelled to cities on pilgrimages during which they visited well-known cathedrals and other religious sights. More recently cities have become destinations for businessmen and other people who go to conferences and meetings. Leisure travellers also visit urban destinations, but most of them come at weekends and on holidays when there are not a lot of business visitors. Another type of tourists who visit urban destinations are education

and healthcare tourists, who want to benefit from good education and health facilities of bigger cities. (Buhalis, 2000)

Beach destinations are traditional destinations for holidays. In earlier times people travelled to seaside resorts near their living place. In 1970's travellers started to choose international destinations. People from the Northern regions spend holidays in the South. European travellers spend their holidays in the Mediterranean area, while North Americans choose Florida, California and the Caribbean. More adventurous tourists prefer exotic destinations, usually in not very developed countries, which are perceived as authentic and untouched (Buhalis, 2000).

Alpine destinations attract travellers who want to be involved in winter sports activities. Another set of travellers are interested in natural attractions all year round in these destinations. One more feature of alpine destinations is being close to large urban areas, however, there are also some more isolated and unexplored locations. In addition, some important events and meetings e.g. Davos economic forum are held in alpine destinations. They *"attract a new market segment and expand the season for winter resorts"* (Buhalis, 2000).

TABLE 2 Types of Destinations (Buhalis, 2000)

Type of Destination	Customers	Activitie
Urban	Business-MICE	Meetings-incentives-conference-exhibitions Education-religion-health
	Leisure	Sightseeing-shopping-shows-short breaks
Seaside	Business-MICE	Meetings-incentives-conference-exhibitions
	Leisure	Sea-sun-sand-sex-sports
Alpine	Business-MICE	Meetings-incentives-conference-exhibitions
	Leisure	Ski-mountain sports-health
Rural	Business-MICE	Meetings-incentives-conference-exhibitions
	Leisure	Relaxation-agriculture-learning activities-sports
Authentic third World	Business-MICE	Exploring business opportunities-incentives
	Leisure	Adventure-authentic-charities-special interest
Unique-exotic-exclusive	Business-MICE	Meetings-incentives-retreats
	Leisure	Special occasion-honeymoon-anniversary

Rural destinations attract people who are willing to get familiar with agricultural life. Such destinations can be educational for children from large metropolitan centres. Tourism is seen as a development opportunity

for rural areas where agriculture is declining. Agricultural facilities can be transformed into leisure activities. Travellers can take part in agricultural activities enthusiastically or take a more passive position. Rural destinations can be specialized according to particular activities, such as horse keeping or cooking. (Buhalis, 2000)

Authentic destinations are mainly perceived as places with unharmed natural environment, wildlife, native and other cultural groups. In addition, in the minds of travellers, authentic destinations are also defined by their geographical location, i. e. they are located *"on the outskirts of the modem world"* (Mojic, 2012). Buhalis (2000) explains that authentic destinations are found in places with limited tourism development. *"Emerging destinations in Asia, South America and Africa attract a small number of adventurous tourists who are prepared to forego their comfort in order to interact with local communities and unspoiled surroundings"*. These destinations might later develop into major tourist attractions but they should be carefully planned and sustainable tourism development and resource retention should be the main focus. Similarly, Mojic (2012) notes that tourism in authentic destinations is frequently associated with sustainable tourism. It is also very important to note that progress of these destinations should be limited in order to retain the image of authenticity and to protect the resources.

Unique-exotic-exclusive destinations are regarded to be *"once-in-a-life-time"* experiences. As the result, they charge the highest prices and offer outstanding quality. Buhalis mentions Bhutan, Mauritius, and Seychelles as such destinations. Some of these destinations control the number of visitors by various means. These might be managing of immigration procedures, as well as travelling and accommodation capacities. Such destinations are marketed as trips for special occasions, such as weddings, honeymoons or anniversaries. (Buhalis, 2000)

Therefore, according to Buhalis (2000), the most important challenge is to unite all diverse organizations in the destination and make them collaborate rather than compete on the destination level. The secret to achievement of any destination is to approach the suitable target market, provide a fitting combination of local tourism services and products. In order to discover what the exact target market is and which combination of products and services is most appropriate for that market, the destination marketing must be based on research. One vital point is that marketing research should be carried out not only before the visit; the opinions of tourists

should also be assessed during and after their stay. In addition, it is very important for all the diverse surveyors to co-ordinate their research and use it to guide the development of the destination.

One of the most important complications stressed by Buhalis (2000) is the history and image of the destination. Visitors usually have their image of the destination and the destination has its history of growth which has to be taken into consideration. In addition, all the stakeholders must be respected and consulted. It is of great importance to take into consideration the stage of development of the destination. Buhalis (2000) has found that one of the most appropriate models of understanding the development phase is the destination life cycle. This model explains the development of tourism destinations. *"Cooper (1989, 1992, 1994) suggests that the life cycle concept illustrates that destinations experience a "birth to death" cycle and that the life cycle model has gained attention in tourism and hospitality as an explanatory tool"* (Buhalis, 2000). This model can be used as a guide for strategic planning. Buhalis noted that the destination life cycle model is widely criticized. However, it provides a helpful tool for marketers and helps to identify the stage of growth of the destination. There is a number of researchers who have used the destination life cycle *as a framework for analysing changing destinations"*: Shaw and Williams (1997); Formica and Uysal (1996); Tooman (1997); Douglas (1997); Choy (1992); Getz (1992); Ahmed and Krohn (1990); Cooper and Jackson (1989).

The destination life consists of five stages: introduction, growth, maturity, saturation, and decline. During the introduction period the destination is new and trendy, the number of visitors is low and the prices are high. During the growth phase, more visitors are interested in the destination, there is investment in accommodation and tourism facilities and prices become very high. During the maturity phase, the destination experiences maximum visitation and the number of tourists is considered to be too high, prices of services are no longer very high but they are still high enough and the capacity of facilities is rising. During the saturation stage, there is an oversupply in the destination, the growth slows down, the prices drop and expenditure of tourists becomes low. During the decline stage, the demand is reduced and the development uses particular offers to boost visitor numbers; prices of services and expenditure of tourists becomes very low. The economic structure of the destination progresses to tourism oriented, tourism dominated, tourism dependant and finally to

unbalanced and not self sufficient. The environment and heritage, which in the beginning is unspoilt, in the growth stage becomes improved but is eventually damaged.

Therefore, Buhalis (2000) provided examples of how a destination can create its marketing mixture, which is a range of tourism products and services that addresses the needs and expectations of the customers.

First, a destination has to formulate its product. Destinations are combinations of various services that are produced by individual enterprises and public goods, such as landscape, scenery, sea, lakes, socio-cultural surroundings, atmosphere, etc. Buhalis (2000) noted that *"all these elements are branded together under the name of the destination"*. It is also worth noting that the expectations of visitors might be different because they have different perceptions and images of the destination. The main purpose of destination marketing should be to understand the central product and to provide additional supplementary products for all target markets. The overall responsibility of the destination product is on destination management organizations (DMOs), which can influence the growth of the destination by offering incentives on the products and services that are in a higher demand. However, the DMOs should take the accessible resources into consideration and intend to preserve them. The DMOs must also guard the image of the destination. *"The challenge for destination management organizations is (…) to provide leadership in the development of innovative products and create local partnerships for the delivery of seamless experiences"* (Buhalis, 2000). The DMOs should unite public and private segment and ensure competitiveness.

DMOs must also emphasize the exclusivity of their products and enhance as well as distinguish them. Destinations are often marketed as mass tourism attractions and it is wrongly believed that their tourism products can grow limitlessly. However tourists are increasingly looking for unique and new experiences and this is exactly how destinations should be marketed. Furthermore, such tourists are willing to pay higher prices for services but in this case destinations must ensure that their services and products are superior to those of their competitors. A solution for destinations seeking to develop unique experiences can be themed of alternative tourism. Destinations can concentrate on their history, heritage, cuisine, unique religious rituals, etc. Moreover, tourism industry should also contribute to preservation of this exclusive heritage by providing funds and raising awareness.

It is also important to address the problem of seasonality, which could be reduced by attracting different market segments and organizing events and providing particular offers during low season (Buhalis, 2000).

Second, destinations should decide on their pricing strategy. There are various pricing techniques that can be used in tourism destinations but it is rather difficult to regulate it, because pricing of destinations depends on the choices and strategies of individual providers of products and services. Macroeconomics and microeconomics have a significant influence on the pricing of destinations because prices are influenced by *"national economic policies and economic conditions in the international marketplace"* (Buhalis 2000). Considerable influence on prices comes from currency exchange rates, price of labor and accommodation and the cost of living. Buhalis exemplifies that due to these circumstances tourism in Japan is more expensive than tourism in Indonesia.

To some extent pricing can be regulated by the DMOs. DMOs create pricing regulations, such as a minimum and maximum price for some services (accommodation, transport, retail of consumer goods and food). According to Buhalis (2000), in some destinations tour operators exert influence on pricing. This is especially true in destinations which depend on tour operators for their flow of customers. Tour operators, especially in Europe, provide large numbers of visitors and use this as bargaining chip to make the destinations lower their prices. Under these circumstances local enterprises can lose their ability to make profit from the basic services and are forced to overprice additional services, such as catering, entertainment, local excursions, etc. The aim of destinations is to increase the expenditure of tourists because it increases the profitability of local business and is beneficial to the economy. However, pricing is extremely important in determining the image of the destination. Consumers take into consideration the total cost of their trip. It is crucial to achieve a good price and quality ratio because the competitiveness of the destination increases as the visitors perceive prices as fair and good value for money (Buhalis 2000).

Third, the distribution of tourism destinations is very important. *"Distribution or marketing channels are defined as sets of interdependent organizations involved in the process of making a product or service available for use or consumption"* (Buhalis, 2000). The objective of distribution channel is *"delivering the right quality and quantity of a product, in the right place, at the right time, at the right cost, to the right customer"*. Distribution is one of the few

sources of real competitive advantage and it is a crucial element in strategic management. Distribution influences costs, supports and enables product differentiation. It is estimated that distribution makes up 20–30 per cent of the price of the product. Distribution also *"determines whether and under what conditions suppliers can meet their target markets"* (Buhalis, 2000).

Business travellers use intermediaries to plan their trips because they are strictly scheduled, while leisure travellers have more flexible schedules and a wider range of price choices. Business travellers are directly influenced by the people who organize their trips. Therefore, the distribution strategy among business travellers should concentrate on establishing relationships with these people. It is advisable for destinations to create links with academic and business communities, business travel agencies and organizers of conferences and exhibitions. These links will enable the DMOs to provide adequate services and to satisfy business travellers.

A different distribution strategy is needed to reach leisure travellers who are more flexible. Domestic tourists usually make all the arrangements personally, while foreigners are usually more influenced by intermediaries. It is very important that travel agencies have sufficient information and advertising material about the destination. On the other hand, since the Internet is used by most of the people, leisure travellers are becoming increasingly independent. They can find all the necessary information and make all arrangements online. Destinations have already recognized the importance of providing all the information on the Internet.

Also, a very important element is promotion. Traditionally destinations are promoted during campaigns, which are led by the DMOs, and suppliers of products and services participate in these campaigns. The campaigns must be coordinated among all the suppliers and local principals. *"Achieving a consensus on the marketing campaign as well as raising adequate funds to develop and implement it is one of the most challenging tasks for destination marketing"* (Buhalis, 2000). There are two main types of promotion techniques: *above the line* and *below the line*.

Above the line promotion includes advertisements on television, radio, press and posters. Crouch (1994) has illustrated that increased spending on above the line advertising is not necessarily effective. He has found that most studies which tried to measure the effectiveness of promotional campaigns have produced mixed or inconclusive results. Below the line promotional techniques include participation in annual tourism and travel fairs,

production of brochures and travel manuals. Most destinations also use public relations as a way of promotion. News stories, articles and publicity are employed to develop the awareness of travellers and to persuade them to choose this particular destination (Buhalis, 2000).

In this paper we will look into urban, seaside and rural destinations in Lithuania, depending on characteristics of local region.

2.1.6 Networking influence to destinations' development

The way in which a network contributes to tourist destination development does not have a clear picture which could be applied to all destinations. *"Being part of the network often involves going through turbulent stages of formation, frustration, sacrifices and compromises"* (Ewen, 2007). As it looks from the first sight, it does not only require attempts; it also delivers valued social contributions and creates a tool for local tourism development. Lynch et. al. (2000) identified three benefit categories that networks provide while creating a profitable tourism destination:

- Learning and exchange;
- Business activities;
- Community benefits.

Learning and exchange is one category of benefits which asserts through development of new cultural values, knowledge transfer, etc. Communication between participants has the potential to be changed into positive business activity and have encouraging outcome for the community. All companies which belong to the network have a possibility to share and increase the necessary information through co-operation with other tourism enterprises; through learning from the experience of other entrepreneurs and by gaining new knowledge from the expert members who belong to the network.

Another category of benefits is *business activities*, such as co-operative activities, inter-trading within the network, etc. Image improvement, customer satisfaction and new ideas for business development are the main economic benefits which a region can get from networking.

The last mentioned category of benefits is *community benefits*, which assert through community support for destination development, increased

sense of community, bigger engagement of small enterprises in destination development. The uncertainty level is reduced while networking and community spirit rise. Moreover, pride for the region is concentrated and developed through network activities. Smaller enterprises get a bigger opportunity to market their business as well as the destination through a local network (Halme & Fadeeva, 2001).

Communities in every region have their own social and cultural history, which cannot be excluded while developing tourism destinations. Tourism is a very complex industry, which includes all parts of the society and every kind of organization and it provides benefits to economic, environmental, social and cultural parts of the region (Urry, 1990).

Networking increases the appeal and competitive advantage of a region as a tourism destination and mostly contributes to its long-term survival. Companies which do not work within networks usually cannot reach the results that are high enough and are not sufficiently influential (Halme & Fadeeva, 2001). Supporting insight comes from personal experience in Lapland destinations. One of them is impressive Loma Vietonen, destination close to Rovaniemi. While carrying out field research case study there I had a chance to interview owners of this spectacular place.

Therefore, I came to a conclusion that it is important for every company to become a part of destination association to develop business. Successful networks produce the above mentioned categories of benefits hereby developing tourism in a particular region. Moreover, different benefits can be reached through longer or shorter periods of time depending on the type and motive of the network.

There are also some shortages in networking, which entrepreneurs see as disadvantages for destination development. The benefits from the network are distributed to different entrepreneurs unevenly and this may affect some entrepreneurs more than others. While the distribution is uneven, some entrepreneurs become disappointed in being the part of the network and their community support as well as co-operative business activities that become less motivated. Frequently this can influence the network. As a consequence the willingness to participate in the network cooperation may decline.

Networking is a voluntary activity; therefore, it is difficult to make the members of the network act in a particular way. However, in some destinations this voluntary activity may be an illusion as the financial resources that are needed to market the destination do not ensure the participation of

all companies. According to Gray (1985), companies that have little inter-dependence from other companies in the network try to keep their stable positions in the region. Companies which dominate the network make solutions which may not always be the best for the other companies. Other issues which can occur in the network are conflicting goals, different preferences and irrelevant time schedules. All the issues should be solved by healthy negotiation procedures that deliver equal impact for all the participants in order to develop a successful destination.

2.2   Market orientation

The market orientation (MO) subchapter describes and develops the constructs of customer value and value chain, the concept of market orientation, followed by an explanation of the types of market orientation, its relation with service innovation, entrepreneurial orientation and resources. The chapter is finished with an explanation of market orientation and performance linkage.

2.2.1 Customer value and value chain

Payne and Holt (2001) were among first to describe the relationship between value and value chain and they described three perspectives towards value: *"creating and delivering superior customer value, customer-perceived value, and value of the customer to the firm"*. Creating and delivering superior customer value is the aim of all companies because it gives a competitive advantage. However Pitta et al. (2004) noted that the situation is rather complex, as the customers must not only receive the value but also perceive that they are receiving superior value. Particularly, the perceptions of customers are unavoidably subjective. The customer value perception can be influenced by previous experience with the product of the company. In addition, customer might not understand the complexity of creating the product and service.

   As a partial solution Pitta et al. (2004) suggest using techniques that would make value more obvious to the customer. This could make

customers be more willing to pay a higher price. Market orientation and customer orientation in particular enable companies to find ways how to satisfy customers and to deliver value to the customers. Research implemented by Atuahene-Gima et al. (2005), Hult et al. (2005), and Slater et al. (2006) suggested that the biggest contribution to business success is development of competitive advantages based on the generation and offering continuous value to clients (Jiménez-Zarco et al., 2011).

There is also another dimension of customer value, namely, the value that customers bring to the company. This value comes from the experience of customers who use the product or service of the company in their daily lives (Jiménez-Zarco et al., 2011). Through cooperation with customers the company can gain the information that customers have and use to improve services, identify emerging market trends, generate new service ideas, and to increase market acceptance of new services.

The concept of the value chain was first introduced in 1985 by Porter and it has become the main tool for firm analysis. Song et al. (2013) cited Porter as stating that *"every firm is a collection of activities that are performed to design, produce, market, deliver, and support its product"*. All these activities comprise the value chain. Guzman et al. (2008) explain that the main idea of the value chain is that each activity adds value to the product. Usually value to the product or service is added through the following processes: *"technological evolutions, insourcing and outsourcing, changing domestic and international trade policies and market forces including competition, government regulations and environmental imperatives"* (Mascarenhas et al., 2004). The participants in the value chain are the producers, suppliers, employees, retail channels and customers (Mascarenhas et al., 2004).

Value chain generates profit for the company and creates value for customers (Song et al., 2013). Sharma and Christie (2010) noted that Slater insisted on creation of value for the customers being the main reason of a companies' existence. Value chain can be divided into two types: the internal and the external. Internal value chain is comprised of all the stages that take place inside the company, such as purchasing the material, creating the product, selling it, etc. While the external value chain is all the value adding stages that take place outside the company, i. e. upstream/supply and downstream/distribution processes (Crain and Abraham, 2008). Another way of distinguishing different types of the value chain is dividing it into micro and macro value chain (Song et al., 2013). The activities inside the company

constitute the micro value chain. However, recently the division of labour is increasing and different value adding stages take place in more than one company. All the companies that participate in the process of creating and delivering the product are players of the macro value chain.

Value chain is mostly studied in the production industry but it has not been studied to the same extent in the service industry, including tourism. The difficulty of applying value chain analysis to the services industry lies in the *"the translation of flow of goods through a value chain to less tangible services, such as information and customer experiences"* (Sharma and Christie, 2010). They have found the following recommendations by Nooteboom (2007) of applying Porter's original manufacturing value chain to service industries:

1. In manufacturing the flows and transformation of physical goods are examined but in service industries this should be translated into the flows and transformation of data and of physical and mental characteristics of individuals (management and customers) because these are the features of a typical service context.

2. The benefits of forms and functions of goods should be translated into the forms and functions of *"utilities of time, place, convenience, speed, entertainment, physical and mental well-being, knowledge and mental capacity,and also management of funds and risks"*.

3. The results of scale, scope and experience should be transformed according to the services industry characteristics. The results of scale refer *"to sales, cost, and volume measures of efficiency, where as scope effects refer to the range of activities offered"*. The results of experience are the collective results of the entire production over time.

4. Some other typical service industry situations would require the incorporation of such issues when the creation of value belongs to more than one stage of production.

5. One more point to consider is the *"episodic"* nature of the services industry processes, which represent the *"spurs of service experiences rather than ongoing processes"*.

Participants in the tourism value chain fall into four categories: planners or designers of the basic tourism product, suppliers of products and services, tourism intermediaries, and tourists (Song et al., 2013). The tourism value chain begins with the planners or designers of the product. The basic

tourism product includes attractions, accommodation, restaurants, transportation, airlines, souvenirs, etc. The suppliers of these products deliver them through intermediaries or directly to tourists. The third tier of the value chain can be tourism intermediaries, who purchase tourism services from suppliers and sell them to tourists, or tourists themselves, who purchase the services directly from the suppliers. If the customers purchase services through intermediaries, they are located in the fourth tier of the tourism value chain. Song et al. (2013) illustrate this chain with the following figure.
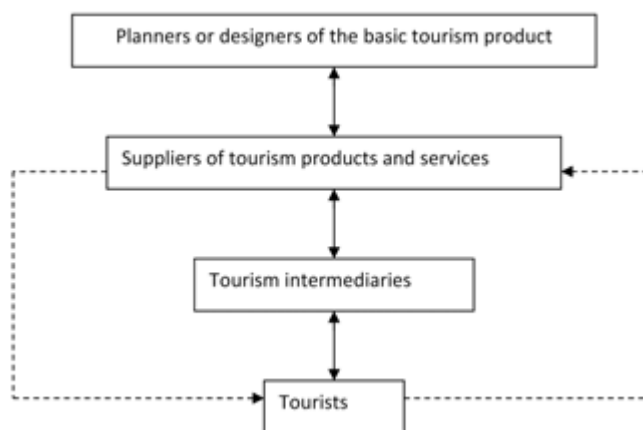
FIGURE 3 A simplified typology of actors along the tourism value chain (Song et al., 2013)

In this model the flow of products and services is downward but the cash flow is upward and generates profit for the actors (Song et al., 2013).

Value chain is also closely related to performance. According to Sharma and Christie (2010), Porter (1985) argued that performance can be increased by guaranteeing that all value chains of product creation and delivery function efficiently. Efficient value chains allow offering competitive prices but inefficiency on the contrary can increase the costs of goods and services and reduce the final value.

Another concept is the global value chain. This concept of the global value chain refers to the modern world where different activities of the value chain

are performed in different companies and often in different countries and continents (Guzman et al., 2008). Tourism industry in particular is becoming increasingly global. In this setting the coordination of activities is of extreme importance. Coordination is also important because travellers see the tourism product as a seamless experience, however this experience is delivered by many different companies and if one fails to deliver its product, other companies in the chain also suffer (Yılmaz and Bititci, 2006). This means that companies are dependent on each other and their joint performance influences customer satisfaction. Song et al. (2013) explained that tourism planning and policy making depends, first on governments and destination management organizations (DMOs). Second, in order to consume the products, tourists need to travel to specific destinations. Tourism intermediaries play an important role in coordinating this movement; however tourists can chose to travel without intermediaries. Third, cheating in the tourism sector is rather difficult to monitor because the product cannot be evaluated before the consumption. And finally, tourism resources are public and therefore there is no incentive to voluntarily protect them from overexploitation. Thus the crucial challenge of tourism value chain governance is to secure a balance between economic growth and resource protection. In addition, value chain governance should increase performance and customer satisfaction (Song et al., 2013).

2.2.2 Definition of market orientation

Market orientation has always been of great interest to academics (Narver and Slater, 1990; Jaworski and Kohli, 1993, 1990; Deshpande and Farley, 1993). Various definitions and descriptions of market orientation were given but a degree of consensus exists among researchers. According to Kohli and Jaworski (1990), market orientation *"is the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization wide responsiveness to it"*.

Some researchers such as Kohli and Jaworski (1990) and Narver and Slater (1990) considered the content and construct of market orientation more widely. Kohli and Jaworski (1990) identified three elements of market orientation*: intelligence generation*, *dissemination* and *responsiveness* to it. Kara et al. (2005) explains that intelligence generation includes not only

monitoring the needs of customers but also taking other different features, that can have an effect on customers, into consideration. These features could be government regulations, technology, competitors and other various environmental forces. Intelligence dissemination refers to communication of the information to all subdivisions and employees of the company. Responsiveness is a crucial element of market orientation. It is the action taken in response to the intelligence information. This action is key to the accomplishments of the company. Meanwhile Narver and Slater (1990) defined market orientation as *"the business culture that most effectively and efficiently creates the necessary behavior model for the creation of superior value for customers"*. They also claimed that market orientation consists of three behavioural components: *customer orientation, competitor orientation,* and *inter-functional coordination.* Customer orientation is understanding of target buyers, which over time creates superior value for the company. Competitor orientation gives the understanding of current and potential competitors, their strengths, weaknesses, and capabilities. Inter-functional coordination involves the balanced use of resources while creating greater value for target customers. Market oriented companies are able to cooperate with existing customers by keeping them satisfied and remaining loyal. Moreover, such companies are able to attract new customers, accomplish the desired level of growth as well as market share and consequently achieve desirable levels of business performance (Homburg and Pflesser, 2000).

Moreover, Narver and Slaiter (1990) claimed that market orientation is a business culture that helps to achieve sustainable competitive advantage by creating superior customer value. It is also one of the core concepts in marketing literature because it refers to the extent to which a company implements the marketing concept (Kohli and Jaworski, 1990).

2.2.3 Types of market orientation

It is claimed that market orientation has a positive impact on profitability (Narver and Slater, 1990), performance, employees' organizational loyalty (Jaworski and Kohli, 1993), market share growth, percentage of new product sales to total sales and return on investment (Matsuno, Mentzer and Özsomer, 2002). At some point market orientation has also been studied in the context of SMEs. It was revealed that market orientation structure

fits SMEs (Blankson, Motwani and Levenburg, 2006) and that it improves small company performance (Pelham 2000; Megicks and Warnaby 2008).

Jaworski et al. (2000), Hills and Sarin (2003) and Kumar et al. (2000), use the concept of *market-driven*, which reflects current customers' needs and *market-driving*, which reflects the activity based on future needs.

According to Schindehutte et al. (2008), market-driving orientation is a superior ability to attract, serve, and retain customers which would bring success (Narver, Slater, and MacLachlan 2004; Jaworski, Kohli, and Sahay 2000; Day 1998). Schindehutte et al. (2008) claim that market-driving behaviour is not yet well understood and note that market-driving behaviour includes attempts to fundamentally modify the market and create new markets, as opposed to responding to the market. A market-driving company shapes the preferences, behaviour and structure of all participants of the market. Market-driving orientation is very closely related to innovation because such companies produce radically innovative products, services and also create new markets.

Schindehutte et al. (2008) have provided a comprehensive summary which illustrates the differences between market-driven and market-driving orientation (see Table 3).

TABLE 3 Distinguishing market-driven and market-driving

Characteristic	Market-Driven	Market-Driving
Focus Is On	Customer (Day 1999)	All industry participants (Morgan and Hunt 1995)
Customer Needs	Expressed/observed	Expressed/latent
Behavior toward Customer	Customer-led (responsive MO) Customer-leading (proactive MO) (Narver, Slater, and MacLachlan 2004)	Create new customers/markets (Hamel and Prahalad 1994)
Behavior toward Competitors	Competitive positioning (Porter 1980, 1985)	Competition, alliances, and cooperation (Sarasvathy, 2001)
Market Behavior	Learning, understanding, and responding to market stakeholders (Jaworskiand Kohli 1993)	Proactively change perceptions and behaviour of market stakeholders (Kumar, Scheer, and Kotler 2002)
Marketing Objectives	Superior ability to understand, satisfy and retain valuable customers (Day 1998)	Quantum leap increase in value proposition (Kumar, Scheer, and Kotler 2002)

Marketing Strategy	Differentiation; segmentation, targeting, positioning; marketing mix management; Relationship marketing (Alderson 1965)	Entrepreneurial mindset, serendipity, opportunity-focus Entrepreneurial marketing (Morris, Schindehutte and Laforge 2002)
Dominant Strategic Orientation	MO (with entrepreneurial values) (Slater and Narver 1999)	MO (with entrepreneurial values) (Slater and Narver 1999)
Capabilities	Inside out (Deshpande 2000)	Outside in (Deshpande 2000)
Culture Type	Adhocracy (Carillat et al. 2004)	Market (Carillat et al. 2004)
Internal–External Perspective	External, for example, composition, role, behaviors of customers, and competitors (Jaworski, Kohli, and Sahay 2000)	Internal dynamics for example business systems and intra-firm behaviour (Kumar, Scheer, and Kotler 2002)
Value-Creating Resources	Intangible market-based assets, for example, relational and intellectual (Srivastava, Shervani, and Fahey 1999)	Entrepreneurial capital (Erikson 2002)
Organizational Learning Capability	Mastery of market-sensing and customer-linking capabilities (Day 1994)	Sense giving opportunity recognition capability (Day 1994)
Innovation Focus	Incremental/dynamically continuous (Christensen, Johnson, and Rigby 2002)	Radical/ disruptive innovation (Christensen, Johnson, and Rigby 2002)
Trajectory Outcomes	Organizational transformation, evolution (Covin and Slevin 1990)	Creative destruction (Schumpeter 1934)
Source of Sustainable Competitive Advantage (SCA)	Market leadership; differential advantage (McKenna 1991)	Market ownership; Configural advantage (McKenna 1991)
Performance Outcomes	Superior financial performance (Jaworski and Kohli 1993)	Persistent superior financial performance in long term (Kumar, Scheer, and Kotler 2002)
Most Relevant Theory	Resource-based view (RBV) (Barney, 1991); dynamic capabilities view (DCV) (Teece, Pisano, and Shuen 1997)	Resource advantage theory (Hunt and Morgan 1996)
Examples	P&G, GE, Nokia, IBM, Sears, 3M, and AT&T	Swatch, eBay, Amazon.com, Dell, IKEA, and Starbucks

Researchers considered that a too narrow perspective of market orientation may be a possible reason for criticism about the performance impact on market orientation and divided market orientation construct into two

dimensions: the responsive and the proactive dimension (Narver et al., 2004). In the case of *responsive market orientation*, the company puts its effort into discovering and understanding the current needs of its customers, which they show as needed. While focusing on *proactive market orientation* the focus is oriented on customers' hidden needs of which they might yet be unaware (Narver et al., 2004). This is serving the customers better .

While using data from 41 business units of 25 companies from a broad spectrum of industries, Narver et al. (2004) developed measurement scales to measure this construct which should be responsive and proactive; and suggest that only proactive market orientation is positively related to new service or product success. Li et al., (2008) found that that proactive market orientation has greater impact on innovation than responsive market orientation.

According to some authors such as Jaworski and Kohli (1993), Dobni and Luffman (2000) companies operating in unstable markets need to be market oriented compared to the companies operating in stable markets. Moreover, responsive market orientation should be more valued where relatively stable environment exists. Being more attentive to current customers helps companies in such markets to improve organizational competence and positively impact new service or product success (Atuahene-Gima et al., 2005).

Responsive market orientation can take full advantage when the external environment is not changing fast. While operating in unstable environment companies are focusing on consumer prospect demands and are able to sustain in rapidly changing market conditions, provide timely and appropriate problem solutions, better customer value, and seldom miss growth opportunities. Successful experience can easily become unacceptable and out of date due to the quick change of consumers' demand. Also, a company which applies responsive market orientation is always likely to face challenging competitive actions from competitors. This sort of company is most likely to lose service advantage because it ignores a potentially rising market. In the end such a company could be beaten by ambitious competitors who grab any chances which arise before them (Zhang and Duan, 2010).

Therefore, responsive market orientation has a bigger effect on incremental innovation than proactive market orientation. A company adopting responsive market orientation focuses on the needs of customers in their business segment, in this case tourism. They continually improve

and upgrade services provided to customers through innovation (Li et al., 2008). When companies focus on current customers, they can more easily and more quickly learn about marketplace changes, which is a critical feature for success (Li and Calantone, 1998). Moreover, responsive market orientation enhances the predictability of information search, reliability of information use and easier information application during new service or product development process.

2.2.4 Market orientation and service innovation

First and foremost, market orientation has been studied as an agent of company performance (Dawes, 2000; Matear et al., 2002), innovation (Agarwal et al., 2003; Manzano et al., 2005). A major number of studies indicated that market oriented companies generate better service innovation and new service performance (Augusto and Coelho, 2009; Song et al., 2009; Tsiotsou, 2010). This is so, because a market oriented company can keep recent customers content and loyal, can attract new customers, and achieve the needed level of growth, market share, as well as performance. It is claimed that empirical support for market orientation, which makes a direct contribution to new service performance, is a subject which is worth finding out and evaluating its influence on service innovation efforts (Agarwal et al., 2003; Manzano et al., 2005; Augusto and Coelho, 2009; Song et al., 2009).

On the other hand, some studies have found facts that market orientation cannot make a direct impact on company's performance without service innovation (Tsiotsou, 2010). Furthermore, incoherent findings were noticed in market orientation and new service performance relationship. In reviewed literature, 68 percent of the studies which investigated a direct relationship between these two concepts found positive effects, 30 percent found no effects, while the rest pointed out negative effects (Langerak et al., 2004). Moreover, it is obvious that there is no clear consensus on either direct or indirect relationships between market orientation and new service performance.

2.2.5 Market orientation and entrepreneurial orientation

As mentioned previously researchers have divided market orientation construct into two dimensions: the responsive or market-driven and the proactive or market-driving dimension (Narver et al. 2004; Jaworski et al. (2000), Hills and Sarin (2003) and Kumar et al. (2000). A company's market orientation is also part of a wider concept of strategic orientation. Schindehutte et al. (2008) argue that *"market-driving behaviour is distinct from a firm's market orientation"* and is actually an entrepreneurial phenomenon. Therefore, they claim that market-driving behaviour belongs to a different type of strategic orientation, namely the entrepreneurial orientation. Schindehutte et al. (2008) further claim that entrepreneurial orientation interacts with other types of strategic orientation.

Entrepreneurial orientation has been studied quite extensively. Schindehutte et al. (2008) noted that entrepreneurial orientation has three dimensions:

- Innovativeness
- Risk taking
- Pro-activeness

"Innovativeness refers to the seeking of creative, unusual or novel solutions to problems and needs" (Schindehutte et al., 2008). The researchers explain that the results of innovativeness are new products and/or services and new technologies. Risk taking is explained as commitment to use resources for some new project even if there is a risk of failure and losses. The losses, however, are calculated and manageable. While pro-activeness, the last dimension of entrepreneurial orientation, *"is concerned with implementation, with doing what is necessary to bring an entrepreneurial concept to fruition"* (Schindehutte et al., 2008).

It is also claimed that all companies have entrepreneurial orientation. A company, according to Schindehutte et al. (2008), can be not market oriented but it will still have entrepreneurial orientation. The authors explain that the degree of entrepreneurial orientation can be very low. The level of a company's entrepreneurial orientation should be measured in the context of the field in which the company operates because in different fields different levels of entrepreneurial orientation are needed. However, there

can be significant differences in the levels of entrepreneurial orientation amongst companies in the same industry, for example, Starbucks versus a *"mom and pop coffee shop"* (Schindehutte et al., 2008). The main indicator of the level of a company's entrepreneurial orientation is entrepreneurial capital. According to Erikson (2002), Lounsbury and Glynn (2001) they explained that entrepreneurial capital is the human and social capital which enables *"the company to enable company leaders to envision the future, recognize opportunity, develop novel business models, pursue and mitigate risks, leverage and combine unique resource bundles, and demonstrate tenacity in exploiting a given opportunity"* (Schindehutte et al., 2008). Entrepreneurial capital is translated into market innovation which gives the company an advantage over competitors.

Researchers note that sustained advantage is achieved through the interaction of different types of strategic orientation, i. e. market orientation (both reactive and proactive), entrepreneurial orientation and technology orientation. However, the relationships of the different types of strategic orientation and sustained advantage are still not very clear (Schindehutte et al., 2008).

2.2.6 Market orientation and resource based view

According to Armario et al. (2008), the resource based view can contribute to a better understanding of the characteristics of market orientation and its relationship to competitive advantage. Lockett et al. (2009) have provided a comprehensive review of the development of the resource based view. According to it, a company is a historically determined collection of assets or resources which are tied 'semi-permanently' to the company (Locket et al., 2009). Some scholars make a distinction between appropriable resources and intangible ones. Appropriable resources include physical capital and brand names, while intangible resources are the company's capabilities, organizational routines and the like. Another distinction can be made between static and dynamic resources. Static resources can only be used over finite time, but dynamic resources are found in various capabilities, such as capacity for learning. Resources of this type provide opportunities over time. Combs and Ketchen (1999) state that according to the resource based view, all types of relevant resources of an organization must be not easily imitated

and replicated by rivals. This is what gives the organization a competitive advantage and differentiates it from other organizations. Different and not easily imitated resources make each organization and company unique. The level to which the resources are difficult to replicate by others determines the sustained competitive advantage over a longer period of time. Lockett et al. (2009) noted that the resource based view provides an adequate way of examining inter-company variation in performance and is complimentary to market orientation approach, which is an external one.

In the work of Barney (1991) an explanation of the relationship between research based view (RBV) and performance was found. According to Barney (1991), sustainable competitive advantage is based on company specific resources. These resources must have four features: they must be valuable, rare, inimitable and non-substitutable. Lockett et al. (2009) explained that valuable resources are the ones that can help seize opportunities and/or counteract the risks that come from the company's environment. Armario et al. (2008) considered market orientation to be a distinctive resource that provides a sustainable competitive advantage to a company, because it cannot be easily imitated by the competitors. Resources are rare if they are in scant supply and not evenly distributed among the company's present and potential competitors. Inimitable resources are the ones that cannot be easily copied by other companies. Some features of making the object unique can be particular historical circumstance (Barney 1991), social complexity (Dierickx & Cool, 1989) or causal ambiguity. Non-substitutable resources are those resources that cannot be simply substituted by other resources.

Here, the managers of the company also play a substantial role. The managers see the resources of the company and decide how to use them and what potential new resources need to be acquired (Lockett et al., 2009). The role of managers in the RBV is to reposition the company when *"opportunities change and its set of resources evolves"*. In the RBV managers are proactive and adaptive. Lado and Wilson (1994) described these managers as "*en-participants*". RBV is an interesting theory due to the relationship between market imperfections and the decisions that managers make. The decisions depend on their perceptions of their own company as well as their perceptions of the environment. The perceptions of managers are significant *"in relation to three central elements of the RBV: resource functionality, resource recombination and resource creation"* (Lockett et al., 2009).

The functionality of resources depends not only on the resources themselves but also on how they are exploited. According to Penrose (1959), *"the effective set of productive opportunity is determined by both managerial perceptions and the resources at their disposal".* The set of opportunities can be expanded by finding new ways to use existing resources. This especially applies to intangible resources, such as the capacity to learn, the usage of which can be unlimited. Several researchers have noted that it is not the type of resource that matters, but the functionality of the resource (Penrose 1959; Peteraf and Bergen 2003; Wernerfelt 1984). Managers have a crucial role of finding the most profitable uses of the resources at their disposal. However, Peteraf and Bergen (2003) believed that managers can be unable to grasp the potential functionality of the resources due to the lack of time and attention, bounded rationality, cognitive biases, and framing limitations (Lockett et al., 2009).

Another important aspect of the usage of resources is resource combination and recombination. Resources become more valuable when they are combined with other resources. Resource combination can create additional value if the resources are complementary, related or co-specialized, noted Lockett et al. (2009). Ambrosini & Bowman (2009) believed that literature on dynamic capabilities is a supplement to the RBV. Sirmon et al. (2007) have proposed a more detailed overview of resource combinations and focused on the type of combinations. They differentiated between stabilizing, enriching and pioneering activities in resource combination and recombination. During the activity of stabilizing only minor and incremental changes in resource combinations are made. This type of resource combination may be used to retain the current position of competitive advantage. Enriching resource recombination is the expansion and elaboration of the *"current capabilities through activities such as learning or adding a complementary resource".* Pioneering is a progressive type of resource recombination which involves the addition of entirely new resources, which were recently acquired.

Lockett et al. (2009) have identified a number of methodological and practical difficulties of the RBV. The main observation is that the RBV has not developed any clear and unambiguous hypothesis. The scholars identified tautology as the first and possibly the crucial difficulty of the RBV. They noted that RBV is prone to circular reasoning because it is an *"approach that ultimately ascribes differences in firm performance to intrinsic differences in the firms themselves".* This observation is examined in detail

in the works of Priem & Butler (2001) and Barney (2001). The scholars argued that the problem is rooted in the relationship between competitive advantage and its dependence on circumstances that are specific to a particular company and are not perfectly observable.

Another substantial problem arises when trying to empirically test the predictions of the RBV. In order to test the predictions, the most relevant resources that are of great interest to the RBV have to be identified and measured, however, these particular resources are often unobservable, because they are, for example, associated with organizational learning (Lockett et al., 2009). Due to this difficulty, empirical studies mostly focus on less important but easily observable resources.

In addition, the concept of competitive advantage itself is impossible to observe directly. For this reason researchers measure and explain the differences in performance of several firms. By doing this, the competitive advantage is equated with performance and a hypothesis that resources, rather than other components of the process, create competitive advantage. However, as Lockett et al. (2009) note, *"the logic of the RBV does not predict a universal relationship between firm performance and any particular resource"*. In fact the value of a particular resource depends on its use and combination with other resources. Lockett et al. conclude that there might be no observable correlation between a particular resource and firm's performance.

Newbert (2007) searched management literature for particular keywords and tried to find papers that attempt to test the relationship between resources and company performance. Newbert (2007) managed to find 55 studies of this kind and only 53% of these studies have found a positive correlation between resources and performance. He also found that the most likely explanation of differences in performance is not resources on their own but their combinations and company's competences and/or capabilities. Lockett et al. (2009) note that having in mind the methodological shortcomings of such studies Newbert's (2007) findings are unsurprising. What is more, the findings might even be overly optimistic due to over representation of more significant studies in publications.

Moreover, Lockett et al. (2009) noticed that *"where a choice exists, joint venturing tends to be associated with a lack of specific expertise (...) on the part of the firm concerned"*. The authors note that the findings of numerous studies confirm the presumption of the RBV that outsiders of the market,

who do not have all the necessary resources, have to acquire them through cooperation with insiders.

He suggested that resources can be of three kinds: *known knowns, known unknowns* and *unknown unknowns*. The known knowns are resources the potential of which can be recognized. The known unknowns are the resources that are understood but their impact can only be evaluated in retrospect. Finally there are the unknown unknowns that occur in evolving markets and the emergence of which cannot be predicted. An example of unknown unknowns can be the causal ambiguity problem when a company is outperforming its rivals but cannot explain the reason of the advantage. In fact nothing can be done about this kind of resources because they can be evaluated neither beforehand nor in retrospect. *"An example of known unknowns would be the future value of a firm's resources as markets evolve"* (Lockett et al., 2009). It is common knowledge that the value of resources changes over time but it is not known how it will change. From the point of RBV the known unknowns are more interesting than the known knowns, which cannot provide a long-term advantage for the company. The known unknowns, however, are interesting due to the ability of managers to make sense of them and to manage the uncertainty that surrounds them.

In a brief report Arnould (2007) highlights several specific points of the RBV which are of interest to service dominant logic. The RBV and service dominant logic share the interest in the strategic value of the skills of the company, its knowledge and cultural competence. According to the RBV, a company's market orientation is considered to be a valuable resource and an advantage. Arnould has found a paradox worth exploring in the views of several different researchers: Barney (1991) claims that *"if a firm's advantageous resources were clearly defined, they would become replicable by competitors and their advantage lost"* (Arnould, 2007) while Hunt and Morgan (1995) on the other hand claim that casual uncertainty about resources is an indication of weakness. The RBV could also benefit from a customer centered model which would help to understand *"with what kinds of firm resources customers wish to engage on a transaction specific or relational level"* (Arnould, 2007).

Another interesting theory from the RBV perspective is the cluster theory. Arnould (2007) explains that clusters are similar to networks but differ from them due to co-location and *"active efficiencies"*, described by Gordon and McCann (2000). The relationship between a firm and external players can have a positive impact on its performance because it is likely

to positively affect the firm's innovation and learning abilities. Cooperation may also help to develop collective ability to gather customer resources (Arnould, 2007).

2.2.7 Market orientation and performance

Previously completed empirical research was also looking for links between market orientation and business performance. Market orientation was explored in relationship with business performance by Avlonitis & Gounaris, (1997), Han et al., (1998); Dawes, 2000; Matear et al., 2002. Moreover, it was explored in relationship with innovation (Agarwal et al., 2003; Manzano et al., 2005). Many researchers describe *direct positive effect* between market orientation and performance concepts (Jaworski and Kohli, (1993); Avlonitis and Gounaris, 1997; Deshpande and Farley, 1998; Langerak, 2002; Sin et. Al., 2005, Tsiotsou and Vlachopoulou, 2011), others have examined a *non direct relationship* of these constructs (Baker and Sinkula, 1999; Han et al., 1998; Agarwal et al., 2003). Although some, such as Pelham (1997) or Greenley, (1995), have tested modest connection between market orientation and business performance.

Most researchers are convinced that a company which follows market orientation leads to better organizational performance (Deshpande and Farley, 1998; Jawoski and Kohli, 1993; Slater and Narver, 1994). Moreover, the positive part of a market oriented company is widely supported (Jaworski and Kohli, 1993; Chang and Chen, 1998). Positive market orientation – business performance relationships in terms of profitability, sales growth, and new services success is often hypothesized and supported in many studies in marketing literature by the scholars mentioned above. Some state that it has both financial and non-financial consequences for the company (Langerak, 2003). Market orientation has also been shown to be related to employees' attitude and activities (Ruekert, 1992; Jaworski and Kohli, 1993).

Market oriented service companies first of all tend to produce service innovations, which sequentially lead to new service performance. Several studies have proven that market orientation – innovation – performance relationship exists (Zhou et al., 2005). Researchers have recommended that components of market orientation, such as customer orientation, competitor orientation and inter-functional coordination, have different allusions

to a companies' performance. Han et al., (1998), Deshpande and Farley, (1998), Chao et al., (2007) indicated that customer orientation is the most essential element of market orientation to business performance. Meanwhile other researchers described competitor orientation as *"detrimental to profitability"* (Dawes, 2000; Noble et al., 2002; Sin et al., 2005). Furthermore, Gray et al., (1998), Dawes, (2000) found that inter-functional coordination has mixed results on business performance.

Some researchers disagree with such arguments and claim that some companies lose their leadership in industry because they listen too carefully to their customers (Christinsen and Bower, 1996; Berthon et al., 1999). In addition, some scholars also agree with this position claiming that market orientation may divert from innovativeness (Berthon et al., 1999) or may lead managers to interpret everything through the eyes of current customers (Hamel and Prahalad, 1994).

According to Lagat et al., (2012) the company's main objective is better financial performance, although it is also reached under conditions of imperfect information about customers and competitors. Other objectives, such as contribution to social cases, are also important, but these other objectives are reached by achieving better financial performance. Moreover, consumers and managers of companies are motivated by aiming at constrained self-interest (Hunt and Morgan, 1995). A company's competitive position can be measured in the form of financial performance such as profit and return on investment or by customer satisfaction as well as loyalty (Day and Wensley, 1988). According to Kirca, et al., (2005) consequences of market orientation are organized into four categories: organizational performance, customer consequences, innovation consequences and employee consequences.

According to Tsiotsou and Vlachopoulou, (2011), market orientation determines service performance. Their research outcomes have indicated that market orientation is the foundation and the channel that boosts the effects of marketing resources within the company. In this case marketing resources complement each other to achieve business performance. The results indicate that academics and managers should consider the inter-relationships between multiple sources of competitive advantage when looking for explanations of services performance especially in tourism services. In line with previously mentioned research in tourism Wu et al., (2003) and Qu & Ennew, (2003) confirm that market orientation is a significant

aspect of tourism performance. Market oriented tourism companies need not only to increase their focus on the customers and become more customer oriented, but they need to gather information about their competitors and respond to their actions, while they try to coordinate and communicate all about resources they have with their business partners in the network. To attract customers is more difficult and more expensive than to retain them. Travel services that are always market oriented should be in a better position to maintain their profitability.

According to Tsiotsou and Vlachopoulou (2011) if a tourism company wishes to increase performance, it needs to adopt a certain degree of market orientation. From a managerial perspective, Tsiotsou and Vlachopoulou (2011) confirmed a long held suggestion that market orientation is a crucial success component for business performance and that travel and tourism services could improve their performance by adopting market orientation. Also, in addition to the direct impact on performance, market orientation can enhance other marketing resources and increase performance using those resources.

Many researchers claim that market orientation provides a better understanding of customers, their needs and environment and this leads to better performance of a market oriented company. Kara et al. (2005) investigated small and medium service retailers in the USA and tested how the three aspects of market orientation are linked to business performance (see Figure 4).
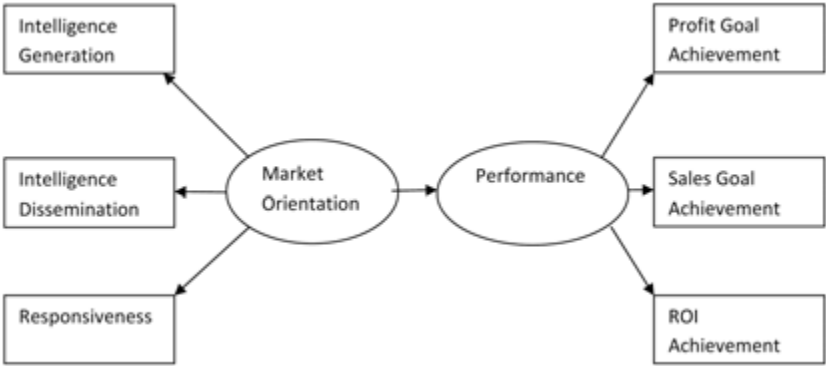
FIGURE 4 Market orientation model (Kara et al., 2005)

The authors of the study had four hypotheses. The first hypothesis was that intelligence generation will be an indicator of market orientation in companies under investigation. The second hypothesis was that intelligence dissemination will be another indicator of market orientation in the companies. The third hypothesis stated that responsiveness will also be an indicator of market orientation. The fourth hypothesis was that market orientation has a positive influence on performance of small-sized service retailers. All these hypotheses were confirmed. The study assessed the level of market orientation in service retailers and some empirical evidence of positive correlation between market orientation and business performance were found. The researchers also found *"that formal marketing orientation potential exists in most of the small-sized service retailers"* (Kara et al., 2005). One of the limitations of this study that the authors identified is short-term measures of financial performance. The authors suggest that an improved method of measuring long-term effects of market orientation could be used in future studies (Kara et al., 2005).

However, contradiction exists regarding relation in market orientation-business performance. In a broad review of related literature, the majority of the studies (around 70 percent), which investigated direct relationship between these two constructs stated the positive effects, around 30 percent found no effects while around 2 percent indicated negative effects (Langerak, 2002). This relationship was also tested in the tourism industry by Sin et al., (2005). Previously mentioned researchers found that market orientation is positively associated with a company's financial and marketing performance. Furthermore, various measures of business performance have been used in market orientation literature such as return on assets (Narver and Slater, 1990; Ruekert, 1992; Hooley et al., 2000), market growth rate (Dawes, 2000), sales growth (Slater and Narver, 1994; Dawes, 2000), gross operating profit, market share, and capacity utilization have also been found to be related to market orientation (Agarwal et al., 2003). Moreover, some studies have also examined the impact of market orientation on marketing performance by using measures such as service quality, customer satisfaction (Agarwal et al., 2003), customer trust (Pelham, 1997; Siguaw et al., 1998), brand equity, corporate reputation or image (Matear et al., 2002), new-product success (Slater and Narver, 1994).

The input of market orientation to new service or product performance has been observed by a number of academics, though empirical

contribution is still not clear for tourism sector in post-socialist countries which do not have a clear understanding of market orientation influences to tourism companies' performance.

2.3 Trust

The trust subchapter addresses and explains the concept of trust, followed by an explanation of its typology, relation with entrepreneurship and innovativeness. The last subchapter explains different approaches of trust to performance.

2.3.1 Definition of trust

When undertaking an empirical research of trust it is important to be conscious that trust is not an objective fact that can be easily measured and understood despite the differences in countries and cultures (Welter and Smallbone, 2006). Trust and especially its understanding and interpretation is a socially constructed phenomenon. The attitudinal construct of trust has received quite little attention in empirical studies. *"This might be due to the fact that trust is a dynamic phenomenon, which ideally requires a longitudinal approach to convincingly investigate"* (Welter and Smallbone, 2006). As well researchers hardly ever investigate the negative sides of trust. Some of the negative sides of trust are overconfidence and lock-in effects in trust-based groups (Welter and Smallbone, 2006, p. 472).

Trust is a complex term which has a central role in human behaviour and interaction. It promotes cooperation in business relationships. Many authors such as Sako (1992), Ring and Van de Van (1992), Mayer et. al. (1995), Kautonen and Welter (2003) have proposed diverse definitions of trust. Ring and Van de Ven (1992) claim that trust can be considered as a norm of other participants' behaviour and assurance of their goodwill. Mayer et al. (1995) define trust as *"the willingness of a party to be vulnerable to the actions*

of another party based on the expectation that the other will perform a particular action important to the reliant agent, irrespective of the ability to monitor or control that other party." In this case *reliant agent* is the one who provides trust and *trustee* is the one who receives trust. It is important to understand the role of trust and the risk it provides during knowledge and information exchange operation. The reliant agent must have a positive attitude towards the trustee and his reliability as well as goodwill. According to Kautonen and Welter (2003), trust is described as means to reduce uncertainty through information provision and as means of managing opportunistic behaviour. Tension between different participants occurs when contribution to networking is bigger than the outcome as well as the level of uncertainty and risk increases. *"Trust can be defined as a bet with a certain level of risk and certain stakes"* (Coleman, 1990). Consequently, Chen M.H. and Wang M.C. (2008) claim that trust can be defined as positive relationship which entrepreneurs and companies have developed throughout the lifetime. This ensures their willingness to share knowledge and information without fear that other companies can act independently or opportunistically.

Some researches (Carney, 1998; Mackinnon et al., 2004; Smith and Lohrke, 2008) believe that trust depends on the size of organisations and claims that it is much more difficult for large companies to incorporate trust into their relationships with other companies. Therefore, very often trust is analysed from the perspective of small and medium size companies. Participation in networks provides small and medium size companies with the access to resources and knowledge, helping them to overcome size related disadvantages (Mackinnon, Chapman and Cumbers, 2004). On the other hand, Sako (1992) claims that in practice there is no clear agreement to which organizational arrangement trust is most useful and most possible to implement.

Trust has been studied from many different perspectives such as economics, business management, psychology, sociology and based on different perceptions, such as risk calculation, goodwill trust or self-interested versus socially-interested trust (Kautonen and Welter, 2003). In this paper trust is viewed from business management perspective, when the company *"is convinced that this is the best (i.e., least costly) way of acting... and it is a calculated risk but not "some sort of belief in the goodwill of the other"* (Kautonen and Welter, 2003).

2.3.2 Types of trust

Working in the network requires communication and dealing with other participants within the network, which otherwise could be big competitors. In order to keep networking between each other and share the knowledge for the destination development the initial criteria is the degree of trust among all the participants. This gives the benefits for individual companies as well as for all general networks (Buoncore and Matallo, 2005). According to Kautonen's and Welter's (2003) differentiation, trust can be distinguished in three categories:

- Personal trust;
- Collective trust;
- Institutional trust;

Personal trust builds on the previous experience of the other participant. The level of trust depends on the group characteristics (such as an ethnic or relationship group) and previous business relationships, which are often long-lasting (Welter and Smallbone, 2006). The signs of the personal trust are related to the social orientation, such as friendship or economic limits, which shows the position of the partner. For example, if one firm supplies a particular commodity to the other firm, usually these firms trust each other and are unlikely to cheat. They know or assume that the partner will not betray the relationship even when there are no written or clear rules of behaviour. Very often personal trust depends on oral agreements or on the information which is obtained from close friends or business partners. *"These relationships are governed by norms, values, and codes of conduct inherent in a business environment (e.g., a business association) and/or a wider society"* (Welter and Smallbone, 2006).

Collective trust is also based on previous experience of the other participant but it also takes the opinion and behaviour of other networks into consideration. In this case trust reflects business norms and principles which are different in every business and in every company. Collective trust shapes relationships between members of the network. As a matter of fact, it is difficult to differentiate the category of trust because of their interrelationship. For example, when a company chooses the partner for networking it can rely on unofficial information, which reflects personal trust, but

it might as well look at the possible partner's previous participation in different networks.

Institutional trust refers to formal and informal institutions. *"Formal institutions include political, economic and juridical rules and organisations, whilst informal institutions refer to values, norms and codes of conduct that are deeply embedded in culture"* (North, 1990). Institutional trust is applied to different businesses and important for destination's growth and development. In institutional trust the use of legal "anonymous" partners, such as consultants, etc. is acceptable, in order to avoid failure of the networking. Unlike collective norms and values, institutional norms apply across different sectors and business groups. In the work of Raiser (1999), Welter and Smallbone (2006) have found that institutional trust is key to the well-organized functioning of a market economy because economies with a high level of institutional trust are able to enter the business having only limited information about their partner's specific attributes. This means that the scope of trust is extended beyond the people that are known personally (see Table 4).

TABLE 4 Forms, levels, objects and sources of trust (Welter, 2012)

Forms	Level	Object	Source
Personal trust	Micro	Relationship, person	Emotions, intentions, goodwill, benevolence, characteristics of persons, experiences, knowledge, competencies
Collective trust	Meso	Community (e.g. kinship, ethnic group, profession) Organisation (e.g. network, firm, association) Industry	Characteristics of groups, information, reputation, recommendationcertification, professional standards
Institutional trust	Macro	Cultural rules (e.g. norms, codes of conduct, values) Formal regulations (e.g. laws, certification, licences) Business infrastructure (e.g. business courts, administration, financing organisations) Government	

Welter, F. (2012) illustrated the forms of trust in relation to the levels upon which it appears, its object as well as sources. According to Welter,

F. (2012), trust is multidimensional concept, with links between different levels, forms and sources.

Trust is the building block of relationships and it also limits exploitation and facilitates exchange (Ramayah et al., 2011). Trust is also the crucial trait of a good relationship and the success of a system can be evaluated according to the trust that the participants have for each other (Dwyer et al., 1987; Emmer et al., 1993 in Ramayah et al., 2011). Many researchers have described trust in various ways: as an action, an attitude, state of character or as a relationship. It has also been regarded as a personality trait or, as already mentioned, expectancy about the competence and reliability of the trustee (Austin and S. Sohail, 2007). Handfield and Bechtel (2002) point out that there are many dimensions of trust. As it was mentioned, according to Kautonen's and Welter's (2003) differentiation, trust can be distinguished in three categories: personal trust; collective trust; institutional trust. According to other researchers (McAllister), trust can be of two forms: cognitive and effect-based. The cognitive trust stems from reliable role performance, cultural-ethnic similarity, and professional credentials. The effect-based trust is a function of *"citizenship"* behaviour and interaction frequency (Handfield and Bechtel, 2002). Studies show that both cognitive and effect-based trust help to lower administrative costs and facilitate coordination.

Koehn (2003) differentiates between the following four types of trust: goal-based trust, calculative trust, knowledge-based trust and respect-based trust. In the case of goal-based trust the parties believe that they have a common goal. Their main aim is not to build up a relationship but to accomplish the goal. In the case of calculative trust it is based on predictions. Either party makes a prediction about the other party's possible behaviour, based on the available evidence. Knowledge-based trust exists when the parties in a relationship are familiar with each other and their relationship borders on friendship. Respect-based trust emerges from personal friendship when the participants of the relationship share similar values. In this case, a significant focus is put on maintaining the relationship.

One more classification of the types of trust is found in the work of Shapiro et al. (1992). Shapiro et al. examined consumer trust from a transactional perspective and identified three types of trust: deterrence-based, knowledge-based, and identification-based trust. Deterrence-based trust emerges *"where the potential or likelihood of costs or retributive action exceeds the short-term advantage of distrustful behaviour"* (Austin and S. Sohail, 2007). It means

that if being trustworthy ensures more benefits than contrary behaviour, the participants of a business relationship will abide to agreed rules and regulations in order to prevent or minimize unwanted outcomes. Transactional knowledge-based trust emerges with the predictability of the trustworthiness of the other party of the exchange. The characteristic of such a relationship is a lower degree of uncertainty. Identification-based trust emerges over a long period of time. Over this time the cooperating parts attain in-depth knowledge and understanding of each other and before identification-based trust emerges, the characteristics of the deterrence-based and knowledge-based trust are already achieved. Pavlou and Gefen (2004) describe one more dimension: institution-based transaction trust, where the buyer has *"a perception that effective third-party institutional mechanisms, such as feedback features, escrow services and credit card guarantees, are in place to facilitate a successful transactional process"* (Austin and S. Sohail, 2007).

In some cases the role of trust might be overstated. People generally think that trust is positive and gives positive outcome, though in management literature it also has a negative side, which is mostly derived from institutions and relationships (Lewicki et al., 1998; McAllister, 1997). Tonoyan et al. (2010) analysed the agents of corruption in emerging markets, such as Eastern Europe and Western Europe and found that corruption rose from poor requirements to formal institutions, incompetence of monetary and legal regulations alongside with exceptional and strong network ties. The result of such relationships is development of particular circles where entrepreneurs rely on time-tested and successful 'avoidance' actions, which could reinforce negative attitudes of government to entrepreneurship, delaying institutional reforms and the development of trust (Welter, 2005).

Welter and Smallbone, (2011) stated that in low-trust background, personal trust helps entrepreneurs to cope with institutional absence, nevertheless, it also restricts development of company if it stays in the old circle and sticks to the trusted ties instead of looking for other partners. This is exceptionally seen in former socialist countries or Russia.

Some researchers claimed that very big trust may also be an issue and some companies do it on purpose in order to create resources (Goel and Karri, 2006)

Therefore, according to Walter (2012), trust must be considered critically from both positive and relatively negative point of views by evaluating

different contexts in which it occurs, its duality in relation to control mechanisms and the inter-dependencies between forms of trust.

However, for the purpose of this paper greater attention is devoted not to transactional trust but to inter-organizational trust. Handfield and Bechtel (2002) studies have revealed that trust between partners in inter-organizational relationships can be strengthened by asset specificity. The role of trust is studied in the sphere of relational marketing. In relational market in order to minimize risk in investments supplier relationships are made. These investments notably increase the quality and duration of relationships and in turn the possibility, that parties will in the future choose to make bigger investments, increases. Handfield and Bechtel (2002) concluded that from this aspect trust requires reciprocal loyalty and sense of mutuality. They also claim that there is an important link between asset particularity and trust. This link is evident from the observations that transaction-specific investments act like endogenous safeguards, i. e. when uncertainty arises the redeployment of assets that are allocated to form cooperative relationships would be inefficient.

2.3.3 Trust and entrepreneurship

Many researchers say that trust supports network relations (Brunetto and Farr-Wharton, 2007, Anderson et al., 2007; Jack et al., 2004; Kim and Aldrich, 2005), as networking companies create additional businesses, look for new possibilities, share resources, look for help or advice (Jack and Anderson, 2002; Johannisson, 1988; Greve, 1995). Companies with similar interests establish long-term and intense relationships, especially when relationships are developed with family members or close friends. In this case trust becomes crucial for success (Deakins et al., 2007). Moreover, according to Greve (1995) personal relationships which are based on trust enable entrepreneurs to get more advice on their business ideas. In this case trust can be perceived as main feature without which network activity would not be possible.

Some researchers argued, that if companies want their network to be successful, there must be relationships based on trust (Jack et al., 2008, 2010; Smith and Lohrke, 2008).

According to Welter (2012), network relations change at different stages of business development, while strong ties are very important when developing business ideas or starting a new business, but it can become a restriction when the idea is already developed and it needs additional resources or ideas. This is because in the later business stages the networks become more business-oriented and institutional trust becomes more important over time, as it indirectly contributes to entrepreneurship development and business growth. According to some scholars, institutional trust can develop national economic growth and socio-economic development (Knack and Keefer, 1997; Lane, 1997; Özcan and Bjørnskov, 2011; Zak and Knack, 2001). Though in some contexts it is lower and in some higher. According to Williamson (2000), it can be of historical origin especially demoralization of norms in socialism systems, weak institutional context, lack of sanctions during economic instability. Under such and similar circumstances, trust culture is likely to take generations to appear, during which trust is established and rooted. There are two arguments in the literature. Raiser (1999) claimed that socialism prevented trust-based modes of behavior, explaining the lack of any form of trust in post socialist phases. Others argued that reliance on non-formal networks and ideology of solidarity has developed personal trust between strangers. In this case personal trust exists, but institutional trust is weak or very low. Individuals on post socialist countries had strong shared ties with family and friends but they mistrusted public institutions. Most trustworthy relations were developed throughout everyday life situations. When socialist world started to collapse, personal trust and its networks continued to dominate in entrepreneurship, while institutional trust was absent. In the course of time, changing the system also changed people's frame of mind and it slowly pushed old practices away (Welter, 2012).

2.3.4 Trust and innovativeness

Trust is considered to be an important aspect of social capital because it *"can help reduce malfeasance, induce reliable information exchange, cause agreements to be respected, enable sharing the implicit information and place negotiators on the same wavelength"* (Panayides and Lun, 2009). Moreover, those researchers addressed the relationship between trust and innovations. They noted that findings of empirical studies reveal *"that diverse forms of*

social capital and trust in particular contribute more than any other explanatory variable in determining innovation and the radical nature of innovation" (Landry et al., 2002). It has also been noticed that low trust can hinder innovation and a trusting relationship can facilitate companies' capacity for innovativeness (Knack and Keefer, 1997).

The expansion of innovative services requires new combinations of knowledge. One competent way of getting new combinations, especially for smaller companies, is collaboration. Hardwick et al. (2013) studied how these collaborations are shaped and continued. A vital part of collaboration is development of trust. The significant aspect of trust is that it helps overcome the concern between knowledge as well as information sharing and protection of knowledge and thus helps to create innovations. In that study diverse types of trust were invoked at different stages of the collaboration, but there was an obvious difference between the scope of trust based upon technological capability and trust built from a more personal scope, i. e. weak ties were developing into strong ties (Hardwick et al., 2013). The researchers also found that in virtual networking surroundings the building of trust was delayed. Stronger personal trust only emerged from face-to-face contacts. However, the virtual surroundings are very useful to keep trust when the strong ties are already developed. Trust determined the amount of silent knowledge shared. This has huge implications for innovativeness because silent information is vital for creating innovations.

Trust is also studied from the point of view of transaction cost economics, according to which, trust reduces the fear of opportunism and therefore, increases the probability of asset specific investments in the relationship.

According to Clegg et al., (2002), trust is positively linked with a innovative behaviour (Tan and Tan, 2000). Meanwhile Chowdhury (2005) found that trust based on effect and cognition has a positive weight on knowledge sharing. Levin and Cross (2004) found that trust based on kindness and skills also has a positive weight on knowledge. According to Szulanski et al. (2004), the perceived honesty contributes to knowledge transfer. The conclusion of various research results discloses that high levels of trust have a positive effect on the efficiency, sharing the quality of organisational knowledge and innovation.

Trust is very important in relationships between travel agents and hotels. Obviously, it would be difficult to build up an open and productive relationship or networking process if there was tension and distrust (Ramayah et al.,

2011). Ramayah et al. (2011) have examined the networking and collaboration relationships among tourism operators on Pengang Island in Malaysia and how these relationships are related to success. The study was conducted according to an adapted Morgan and Hunt's (1994) commitment-trust theory. According to this theory, the role of trust and commitment in inter-organizational relationships and performance is explained. Trust, commitment, and collaboration are crucial for successful inter-organizational relationships (Ramayah et al., 2011). Trust is an antecedent to commitment and communication is an important aspect of relationship quality. As Sigala (2004) wrote, trust can be compared to the glue of a relationship, because it reduces transaction costs and fosters sharing information.

The study by Ramayah et al. (2011) confirmed the conventional views of how trust, commitment, and communication influence the level of already perceived level of collaboration. They have also tested how the level of collaboration can influence performance. The study revealed that the greatest influence on collaboration comes from communication and commitment. However, in the study there apparently was no direct impact of trust on the extent of inter-organizational cooperation. *"This could be explained by the assumption that risk in the tourism network is relatively low"* (Ramayah et al., 2011). Under such circumstances familiarity is high among the participants of the relationship and trust becomes redundant.

2.3.5 Trust and performance

Trust is considered significant while networking between small and medium size organisations. Understanding the role of trust is important in order to demonstrate the possible consequences of trustworthy relationships developed among participants. In social science, ability to trust makes people interact with each other, which is important for personal ties, business and work relationships (Young, 2006). Furthermore, very often the feature of trust is identified as an important, intangible or relational asset, which is highly associated with economic success especially for companies working within local economies. A number of leading scientific journals such as Academy of Management Review, Entrepreneurship Theory and Practice, Organization Studies, and Organization Science have highlighted the necessity and economic value of trust.

However, some authors claim that trust has no role to play in case of organizations' performance (Williamson, 1993). On the other hand, the majority of researchers (Gambetta, 1988; Sako, 1992; Misztal, 1996; Smith and Lohrke, 2008) associate trust with a positive performance of the company and claim that trust is a necessary and desirable component of organizational interaction. When participants trust each other they are more willing to engage themselves in cooperative activities which help to even more extensively develop trust.

Everyday exchange between participants cannot be monitored all the time. Therefore, participants should have a minimum level of trust that evolves when partners interact with each other. These initial levels of trust lead to reduced time spent on monitoring the activities by various agreements. Consequently, due to interaction, trust not only reduces time spent on activities but also increases trust. The developed trust in higher level leads to minimized risks, costs and uncertainties within a network. Trust reduces complexity of business actions and therefore, increases certainty in business relationships and participants' actions (Smith and Lohrke, 2008). One of the ways to control risk is sharing information between participants. Equally shared information creates equal possibilities for companies' performance and reduces uncertainty of actions, and also increases sense of trust.

Trust plays an important role in influencing transaction costs. Transaction costs include costs related to the production of goods or services, search costs (costs related to finding new partners, advertising costs), costs related to negotiation and monitoring (expenses to lawyers, other costs necessary for paperwork), costs associated with managing production flow from the supplier to the buyer, etc. (Sako, 1992). Trust developed between companies minimizes the cost of participants' motivation while encouraging participants to cooperate (Burchell and Wilkinson, 1997).

In short, trust reduces transaction costs, improves information availability, reduces risk and uncertainty in business activities and contributes to positive association.

One more way in which trust positively influences companies' performance in tourism networks is through community support. When the community of the tourism destination trusts the tourism industry and tourism institutions, it supports tourism development and is in general more welcoming to tourists (Nunkoo and Ramkissoon, 2011). This is important because looking from other perspective tourism not only creates

jobs, generates revenue for the neighbouring community and improves infrastructure, but it can also have a destructive effect on local communities. Community involvement is very important for developing sustainable tourism. Community contribution and support is determined by the community's trust in tourism institutions. This trust comes from perceived benefits and the level of authority or power the residents have on the tourism industry (Nunkoo and Ramkissoon, 2011). The community is more likely to sustain tourism development if the benefits of the industry surpass the costs. The needs of the community have to be met and their viewpoint has to be considered. It is very important to try to minimize the negative impacts of the industry on the community, as it can result in the increase of the level of trust and the community support for further tourism development.

The government of most countries usually has ministries, departments or councils that control tourism and its development. Sequentially the residents know that government is responsible for tourism policy decisions and usually appeal to government when they want to solve any issues or improve coordination of tourism. Thus, the trust in government institutions is very important. This kind of trust is referred as institutional trust, which helps to attain good governance, legitimacy and collaborative planning. All this contributes to tourism development in the networks.

In order to earn this kind of trust, development of tourism should bring benefits for the local people. It is vital to certify that residents are aware of the benefits they get because trust is formed by perceived advantages. It is very important to focus internal marketing so that to reflect positive aspects of tourism to the local people. This way we networks of tourism companies could be kept active and open for collaboration and also to each other. Companies, seeing that governmental institutions are helpful, tend to be more open to their partners. As mentioned previously, contribution of communities and companies is determined by their trust in tourism institutions.

2.4   Innovativeness

The innovativeness subchapter addresses the concept of innovativeness and its types. It is followed by description of service innovation, explanation of different approaches between innovativeness and market orientation as well as performance. And a search of its relations with trust and influences on performance.

2.4.1   Definition of innovativeness and its' types

Innovativeness is one of the ways to gain a competitive advantage (Hult et al., 2004; Hurley and Hult, 1998; Martins and Terblanche, 2003; Nieto and Quevedo, 2005; Olson et al., 2005; Tajeddini and Trueman, 2008; Tajeddini et al., 2006). Some researchers explain innovativeness as one of the most important strategic orientations for companies to achieve continuing success (Noble at., 2002). According to Rauch and Frese (2000), Utsch and Rauch (2000), it has a significant effect on performance. However, there is no actual agreement on the meaning of innovativeness (Roehrich, 2004), as it is a complex variable (Nystrom et al., 2002). Zaltman, Duncan and Holbek (1973), Hurley and Hult (1988) and Hult et al. (2003) suggested the distinction that innovativeness is the first construct of innovation, or in other words, the initiation process in the models of market orientation which is the concept of openness to new ideas. It is as an aspect of a company's culture, values and beliefs towards innovation.

The majority of previous research related with innovativeness was conducted in diverse companies with focus on products and processes. Furthermore, innovativeness as the *creation of newness* was examined (Roehrich, 2004), *adoption of an idea or behaviour that is new to the organization* (Daft, 1978) or represented a company's ability to develop, launch and commercialize new services or products at a fast rate and in advance of its competitors (Ali, Krapfel and LaBahn, 1995; Danneels, 1998; Hurley and Hult, 1998; McDonald, 2002; Meybodi, 2003; Michalisin, 2001; Subramanian and Nilakanta, 1996). Van de Ven (1986) referred to it as management of organization's cultural awareness with the intention to recognize the need for new ideas and action within the organization.

From a service viewpoint, innovativeness is defined as *the degree of newness it has relative to the company and to the outside world* (Kleinschmidt and Cooper, 1991; Olsen and Sallis, 2006; Olson, Walker, and Ruekert, 1995). Introduction of new services is necessary but not an adequate indication of innovation. An innovative service or product must also be exclusive in its market (Holbrook and Hughes, 1998). Moreover, due to lack of planning and familiarity, service companies strongly rely on competitive simulation and customer agitating to foster new ideas (Atuahene-Gima, 1996; Oldenboom and Abratt, 2000). Innovativeness in the tourism industry holds a broad spectrum of activities such as development of proper strategies, new technologies, better services, security, leadership, ecological issues, and interaction of information as well as communication technologies.

Hurley and Hult (1998) define innovativeness as openness to new ideas as an aspect of a company's culture. Menguc and Auh, (2006) claim that innovativeness *"implies a firm being proactive by exploring new opportunities rather than merely exploiting current strengths"*. Therefore, a company oriented towards innovation encourages risk-taking and creativity and makes employees feel less threatened when taking a risk.

Zaltman et al. (1973) separate innovation process into initiation stage and implementation stage. The most important part of initiation stage is "*openness to the innovation*", which determines if the organization members are willing to consider adaptation of innovation. Based on it, Hurley and Hult (1998) two innovation constructs are distinguished: *innovativeness* and *capacity to innovate*. Moreover, these researchers also observed if innovativeness contributes to a company's ability to innovate and implement new ideas, processes or services. Innovativeness helps to improve a company's innovative capacity.

Pesamaa et al. (2013) have studied innovativeness in medical services in Israel. This study was rather relevant to the present paper due to its focus on the services rather than production industry because the tourism industry is also a service industry. Pesamaa et al. (2013) have found that most companies only tend to innovate when it is absolutely necessary to do so because their main goal is usually to deliver profit and innovation is among secondary goals. The reason behind this attitude is the cost and risks involved in creating new products and services. Creating innovation is also time consuming and is not always successful. Therefore, Girardi et al.

(2005) estimated that the failure rate of innovations is more than 66% and the average cost of an innovation failure is $15 million.

Subramanian and Nilakanta (1996) stated *"Innovativeness, by definition, is an enduring organizational trait. Truly innovative organizations are those that exhibit innovative behaviour consistently over time. Any valid measure of innovativeness must, therefore, capture this temporal dimension of innovativeness"*. Innovativeness of a company is evident in its willingness to devote resources in pursuit of new ideas, processes or products. Pesamaa et al. (2013) also claim that individuals have a significant role in the innovativeness of a company. They generate contingencies and these in turn influence the relationship of innovativeness to performance. It is also worth noticing that the contribution of individuals depends on the company's size, style of management, and technology (Pesamaa et al., 2013).

Innovativeness of a company in the service sector has unique positive outcome. Pesamaa et al. (2013) have found that innovativeness contributes to sustainable competitive advantage. Shoham et al. (2012) have studied the innovativeness of the public sectors in Israel, Lithuania, and Slovakia. They have found that innovativeness of an organization has a positive effect on innovation performance and overall organizational performance. In addition, Shoham et al. discovered a positive impact of innovativeness on behavioural aspects of organizations, such as satisfaction and commitment of employees.

Pesamaa et al. (2013) argue that the success of innovativeness can depend on the company's ability to learn, i. e. on its learning orientation. Learning orientation can be defined as *"an organizational characteristic that affects a firm's propensity to value generative and double-loop learning (…) reflected by a set of knowledge-questioning values"* (Baker and Sinkula, 1999). A learning orientation influences the process of innovativeness and its outcome and enhances the company's capacity for innovation. Pesamaa et al. (2013) see learning orientation as a moderator of innovativeness. They argue that learning orientation "moderates the relationship between risk-taking, creativity, competitor benchmark orientation, and environmental opportunity" as well as innovativeness and its relationship with performance.

Sminia (2009) gives an overview of the Minnesota Innovation Research Program (MIRP), which was started in 1983 at the University of Minnesota. The main scholar behind the program was Andrew Van de Ven and many results were published in his paper in 1989. The focus of the research

was on the management of innovation. The study aimed at discovering how organizations can become innovative and sustain their innovativeness (Sminia, 2009). The main conclusion of the MIRP was that the innovators are not in control of the success of an innovation and thus, it is impossible to successfully plan it. Either success, or failure of an innovation comes over time. An innovation becomes successful when it "*comes into some permanent existence*" (Sminia, 2009). While the managers can only have a supportive role and do not participate in the innovation process itself. It is important to note that the main role of management is to build *"the organizational infrastructure in which innovation can take place"* (Sminia, 2009).

Jaruzelsky et al. (2011) identified three innovation strategies according to which companies can be divided into the following groups:

- need seekers;
- market readers;
- technology drivers.

Need seekers are described as companies that actively communicate with their present and potential customers and use their insights to create new products or services (Jaruzelski et al. 2011). These companies seek to discover the potential needs of customers and to be the first in the market to satisfy these needs. Market readers have a more careful approach and seek to create value through incremental innovations. Their characteristic feature is close monitoring of their customers and competitors. Market readers strive to be *"fast followers"* in the market (Jaruzelski et al. 2011). Technology drivers create breakthrough innovation and incremental change. These companies have steady investments in research and development and exhibit high technological capabilities. Technology drivers aim at solving the latent needs of their customers through technological innovations (Jaruzelski et al. 2011).

A very important aspect for company success is the organisation of innovation strategy with the overall strategy of the company. Companies that have well aligned innovation strategies and cultures have enterprise value growth that is 30 percent higher and their profit growth is 17 percent higher than that of companies with poorly aligned culture and innovation strategy (Jaruzelski et al. 2011). Moreover, companies following any of the three innovation strategies (need seekers, market readers, and technology drivers) can succeed. However, researchers have found that need seekers

were comparatively advantaged. The need seeker model was most likely to deliver higher profitability and growing enterprise value. What brings the success is the ability to be first in marketing new products that address possible needs of customers (Jaruzelski et al. 2011). In addition, the survey has shown that need seekers are much more likely to have a culture that supports innovation and an innovation strategy that is aligned with the overall strategy of the company.

Service innovation varies from a completely new innovation to a service involving a slight adaptation (Griffin, 1997; Avlonitis et al., 2001; Garcia and Calantone, 2002). Some scholars proposed incremental and radical service innovation types (Gadrey et al., 1995; Debackere et al., 1998; Avlonitis et al., 2001; Berry et al., 2006; Paswan et al., 2009). Moreover, such differentiation was frequently used by innovation researches (Olsen and Sallis, 2006; Min et al., 2006; Song and Thieme, 2009).

Incremental service innovation type is linked with strategies oriented to customers that focus on visible needs and is the most common form of innovation (Connor, 1999; Bell et al., 2002; Slater and Narver, 1998,1999). Besides, the progress of incremental service innovation limits other potential service innovation, because it depends on the current customers' point of view to the service market (Becheikh et al., 2006). Meanwhile, radical service innovations are new services that represent radical changes in service benefits (Berry et al., 2006; Hertog, 2000; Nijssen et al., 2005).

Brooker and Joppe (2013) claimed that innovation was historically viewed as either *incremental* or *radical* – an approach that came from manufacturing. The scholars noted that tourism differs a lot from manufacturing industry and what is regarded as a norm in manufacturing industry, is very rare in tourism. According to Brooker and Joppe (2013), incremental innovations are the norm in tourism. Nevertheless, radical innovations are also widely spread in tourism sector. One of the examples could be Ice hotel in Jukkasjarvi, in Sweden which developed tourism business only through unprecedented innovative solutions. Therefore, we can say, that in practise the incremental as well as radical innovations are easily approached in tourism sector.

2.4.2 Classification of Service Innovations

Hsieh et al. (2013) provided an overview of classification of service innovations and divided them into three main categories:

- new service concept
- new service process
- new service business model

New service concept is distinguished as a new way that proposes improved or new service solutions to help a customer achieve the desirable purpose or goal. *New service process* refers to new activities that accompany customers through the service delivery system offered by the company. *New service business model* shows how all the parts of a business system fit together, including its internal and external parts.

 New service concept can be further subdivided into four elements: *integrated solution, novel offering, service improvement* and *beyond expectation service*. Integrated solution is combining several existing services into a package. This innovation creates additional value if the package fulfils customers' needs better than the same services individually. Novel offering refers to service diversification, differentiation and creation of new services related to technology imlementation (Hsieh et al., 2013). Service improvement contains advanced services, enhanced unique services, and appliance of new technologies and customization of services. Beyond expectation service '*might entail a general or new service solution, provided in a particular time or place to exceed customers' expectations*' (Hsieh et al., 2013). Such service could increase customer satisfaction.

 New service process has three elements: *extended client interface, innovated service delivery system* and *improved supply chain. Extended client interface* serves as an overpass and a way that distributes and receives information, knowledge and response between the customer and service providers. Innovations in this system can be, for example, extended service hours or solutions that develop the service route. A variety of tactics can be used to boost interactions with customers. Extended interactions can be achieved through employees (people), web or machine encounters with customers. *Innovations in service delivery systems* can be introduced in various ways: new improvements can be formed or the old system can be improved with

new technology. Scholars note that it is important for all parts of the service delivery system to be included in the innovation process. *"In general, innovations in service delivery processes can create customer value and positively influence customers' behaviour"* (Hsieh et al., 2013). *Improved supply chain* refers to improvements in specific logistic activities that facilitate the transfer of a product or service from the supplier to customers. It includes all activities that increase the efficiency, quality, and cost demands for upstream and downstream migration in the service delivery chain.

New service business model refers to how companies apply new viewpoints, ideas or logistics to their service business in order to increase income. New service business model has three parts: *new service revenue model*, *value network cooperation* and *new market segment* (Hsieh et al., 2013). Overall, *new service revenue model* determines how a company grows its capital and sustains its profit flow (Stewart and Zhao, 2000). A *new service revenue model* is a new income generating method. The method might be improved or impacted by technology. Improved, new, or impacted by technology revenue model generates profits and benefits. New service business model is a perspective of business systems and future development. This type of service innovation represents a high-level approach which requires great insights. *Value network cooperation* is a development or formation of an external partnership in the value network, such as strategic alliances, buyer-supplier cooperation, and customer cooperation. Different companies can collaborate to form a value network that creates a service innovation. *New market segment* refers to the development of services that apply to specific groups of customers or differently positioning an existing service in order to attract customers which had not been reached before.

Hsieh et al. (2013) found that large businesses often face bureaucracy, formalization and complex organizational structures and processes. Under such circumstances it is worth initiating innovations that boost the effectiveness of service delivery processes. For small and medium enterprises it might be beneficial to develop a new service concept or to customize their service offerings.

Different life cycles might also influence the focus of companies (Hsieh et al., 2013). Companies in emerging tourism regions could aim to find new service offers and extending the limited market or increasing market penetration. Companies in emerging tourism regions could also extend the size of the market by offering new services. While companies in established tourism

regions could pay more attention to cooperating with suppliers, buyers, or customers or developing new revenue models. Just providing new offers to customers could be an unsuitable solution because companies would compete more with other companies in the networks. To achieve a successful and beneficial service innovation tourism companies in established tourism regions could apply a new service perspective in order to get better results.

2.4.3 Innovativeness and market orientation

Market orientation has often had a strong link with the success of a company's innovative efforts (Kohli and Jaworski, 1990; Slater and Narver, 1994; Atuahene-Gima, 1996; Mavondo and Farrell, 2003). Nevertheless, some researchers doubted about positive impact of market orientation to innovation. For example, it was suggested that being market oriented may reduce innovativeness (Berthon et al., 1999) and may lead to intolerant research and development (Frosch, 1996).

On the other hand, while responding to criticism against the role of market orientation in innovation, Narver et al. (2004) introduced the proactive market orientation concept which deals with the effort to understand the hidden needs of customers – needs which ordinary customers are unaware of or have difficulty in expressing. Positive outcome has been found for organizations who understand these needs (Olson et al., 2005; Atuahene-Gima et al., 2005).

The results of Verhees and Meulenberg (2004) disclosed that the effect of market orientation on innovation depends on the owner's innovativeness in a specific area. Deshpande´ et al. (1993) concluded that market orientation and innovativeness are the key features for business performance.

Appiah-Adu and Singh (1998) found that influence of innovation on market orientation of SMEs is significant and positive. Hurley and Hult (1998) and Han et al. (1998) argue that market orientation and innovation orientation should complement each other. Narver et al. (2004) believe that *"A market orientation, whether responsive or proactive, should be the foundation for a business's innovation efforts"*. There are numerous examples of businesses being very innovative in their efforts to satisfy customers' expressed needs. That means being responsive.

One well known example is Virgin airlines. Although it is not a small or medium enterprise it has always been engaged in innovation activities

aimed at enhancing the efficiency of its management and enabling to maintain a low price strategy and to deliver value to the customers who are likely to choose cheap flights.

Uncovering hidden customer needs is frequently linked to new innovations (Lilien et al., 2002). Companies which focus on future customer needs can find out about new market and technology developments. etc. Moreover, it increases companies' abilities to integrate developments into service innovation. This focus helps to create offers with unique benefits.

In the marketing literature it is highlighted that market orientation should be related with an innovation strategy (Han et al., 1998). It has always been believed that market orientation is one of determinants in companies' innovativeness. Some researchers say that market orientation contains two dimensions (Narver et al., 2004) and argue that different dimensions should affect innovation in quite a different way (Atuahene-Gima et al., 2005). However, previous empirical research on the relationship between responsive and proactive market orientation, innovativeness and new service or product success is rather limited. Therefore, this dissertation aims to contribute to literature by examining the relationship among trust, market orientation, company's innovativeness and performance.

Hurley and Hult (1998) proposed that market orientation should focus on innovation – implementation of new ideas, products or processes. They also claim that market orientation is one of the background components of an innovative culture. Han et al. (1998) also proposed that market orientation has an impact on innovation. Similarly, Deshpande´ et al. (1993) suggested that, in order to better understand the performance of market orientation, the concept should be related to the innovativeness of a company's culture.

Several strategic management researchers acknowledge that market orientation gives benefits to the company by improving innovation activities (Mavondo and Farrell, 2003). Company's management can influence the efficiency of new service or product development by investing in organizational programs that enhance market oriented culture of the company (Jing Zhang and Yanling Duan, 2010).

Jimenez-Zarco et al. (2011) have studied 100 Spanish tourism companies with the focus on the relationship of market orientation and innovativeness and wanted to find out how information and communication technologies are used to facilitate the development of service innovations. The authors

(Jimenez-Zarco et al., 2011) note that Frishammar (2003, 2005) and Tzokas and Saren (2004) have also written about the relationship that exists between the development of new products or services and processes and the use of information and communication technologies. Jimenez-Zarco et al. (2011) have identified a positive relationship between tourism services innovation and all three aspects of market orientation, namely customer orientation, competitor orientation and interfunctional coordination.

Jimenez-Zarco et al. (2011) state that in service industries, including tourism, the level of consumer and competence orientation is directly related to innovation performance. Some of the characteristics of the service sector are intangibility, heterogeneity, simultaneity, and a possibility to perish. Therefore, consumer and competitor orientation of service companies facilitate an effective response to customer needs (Kelly and Storey 2000). Another important aspect is understanding the environment and detecting changes in the market. An innovative company which is able to detect these changes and has extensive knowledge about all participants in their environment can be able to respond adequately. In order to find these market opportunities, the company has to gain access to information as quickly as possible and both, information and communication technologies provide this opportunity (Jimenez-Zarco et al., 2011). Most notably, the Internet and social networks can be used as a source of information about the views and perceptions of present and potential customers (Akehurst 2009). Furthermore, companies strive to create innovations that best address the needs of customers and in most cases these efforts require the consumer to become a co-producer. Customer participation in new service development helps companies to lower the costs but still achieve the services that are well adapted to market needs and, in addition, these services can be launched faster (Jimenez-Zarco et al., 2011).

According to Jimenez-Zarco et al. (2011), customer orientation has the biggest positive effect on innovations. The influence of competitor orientation is less significant but it still has a considerable positive effect on innovations. Competitor orientation allows the company to collect information about the market and find room for improvements. Pesamaa et al. (2013) have also noted that the close monitoring of competitors could improve the outcome of innovativeness, especially in the delivery of services. The last of the three components of market orientation – interfunctional coordination – also has a positive effect on innovation of tourism services. The nature of

services is intangible and it requires the different participants to share ideas and make joint decisions (Jimenez-Zarco et al., 2011).

Woodside (2005) suggests that the relationship between market orientation and innovation might not be a one-way relationship but rather a cycle or positive feedback circle. Customers, for example, might be central while linking to innovativeness. Interfunctional coordination is communication and cooperation among members of different functional areas of market oriented organization. *"Innovation projects may stimulate such team creation and interfunctional coordination; interfunctional coordination may serve as an impetus to innovativeness because an increase in communications and team work are likely to generate new ideas and technology explorations"* (Woodside, 2005).

2.4.4 Innovativeness and performance

A lot of scholars have linked and researched innovativeness to performance. According to Jing Zhang and Yanling Duan (2010) looking from the managerial point of view, a company which chooses proactive market orientation, should put much emphasis on creating such corporate values that are eager to take risks, change and encourage creativity values. It is critical for innovativeness to help proactive market orientation turn into an improved new service or product performance. Meanwhile, the role of innovativeness is not significant to companies which adopt responsive market orientation.

Innovative services or products with a higher degree of innovation have higher sales and financial performance and lead to better business performance (Gatignon and Xuereb, 1997; Zhou et al., 2005). Though, services establish trustworthiness with customers (Vargo and Lusch, 2008). Service companies can achieve better business performance even through less innovative services (Atuahene-Gima, 1995; Berry et al., 2006).

Jaruzelski et al. (2011) studied the companies that invest a lot in research and development (R&D) and found out that statistically there is no significant relationship between innovation spending and financial performance. On the other hand, there are industries, which have high spending on R&D but have a poorer performance. Therefore, they explained that innovative company needs to have many elements, including *"a focused innovation strategy, a winning overall business strategy, deep customer insight, great talent, and the right set of capabilities to achieve successful execution"* Jaruzelski

et al. (2011). However, it was noted that the most important aspect is the culture of the company, which can be described as "*the organization's self-sustaining patterns of behaving, feeling, thinking, and believing*" (Jaruzelski et al. 2011). The organization's culture should be innovation-oriented and well aligned with its innovation strategy. Yet, in the Jaruzelski et al. (2011) study, only half of the companies said that their culture supports their innovation strategy. Results of the study revealed that such companies perform significantly worse. Jaruzelski et al. (2011) found that the most important attributes of success are "*the ways R&D managers and corporate decision makers think about their new products and services — and how they feel about intangibles such as risk, creativity, openness, and collaboration*". The company's culture is the main component of its success or failure.

Jaruzelsky et al. (2011) believe that companies could increase their performance by aligning their strategies and fostering those cultural attributes that are important for their innovation strategy.

Pesamaa et al., (2013) have found a positive relationship between innovativeness and performance of service delivery and, in addition, they have found that this positive relationship is stronger in organizations with a high learning orientation. It can be explained that innovativeness has a positive effect on performance due to its role as a mediator between strategy and performance (Pesamaa et al., 2013). The positive effect is stronger in learning oriented organizations because learning orientation encourages them to pursue innovations more confidently and improves the outcome of innovativeness.

The innovation literature indicates that unclear relationship exists between service innovation and new service performance (Song et al., 2009; Crawford and Di Benedetto, 2007; Avlonitis et al., 2001). Service innovation is rather an outcome that repays new service performance despite the financial rewards or market positions (Wind and Vijay, 1997; Benner and Tushman, 2003). Furthermore, the way for service innovation to contribute to new service performance is throughout new benefits to existing customers, formation of new markets or creation of new service values. Moreover, service innovation, both incremental and radical, is able to contribute to new service profitability in terms of market or financial perspectives. Consequently, service innovation has an impact on new service performance (Cheng and Krumwiede, 2012).

Hult et al. (2004) noted that innovativeness intervene the relationship between market orientation and performance. Innovativeness together with market orientation and especially entrepreneurial orientation are the strongest drivers of performance. It was found that innovativeness could generate more competitive advantage if it is supported by market orientation and learning orientation in particular. A strong learning orientation with no organizational innovativeness has a weaker effect on business performance (Hult et al., 2004).

While Petrou and Daskalopoulou (2013) have found that innovation activities depend more on local competences and communication infrastructures. They also argue that *"innovation is the outcome of a firm's knowledge base via available human capital and the knowledge that a firm can generate in internal and external networks that is social capital".* Networks in the destination are closely linked to the success of innovation activities. Innovation activities are caused by cooperation within the company, its financial, institutional and market networking because this networking helps to minimise uncertainty and risk which is related to innovation activity. Financial networking increases the profitability of companies that consider innovation activity. Meanwhile, institutional and market related networking increases the probability of innovation activity.

2.5   Summary

The analytical approach underlying the theoretical framework of this dissertation focuses behind the need to network and have the need to cooperate on the concepts of network, market orientation, trust and innovativeness and the relation between these constructs and performance. The reviewed literature belongs to the fields of entrepreneurship and networking, small and medium tourism enterprises, strategic entrepreneurship, business management and tourism studies that are the foundation of this dissertation.

The discussion of related business-to-business relationships is presented at the beginning of the theoretical framework due to the existence of possible and competitive types of relationships during collaboration. Having rewieved previous research (Huxham, 1996; Porter, 1998; Bramwell &

Lane, 2000) on different business-to-business relationships has led to a strong and confident choice of networking for further analysis. Networking between participants in a destination is seen as a flexible type of collaboration that creates the possibility to involve many participants and facilitates complex production of services and products (Rosenfeld, 2001).

Consequently, the question of distinction between networking and network are brought to attention. The discussion of the two concepts demonstrates the differences that are significant for using the correct concept. As the reviewed literature claims (O'Donnell, 2004; Tinsley & Lynch, 2005; Ewen, 2007), a network, by itself, does not have the potential to generate benefits but the use of networks through the process of networking brings benefits to members of the network.

Then, the review of previous typologies of networking is presented in order to facilitate the understanding of possible networking and to demonstrate the relationships between participants while building certain networking. Thus, networking may be distinguished by geographical distribution of partners, economic and social components in collaboration between participants and social relationships between participants involved. However, all networks share links such as effective knowledge transfer, resource distribution and social relationships between companies (Szarka, 1990; O'Donnell et al., 2001; Eraydin & Fingelton, 2006).

The discussion of network structure contributes to the understanding of how links between participants build overall networking and relationships between participants. *"Strong ties"* and *"weak ties"* are the most commonly used concepts to express the network structure because they focus on links that connect participants within networks. *"Strong ties"* reflect the relations between participants within a group, while *"weak ties"* reflect the relations between participants and some external groups (Granovetter, 1985; Dubini & Aldrich, 1991).

In addition to the review of previous studies on the concept of networking, it is significant to demonstrate the effect of networking on the development of destinations. As studies of Lynch et al. (2000), Halme & Fadeeva (2001), Ewen (2007) demonstrate, the effect of networking on the overall destination is identified as the development of new cultural values, knowledge transfer, sharing information, image improvement, customer satisfaction and new ideas for business development, reduced uncertainty level of

companies working at the destination, increased attractiveness and competitive advantage of the region.

The theoretical framework of the dissertation is followed by an explanation of market orientation. Market orientation was always a great interest of academics such as Narver and Slater (1990), Jaworski and Kohli (1993, 1990), Deshpande and Farley (1998). Kohli and Jaworski (1990) described market orientation as an 'organization of wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization of wide responsiveness to it'. They also identified three elements of market orientation: intelligence generation, dissemination, and responsiveness to it. Meanwhile, Narver and Slater (1990) defined market orientation as 'the business culture that most effectively and efficiently creates the necessary behaviour for the creation of superior value for customers'. They also claimed that market orientation consists of three behavioural components: customer orientation, competitor orientation, and inter-functional coordination.

Furthermore, the thesis also distinguishes the types of market orientation. Researchers have divided the market orientation construct into two opposite approaches: the responsive and the proactive (Narver et al., 2004). In the case of responsive market orientation, the company puts its effort into discovering and understanding the current needs of its customers. While focusing on the proactive market orientation, the focus is on hidden needs of the customers which they might yet be unaware of (Narver et al., 2004). The same suggestion is also embedded in the works of Jaworski et al. (2000), Hills and Sarin (2003) and Kumar et al. (2000), who use the concept of market-driven, which reflects current needs of customers, and market-driving, which reflects the future needs activity.

This paper describes and analyses the relation between market orientation and service innovation as well as performance. A great deal of studies indicated that market-oriented companies generate better service innovation and new service performance (Augusto and Coelho, 2009; Song et al., 2009; Tsiotsou, 2010). On the other hand, some studies found that market orientation cannot make a direct impact on company's performance without service innovation (Tsiotsou, 2010).

A number of researchers described a direct positive relation between market orientation and performance concepts, others examined an indirect relationship between these constructs (Baker and Sinkula, 1999; Han et al.,

1998; Agarwal et al., 2003). Most researchers claim that a company which follows market orientation delivers better organizational performance (Deshpande and Farley, 1998; Jawoski and Kohli, 1993; Slater and Narver, 1994). Market-oriented service companies first of all tend to produce service innovation, which consequentially leads to new service performance. Several studies confirmed the existence of the relationship between market orientation, innovation and performance (Zhou et al., 2005).

In the reviewed literature, 68 percent of the studies which investigated a direct relationship between these two concepts found positive effects, 30 percent found no effects, while the rest pointed out negative effects (Langerak et al., 2004). Moreover, it is obvious that there is no clear consensus on either direct or indirect relationships between market orientation and new service performance. There was no concrete consensus in previous researches. Consequently, in this dissertation we will look deeper into relationship between market orientation and new service performance.

The theoretical framework of the dissertation is followed by the presentation of trust between participants when creating collaboration. Since the third objective of the dissertation is to identify the role of trust in the performance of tourism networks, it was important to take into consideration different definitions of trust, that are provided by authors like Anderson & Weitz (1984), Gambetta (1988), Sako (1992) and Misztal (1996). However, most of the definitions share similarities and trust is identified as an important intangible or relational asset strongly associated with economic success, especially that of companies working within local economies.

Furthermore, previous studies on trust led to the consideration of different types of trust. It is important when identifying what types of trust exist between participants who network in complex tourism industry. According to Kautonen & Welter (2003), trust can be classified into *personal, collective or institutional trust.* This typology differentiates trust by social and cultural patterns of participants and, therefore, it is constructive for this dissertation.

Moreover, the theoretical framework discusses the role of trust in the performance of tourism networks and presents the benefits that participants may gain if the concept of trust is understood and developed. The work of Sako (1992), Smith & Lohrke (2008), Misztal (1996), and Gambetta (1988) demonstrates that trust can reduce transaction costs, improve

information availability, reduce risk and uncertainty in business activities and contribute to positive association.

The theoretical framework of the dissertation is followed by an explanation of innovation. Incremental and radical types of service innovation are distinguished. Innovativeness is defined as one of the ways to gain a competitive advantage and one of the most important strategic orientations that allow companies to achieve continuing success (Noble et al., 2002). Innovativeness in the tourism industry covers a broad spectrum of activities such as the development of proper strategies, new technologies, better services, security, leadership, ecological issues, and interaction of information as well as communication technologies.

Moreover, two innovation constructs – *innovativeness* and *capacity to innovate* – are distinguished claiming that innovativeness contributes to the company's ability to innovate and implement new ideas, processes or services. Innovativeness helps to improve a company's innovative capacity.

Furthermore, Hurley and Hult (1998) and Han et al. (1998) argue that market orientation and innovation orientation should complement each other. Narver et al. (2004) believe that *"market orientation, whether responsive or proactive, should be the foundation for a business's innovation efforts"*. There are numerous examples of businesses being very innovative in their effort to satisfy the expressed needs of customers.

The uncovering of hidden customer needs is frequently linked to new innovations (Lilien et al., 2002). Companies which focus on future customer needs can find out about a new market, technological advance, etc. Moreover, it increases the abilities of companies to integrate development into service innovation. This focus helps to create offers with unique benefits. The empirical study by Narver et al. (2004) also indicated that proactive market orientation is positively related to new product or service success.

Moreover, innovativeness was linked to performance. Innovative services or products with a higher degree of innovation produce higher sales and financial performance and lead to better business performance (Gatignon and Xuereb, 1997; Zhou et al., 2005).

CHAPTER 3. METHODOLOGY

This chapter is dedicated to presenting the research methodology. The chapter is divided into two parts. The first part is dedicated to the first objective of this paper: to understand the institutional context affecting tourism companies in the destination networks in Lithuania. The second part is dedicated to the remaining research questions (2 to 5). It is dedicated to identifying the role of trust, market orientation and innovativeness to performance of tourism enterprises in destination networks. Both parts discuss the methods of sampling, methods of data collection and analysis, advantages and disadvantages of the chosen methods, issues of reliability and validity of the study.

3.1 Methodology for secondary data

Methodology used to analyse secondary data is dedicated *to understand the institutional context which affects networks of tourism companies in tourism destinations in Lithuania.*

In order to achieve this objective it was chosen to use secondary data as it best describes the administration of tourism industry in Lithuania. First, content analysis of secondary data was conducted to understand the organisational structure of Lithuanian tourism. Second, the content analysis of particular legal acts, tourism development programme and EU funding policies of support for Lithuanian tourism provide a stronger picture of forces that influence networking trust in businesses and overall destination development.

3.1.1 Sampling for secondary data

In order to understand Lithuanian tourism organisational structure the following documents were chosen: Lithuanian tourism Law; Statute of Lithuanian State Tourism Department; Statute of Tourism Council; Statute of Lithuanian National Health Resort Association; Statute of Lithuanian Chamber and Commerce.

The analysis of legal acts and tourism policies included Lithuanian Tourism Law; Lithuanian National Tourism Development Programme; Law of Associations and Legislations for EU tourism funding; Statute of Lithuanian Business Support Agency; Legislations regarding EU funding administrated by The Ministry of Finance.

With the use of non-probability sampling, these particular documents were chosen because they are mostly related to the work of tourism related businesses, have direct influence on companies' collaboration and are directly related to overall tourism development in the country and certain regions.

3.1.2 Content analysis

The content analysis of documents describing organisational structure of Lithuanian tourism is done by focusing on the role and responsibilities of different participants involved in Lithuanian tourism administration. Both national and regional administration institutions are described and findings are presented in chapter 4. Content analysis is focused on facts that disclose organisations' role in tourism administration, tourism development policies, features that might influence networking and building of trust between organisations or organisations and the state.

The content analysis of legislations and development programmes focuses mostly on the features that influence performance of companies and networking. Content analysis of associations' law focuses on formation and performance of tourism-related associations and how it influences overall networking. Analysis of national tourism development programme attempts to build a picture of regional development importance and support for business on national level. Study of legislations related to EU support, disclose opportunities for business development and development of the destination.

3.1.3 Evaluation of secondary data research and methods

Many doubts might appear regarding the particular study and the validity of interpretation or research methods. Therefore, to preserve the validity of this part of the research supportive, clearly stated results of the study are presented by using accurate and reliable methods. In order to ensure valid conclusions and analysis, it is necessary to undertake the triangulation concept which involves collecting data by multiple methods and from multiple sources. It enhances the reliability of collected data and conduction of related analysis. Triangulation limits personal and methodological biases and enhances a trustworthiness of the study (Bryman and Bell, 2007).

According to Lincoln and Guba (1985) there are four criteria to evaluate qualitative research. The criteria are credibility, transferability, dependability, and confirmability.

Credibility of the secondary data analysis in this study is ensured by the combination of several documents. For instance, the understanding of Lithuanian tourism organisational structure is built by using more than one different document. The certain documents provide a picture of tourism administration in national level while other documents provide a picture of tourism administration from the perspective of local level. Adequately, the analysis of legal acts and EU funding policies involves a few documents that influence the performance of businesses. Therefore, analysis is enhanced by looking at the data from different perspectives, such as understanding of associations, single businesses' regulations, support for businesses, etc.

The analysis of secondary data has all the potential to be transferred to other context as long as the context meets the criteria such as location in Lithuania because legislations and other documents are based in Lithuania and criteria of business type because the analysed documents are directly related to tourism-related businesses.

The documents for analysis were obtained through the official websites of Lithuanian institutions. Therefore, a dependability feature is ensured because all of the institutions keep the archives of past documents. Moreover, the documents are valid for a long period of time thus; the results of the study might be influenced in a long-term.

In addition, while analysing secondary data clear points were drawn about the information which is essential to capture and understand. It was done in order to eliminate personal interpretation that might affect validity

of the study. Moreover, the selection of secondary data for analysis can carry the same biases, while choosing proper documents. More documents might exist regarding business work that might influence networking and trust building between companies.

3.2   Methodology for primary data

Methodology, which was used to analyze primary data is dedicated to:

1. *To identifying the role of market orientation (MO) of tourism companies in the destination networks and its' influence to performance*
2. *To identifying the role of trust of tourism companies in the destination networks and its' influence to performance*
3. *To identifying the role of innovativeness of tourism companies in the destination networks and its' influence to performance*
4. *To identifying MO and trust influences on innovativeness and performance of tourism companies in the destination networks*

Given the Lithuanian context we first intend to utilize a qualitative approach to understand possible impacts of the national context. Second, as we intend to describe and explain relationships between above mentioned variables, our methodological ambitions of this research influenced the choice of mixed methods design. According to Bagozzi (1981) causal modeling can be employed in a measurement sense to compute internal consistency and test related reliability. Also it can be valuable for the examination of construct validity and its forms of elaborated explanatory models, and in testing hypotheses. The MPlus was used as statistical modeling approach.

In order to achieve the goals it is chosen to collect primary data by using self-completion questionnaire. The questionnaire attempts to reveal different features influencing performance regarding the level of trust, market orientation and innovativeness between participants.

3.2.1 Sampling for primary data

Experience Stratos research group deepen their knowledge and focus the research scope on tourism business. In order to meet the given objectives it was decided to focus on specific tourism-related organisations within health and seaside resorts in Lithuania.

Therefore, the sample of the research was obtained by using purposive sampling. The methods of purposive sampling were chosen because research is conducted on a particular type of study. According to Bryman and Bell (2007), purposive sampling reflects the sample that researchers have chosen based on what they think would be appropriate for the study.

Therefore, object of this study involves companies which were registered in Lithuanian Statistics and provide tourism-related services, such as accommodation, catering, leisure activities, camping, travel agencies, travel organizers, museums, rural tourism enterprises, tourism information centres, etc.

923 companies which were surveyed operate in health and seaside resorts in Lithuania: Druskininkai, Birstonas, Trakai, Ignalina, Zarasai, Anyksciai, Neringa and Palanga.

3.2.2 Questionnaire

Data for the survey is collected by self-completion questionnaire. The questionnaire survey is the best way to collect data in Lithuania because Lithuanians are not very open or willing to express negative opinion while having face to face interviews or surveys. There is an opinion that people are not willing to express their opinion, because they feel insecure and are risk aversive. Therefore, self-completion questionnaire is more convenient, because respondents can individually complete the questionnaire any time they want without any interaction with interviewer who could affect the answers (Bryman & Bell, 2007).

Since this dissertation is a part of international research programme, the questionnaire is provided by Prof. Ossi Pesämaa who is the author of the questionnaire. The questionnaire contains 91 variables. However, regarding the research question and objective of this dissertation a total of 32 variables are chosen to be used in the analysis. The parts of the questionnaire are chosen for analysis as follows (see Appendix 3):

- The role of trust of tourism companies within the destination network (7 variables)
- The role of market orientation of tourism companies within the destination network (10 variables)
- The role of innovativeness of tourism companies within the destination network (9 variables)
- The consideration of performance of tourism companies within the destination networks (6 variables)

The questions related with performance help to identify and evaluate the performance of tourism companies in the destination networks. The rest of the questions focus on motives, reasons and aspects that might influence performance of companies within the destination network while building relationships with network participants.

The questionnaire mostly contains ordinal variables that indicate importance of the item from 1 (not important at all) to 7 (very important).

3.2.3 Data sampling

According to Statystics Department of Lithuania there are 4009 tourism related companies in health and seaside resorts in Lithuania (see Table 5). Survey results are collected from 923 companies. However, 77 % of the companies which are registered in Statistics Lithuania did not provide their answers. This is caused by various reasons: a company is registered, but is not active; a company refuses to answer or is not available by email, phone, post or direct communication.

TABLE 5 Tourism related organizations in health and seaside resort regions in Lithuania (source: Statistics Lithuania, 16th of September, 2012)

Number of tourism related economy parties in Lithuania according to region	2010	2011
Accommodation activities	288	294
Catering and beverage provision activities	1756	1838
Travel agencies, organizers of excursions	329	357
People healthcare activities	866	948

Leisure, sport and entertainment activities		363	385
Museums and other cultural activities		12	16
Artistic, creative and entertainment activities		163	171
	Subtotal:	**3777**	**4009**

Data for the analysis was collected by email. Companies which did not answer the email, or for some reason indicated wrong or non usable email on their website, were contacted on the telephone. Many e-mails found on the companies' websites or in Lithuanian companies' catalogue were addresses such as sales@companyname.lt, marketing@companyname.lt, etc. The absence of returned answers by e-mail might be due to incorrect or inactive e-mail addresses. Moreover, those companies, which were contacted on the telephone and which did not object to getting mail, were sent the questionnaire and a return letter inside it. Questionnaires sent by mail were presented by an introduction letter with introduction of the research and researcher and a pre-paid envelope in order to guarantee the reply. Moreover, in some cases companies were approached personally, because it ensured that the questionnaire was answered by the persons that were involved in the companies' decision making and had strong knowledge of relationships with other participants in destination.

The collection of data started in January, 2013. The most intensive period of collection was the spring and summer of 2013. First, the contacts of companies were selected, consequently the questionnaire was sent out by email to 3752 companies. As 281 questionnaires were obtained it was decided to approach managers one more time.

The same questionnaire was delivered to 2345 companies by mail after the phone calls. There was a big investment of time and effort as well as persuasive reminding to fill in the questionnaire. The delivery of questionnaire by mail was organized 3 times. During the first delivery 116 questionnaires were collected, during the second one 283 questionnaires were collected during the third one 158 questionnaires were collected. Finally, some companies did not manage to provide the answer via mail, therefore, direct communication was needed. Personal delivery and contact ensured that the questionnaire was answered by 84 companies and by the people who were involved in the companies' decision making and had strong knowledge of relationships with other participants in the destination.

Overall respondent rate is 23 %. It can be presumed that respondent rate is influenced by the timing of data collection (high season), wrongly indicated email and post addresses on the Internet and respondents' indifference. It is important to note that the survey was implemented among tourism companies situated in health and seaside resort regions in Lithuania.

3.2.4 Statistical data analysis methods

The main statistical methods used in analysing the primary data are:

- univariate descriptive statistics;
- scale reliability analysis;
- Pearson and Spearman correlation coefficients;
- linear regression analysis;
- exploratory factor analysis;
- confirmatory factor analysis;
- structural equation models.

Univariate descriptive statistics was used to explore the statistical properties of the answers to questionnaire items and summary measures of the four dimensions (scales) of the questionnaire used in the present analysis. Frequency tables were found for each of the items as well as means, medians, standard deviations, skewness and kurtosis coefficients. Responses to separate questions statistically are ordinal variables; however, we decided that quantitative statistical characteristics like means or standard deviations also make sense in the analysis because of very large sample and plausibility of assumption that intervals between repeated values of an item do not differ very much. Bar charts, histograms and box-plots were used for visual analysis of the data variables.

Scale reliability analysis was used to estimate the internal consistency of the four used original scales which were used via Cronbach alpha coefficient. Minimal and maximal inter-item correlations were also calculated as well as item correlations with the sum of the other items of the scale, and Cronbach alpha's for every item of the scale if the item was deleted.

Pearson and Spearman correlation coefficients were used to estimate bivariate relationships between items of the questionnaire and between

the scales. Values of Pearson and Spearman correlation coefficients were in most cases similar.

Linear regression analysis was used to express dependence of performance on trust, innovativeness and market orientation as measured by the means of the items of the corresponding scales of the questionnaire. Means of the items were preferred to sums because means allow easier interpretation of the results of the scale: they express measured values on the same range of values as items, e.g. from strongly disagree (1) to strongly agree (7).

Results and plausibility of assumptions of linear regression analysis were tested using the usual methods: normality of standardized residuals, scatter of standardized residuals against standardized predicted values, predictors' variance inflation features (VIF) to confirm that predictors are not multi-collinear, influence of unusual cases (standardized residuals outside 3 standard deviations).

IBM SPSS Statistics versions 21 and 22 were used for descriptive statistics, scale reliability analysis, bivariate correlations and linear regression analysis.

Structural equation modelling (SEM) was performed later using Mplus 7.0 and 7.1 programs: exploratory (EFA) and confirmatory factor analysis (CFA), and, finally, the general structural model to test the postulated relationships between the main variables of the study.

First, CFA was used to test the original scales of the questionnaire in the sample. The four scales were modelled as latent variables (features) with indicators – questions of scales (subparts of the questionnaire). Indicators were considered categorical ordinal variables; therefore robust WLSMV estimator[3] was used. Results of this CFA did not confirm the original model according to the usual model fit criteria: chi-square test of exact model fit and approximate fit indices CFA, TLI, RMSEA, SRMR, and WRMR[4].

Following the disconfirmation of the original model by the previously described CFA, it was decided to find out a new structure model which

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3. WLSMV = mean and variance adjusted weighted least square method. It is the default Mplus parameter estimation method if categorical indicators are used.
4. WRMR = Weighted Root Mean Residual. It is provided by MPlus when categorical variables are used in the model. Usual recommendations for a fitting model are: WRMR < 1, some authors recommend WRMR < .9.

better fits the data of the research possibly rejecting some items. Exploratory Feature Analysis was used in order to achieve this goal. Approach to EFA in MPlus program has some essential advantages over other programs, such as SPSS: 1) Mplus allows using categorical indicators in the feature model, calculates correlation coefficients suitable for such indicators (e.g. tetrachoric), and implements corresponding robust parameter estimation methods (e.g. WLSMV); 2) Mplus provides not one solution but rather a range of solutions for different numbers of features; 3) to evaluate these solutions, Mplus provides fit indices common in structural equation modelling, like chi-square test, CFA and RMSEA; 4) the researcher is able to choose among a large number of different feature rotation methods, oblique and orthogonal, including such relatively new methods as Geomin and Target rotations; 5) Mplus provides not only feature loadings but their statistical significance as well. These advantages enable the researcher to evaluate an often large number of possible solutions better, and to choose the most suitable solution in his or her situation with more confidence.

While conducting EFA, economy features of models was regarded as very important: models with numbers of features much larger than the number of original scales (four) were discarded mostly by removing relatively irrelevant items.

Before EFA, the sample was randomly split in two in order to use the second half to validate and possibly modify the feature model developed using the data of the first half. Such cross-validation approach diminishes influence of random data variations in the sample to the final solution; consequently, the final model could be expected to be more objective and more generally applicable. The large total sample of respondents allowed using sufficiently large subsamples (461 cases each) for previously described EFA and CFA which is described next.

CFA after EFA (using another half of the sample) was used to test the obtained EFA model. As could be expected, CFA did not confirm the new model quite well, therefore, some modifications of the model were made; mostly some co-variances between items of the different features were added to the model. At the end, a well-fitting measurement model was obtained.

The final well-fitting measurement model was used to test the hypothetical relationships between the four main constructs of the study: Trust, Innovativeness, Market Orientation and Performance.

In all analyses which used structural equation modelling, the chi-square test of exact model fit[5] with the conventional significance level 0.05 was used as the main criteria of the model fit. Other indices were used for descriptive and auxiliary purposes.

3.2.5 Evaluation of primary data research and analysis

Concepts of validity and reliability are important to discuss in order to demonstrate and express the quality of overall study (Silverman, 2005). In this study reliability and validity were measured based on the empirical conditions and statistical requirements which were available at that time. As results were generated from survey it was analysed using systematic statistical techniques which deal with reliability and validity.

3.2.5.1 Sources of error
As reliability and validity are essential parts of business research, there are distinguished possible sources of error in empirical research (see Table 6).

TABLE 6 Sources of error in empirical research and their control (source: Haahti, 1984)

Source	Error Type	Technique to reduce
1	**Sample as a source**	
	Frame	Careful sample design
	Nonresponse bias	Follow-up technique
2	**Interviewer/Researcher as a source**	
	Interviewer bias	Selection & training
	Experimenter expectation	Double blind design
3	**Instrument/Questionnaire as a source**	
	Order	Item rotation
	Wording	Pre-testing
	Effect of Evoked Set	Pre-testing

5. Chi-square test of exact model fit is based on comparison of two covariance matrices: one is matrix of covariances between observed variables included in the model calculated from the data; another is matrix of covariances produced by the model being tested. Small and statistically insignificant discrepancy between these two matrices indicates a well-fitting model.

4	Scale of source	
	Rounding	Increasing number of scale points
	Truncating	Increasing separation
5	**Respondent as a source**	
	Stimulus Ambiguity	None
	Consistency/Inconsistency	Careful questionnaire design and wording
	Ego/Humility	Careful working, indirect techniques
	Fatigue	Shorter questions
	Lack of Commitment	Interest, motivate, reward

As the same questionnaire is used in the number of research implemented by other Experience Stratos members, we could predict that the validity and reliability of the original questionnaire is quite high. In order to use it in Lithuania questionnaire was translated and adapted. Therefore, there could be some source of errors which are related with the questionnaire. One of them is wording of the questions. People mentioned that some questions are difficult to understand and not easy to read. This could be caused by formulation of wording or by peculiarity of translation. To reduce this source of error we reviewed the translated questionnaire before handing it in to respondents.

The other aspect which could cause source of error is respondents' personal characteristics. Some of them have very big ego or adequate perception about science and their input to business development. Therefore, in order to control it we were carefully and very politely approaching all respondents in order to avoid these situations.

As the questionnaire was rather long, the possible source of error was fatigue. People could lose the meaning of the question if the question appears too wide or too long. We did not want to cause any trouble for respondents, therefore, we were trying to adjust to their possibilities and make questions as short as possible to get the necessary answer and not to lose the meaning.

Moreover, not all the people are willing to participate in research, because they do not see any useful outcome which could help their business development. Therefore, besides approaching the respondents politely, motivation letter was sent together with the questionnaire to present and emphasie the aim and relevance of research. Also, while sending questionnaires by post, an envelope which could be used to return the questionnaire

was enclosed. This helped to control this particular source of error. More-over, while approaching the information was presented in a very polite and justified manner to increase respondents' motivation. Therefore, we could not escape the fact that some respondents were ambiguous enough not to respond at all. This exact source of error could not be removed, because it depends only on their personality.

Seasonality is one more source of error. The answers of respondents highly differ depending on the seasonality, because people are eager to remember recent situation and do not consider or try to evaluate previous experience. Therefore, as results were collected during the peak of tourism season in Lithuania (spring and summer), we could say that they reflect a more positive viewpoint of the tourism business.

Measurement error could also be distinguished as a source of error. Nevertheless, we have chosen SEM for analysis which could be considered as control method of measurement errors.

While considering sample heterogeneity, we predict that it is almost unavoidable in this study which covers such diverse tourism companies from the whole Lithuania. These companies can be very different because of considerable differences in business activity, size, place, experience, management, gender and etc. Business activity of tourism companies can also be influenced by season of the year, i.e. month of the response to the questionnaire.

The heterogeneity can be seen in the table below, where proposed correlations of all scales with respondents' number are (see Table 7). Three of these correlations are statistically significant (albeit small), which shows that there is some instability maybe that could be due to cultural and social aspects, companies' viewpoint to these aspects.

TABLE 7 Correlation of all scales and respondents' number

Spearman's Correlation	Trust	Performance	Innovativeness	Market Orientation
Correlation Coefficient	.199	-.054	-.083	-.100
(sig.)	(.000)	(.101)	(.012)	(.002)

3.2.5.2 Scale reliability

We analysed the reliability of question scales but not separate questions in order to see the correlations between items on the scale.

We looked into the trust scale and found that Cronbach's ά is 0.70 is acceptable (see Table 8). Guidelines usually recommend Cronbach's alpha at least 0.7 for a scale with an acceptable internal consistency, however, this requirement is less stringent when the scale is used for statistical analysis only: in this case, Cronbach's alpha can be as low as 0.5 (Peterson R.A., 1994).

TABLE 8 Reliability of scales

Scale	Cronbach's Alpha of Trust scale	Inter-Items Minimum Correl.	Inter-Items Maximum Correl.	Corrected Item-Total Correlation	Cronbach's Alpha if Items Deleted
Trust	.70	.17	.44	From .35 to .46	From .63 to .66
Market orientation	.76	.12	.57	From .29 to .53	From .73 to .76
Innovativeness	.68	-.02	.70	From .17 to .62	From .59 to .69
Performance	.59	.09	.28	From .27 to .39	From .52 to .57

Subsequently we looked into the market orientation scale. The Cronbach's ά of market orientation scale is 0.76. It is the best when compared to other scales. The minimum correlation varies from 0.12 to 0.57. The corrected item correlation varies from 0.29 to 0.53 (Appendix 4).

Questions related with innovativeness of companies have Cronbach's ά of 0.68 meanwhile, corrected item-total correlation varies from 0.17 to 0.62 (see Table 8). The first four questions which are related with innovativeness (Q16a, Q16b, Q16c, Q16d) do not correlate so easily with other questions. According to the results, if we decide to take those items out, the Cronbach's ά of innovativeness scale increase and the results become more statistically significant. Nevertheless, the validity can decrease (Appendix 4).

Questions which are related with companies' performance formed the performance related scale, in which Cronbach's ά is smaller than in other scales but still acceptable (see Table 8). The minimum correlation is 0.09,

the maximum 0.28. The smaller number of variables also has an effect on results and their numeric expressions. (Appendix 4).

In conclusion, we could say that the only scale which gave more doubts was the scale of innovativeness, because some variables of this scale were not so easily correlating with other questions.

3.2.5.3 Validity issues of this research

There are three related forms of validity[6] – internal, external and ecological, which is not possible without each other, but each of it can be lower or higher. We focus and analyse mainly internal validity because of the chosen research methods. External and ecological validity has a lower impact for this research.

It is important to make sure the sufficiency of internal validity between study objectives and the tools for data collection.

Face validity of the original scales

While evaluating face validity we reviewed all questions of the questionnaire. There were seen clear connection between questions and scales in case of its' meaning and formulation of wording. Nevertheless some questions of *innovativeness* could have ambiguous meaning, such as *would you say that within destination network the partners take good care of their employees* or *would you say that within destination network the partners respond quickly to complaints by tourists.* Such ambiguous meaning is not easy to understand and respondent need more time to fathom out the meaning of the question[7]. Therefore, different wording could help to increase the level of understanding. Nevertheless the questionnaire statements represent each subpart which they are measuring.

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6. Validity is the soundness or adequacy of something or the extent to which it satisfies certain standards or conditions. A research procedure or an interpretation of results obtained from a research study are considered valid if they can be justified on reasoned grounds (Dictionary of Psychology, 2009, Oxford University Press).
7. In reality, respondents answered questions in Lithuanian language, therefore English questions here presented do not correspond quite exactly to their Lithuanian equivavalents because of natural specifics of each of these two languages.

Convergent and discriminant validity of the original scales

While we are evaluating discriminant validity and convergent validity we calculated Pearson correlation between all questions and between different scales (subparts). Below proposed correlation tables with Cronbach's α show internal validity between questions and scales. The questions in trust and performance scales are all statistically significant, e.g. it measure particular features (see Table 9, Table 10 and Table 11).

TABLE 9 Pearson correlation coefficients between items of trust scale

Pearson correlation: Trust	1	2	3	4	5	6	7
1. How important is it that your network partner(s) is honest and truthful with you?	1.00						
2. How important is it that you have confidence in your network partner(s)?	.44	1.00					
3. How important is mutual trust in developing a relationship with your network partner(s)?	.31	.32	1.00				
4. How important is it that network partner(s) not try to take advantage of your relationship to benefit their company?	.25	.27	.23	1.00			
5. How important is it that you are not negatively surprised by your network partners actions?	.21	.25	.23	.27	1.00		
6. How important is it that you can rely on your network partner(s), because you know he/she shares your values?	.22	.24	.18	.23	.27	1.00	
7. How important is it that network partners share your values?	.22	.25	.17	.22	.26	.34	1.00

Note 1. Numbers in the table correspond questions.
Note 2. All correlations are statistically significant, p < .001

TABLE 10 Pearson correlation coefficients between items of performance scale

Pearson correlation: Performance	1	2	3	4	5	6
1. How important is it that your sales have increased very much in the last three years?	1.00					
2. How important is it that your reputation has improved very much?	.28	1.00				
3. How important is it that you have many new products?	.13	.17	1.00			
4. How important is it that you have become very efficient in commercializing new products?	.14	.17	.22	1.00		
5. How important is it that your profits are increasing fast?	.24	.21	.20	.22	1.00	
6. How important is it that your number of employees is increasing quickly?	.22	.09	.11	.25	.28	1.00

Note 1. Numbers in the table correspond questions.
Note 2. All correlations are statistically significant, $p < .01$

TABLE 11 Pearson correlation coefficients between items of market orientation scale

Pearsons correlation: market orientation	1	2	3	4	5	6	7	8	9	10
1. How important is it that within the destination network the partners meet with guests visiting your destination to identify what services are needed in the future	1.00									
2. How important is it that within the destination network the partners interact directly with guests to learn how to serve customers better?	.57	1.00								
3. How important is it that within the destination networks the partners often conducts market research?	.33	.36	1.00							

	1	2	3	4	5	6	7	8	9
4. How important is it that within the destination network the partners quickly identify guests preferences?	.16	.25	.26	1.00					
5. How important is it that within the destination network the partners survey guests at least once a year to assess quality?	.15	.13	.25	.16	1.00				
6. How important is it that within the destination network the partners share survey results with those who can respond favourably to guests?	.22	.22	.31	.20	.24	1.00			
7. How important is it that within the destination network the partners collect information about the tourism industry by many informal lunch meetings with e.g other destination network partners, travel agencies and trade partners?	.16	.21	.37	.14	.16	.35	1.00		
8. How important is it that within the destination network the partners are quick to identify fundamental changes in guests leisure preferences?	.22	.27	.23	.21	.12	.24	.23	1.00	
9. How important is it that within the destination network the partners are independently involved in developing intelligence about guests?	.20	.21	.19	.22	.17	.27	.17	.32	1.00

| 10. How important is it that within the destination network the partners periodically review changes in guests preferences? | .30 | .33 | .38 | .20 | .16 | .33 | .26 | .26 | .27 | 1.00 |

Note 1. Numbers in the table correspond questions.
Note 2. All correlations are statistically significant, p < .001

In the scale of innovativeness coefficients were found which are not statistically significant. The corresponding questions probably measure innovativeness poorly (see Table 12). This shows poor internal consistency between questions in this scale. We could assume that this decrease of internal consistency was caused by questionnaire translation, different cultural background, experience and educational factors or other similar reasons.

TABLE 12 Pearson correlation coefficients between items of innovativeness scale

Pearsons correlation: Innovativeness	1	2	3	4	5	6	7	8	9
1. How important is it that within the destination network the partners develop new products quickly?	1.00	.17	.21	.09	.07	.07	.09	**.04**	**.03**
2. How important is it that within the destination network the partners improve existing products quickly?	.17	1.00	.14	.12	.10	**.06**	.10	**.04**	**.01**
3. How important is it that within the destination network the partners have adopted new administrative systems to control the network's operations?	.21	.14	1.00	**.05**	.16	.09	.11	**.04**	.09
4. How important is it that within the destination network the partners are good at identifying tourists' needs?	.09	.12	.05	1.00	.16	.18	.12	.13	**-.02**

	1	2	3	4	5	6	7	8	9
5. How important is it that within the destination network the partners are good in managing financing of your network?	.07	.10	.16	.16	1.00	.33	.33	.22	.20
6. How important is it that within the destination network the partners are good in dealing with governmental and other external agencies?	.07	.06	.09	.18	.33	1.00	.70	.57	.42
7. How important is it that within the destination networks the partners quickly identifying new sources of supply?	.09	.10	.11	.12	.33	.70	1.00	.60	.43
8. How important is it that within the destination network the partners respond quickly to complaints by tourists?	.04	.04	.04	.13	.22	.57	.60	1.00	.41
9. How important is it that within the destination network the partners take good care of their employees?	.03	.01	.09	-.02	.20	.42	.43	.41	1.00

Note 1. Numbers in the table correspond questions.
Note 2. Non significant coefficients are marked in bold

While looking to discriminant validity we evaluated correlations between items of different scales. Results revealed that between scales of innovativeness and market orientation as well as performance and market orientation there are many statistically significant coefficients. This shows some overlap between scales which diminish their discriminant validity as items of different scales are sometimes too closely correlated with each other (see Appendix 5).

We looked into discriminant and convergent validity using mean, max and min item correlations of scales (see Table 13, 14 and 15). The results confirmed that convergent validity of trust and market orientation is relatively strong, meanwhile, convergent validity of performance (r = .19) and innovativeness (r = .18) is weaker. When we look into mean correlations between items of different constructs we can see that mean correlation between items of innovativeness and items of market orientation (r = .14)

is close to correlation within items of innovativeness (r = .18). This shows that innovativeness is not separated from market orientation entity well enough, in our data. This means that discriminant validity is lower between these two constructs.

TABLE 13 Mean item correlations: inter-scale and cross-scale

Pearsons correlations	MO	Innovativeness	Performance	Trust
MO	**.24**			
Innovativeness	**.14**	**.18**		
Performance	.04	.06	**.19**	
Trust	.01	.01	.00	**.26**

TABLE 14 Max item correlations: inter-scale and cross-scale

Pearsons correlations	MO	Innovativeness	Performance	Trust
MO	**.57**			
Innovativeness	.47	**.70**		
Performance	.14	.16	**.29**	
Trust	.11	.08	.12	**.44**

TABLE 15 Max item correlations: inter-scale and cross-scale

Pearsons correlations	MO	Innovativeness	Performance	Trust
MO	**.12**			
Innovativeness	-.01	**-.02**		
Performance	-.06	-.02	**.09**	
Trust	-.09	-.06	-.11	**.17**

The questions of the questionnaire were asked in a way, that respondents should think of the situations in the past and relate it to current and future situations. Thus, the data do not fully represent an actual situation with real sequences. Future studies could test if there were any influences of time lags.

Convergent and discriminant validity of the modified scales
While evaluating convergent and discriminant validity of the modified scales we used polychoric correlation coefficients taking into account all the

answers of respondents to questions used in the final model of exploratory factor analysis. Results revealed that we managed to purify the construct using exploratory factor analysis by eliminating number of questions and distinguishing construct of market orientation into two constructs (scales): market orientation (MO) and market orientation through direct communication (MOTDC) (see Table 16, 17 and 18).

TABLE 16 Mean item correlations: inter-scale and cross-scale for EFA results

Mean items correlations	MOTDC	MO	Innovativeness	Performance	Trust
MOTDC	.60				
MO	.28	.52			
Innovativeness	.34	.29	.64		
Performance	.03	.07	.05	.55	
Trust	.05	-.01	.01	-.02	.48

TABLE 17 Max item correlations: inter-scale and cross-scale for EFA results

Max items correlations	MOTDC	MO	Innovativeness	Performance	Trust
MOTDC	.60				
MO	.39	1.00			
Innovativeness	.49	.37	1.00		
Performance	.07	.10	.13	1.00	
Trust	.07	.03	.05	.04	1.00

TABLE 18 Min item correlations: inter-scale and cross-scale for EFA results

Min items correlations	MOTDC	MO	Innovativeness	Performance	Trust
MOTDC	.60				
MO	.17	.26			
Innovativeness	.24	.22	.24		
Performance	-.02	.24	-.01	.22	
Trust	.00	-.04	-.03	-.08	.28

Validity of the original scales in predicting performance

Predictive validity is a form of criterion validity in which the predictor scores are obtained in advance of the criterion scores, as when a test of scholastic aptitude is validated against scores on tests of school performance obtained months or years later (Dictionary of Psychology, 2009, Oxford University Press). Our study was not designed as logitudinal, therefore, we cannot correlate our measurements with some future results or events, however, we can try to evaluate how well our scales predict performance which theoretically should be predictable from trust, innovativeness and market orientation.

Linear regression of performance on trust, innovativeness and market orientation was statistically significant ($p < .001$) and all the three regression coefficients were statistically significant ($p < .05$), however, coefficient of determination shows that predictors have only small explanatory power: $R^2 = .035$.

Validity of the modified scales in predicting performance

The final SEM model demontrates statistically significant prediction of performance from trust, innovativeness and market orientation, and $R^2 = .129$, which is noticeably higher than the above mentioned R^2 in the regression model using original scales. This could mean higher predictive power of the modified scales; however, some results of the SEM model (absence of statistically significant relationship between innovativeness and performance, negative regression coefficient between innovativeness and trust) cast some doubt and require additional investigation and explanation.

Testing validity of the original scales via confirmatory factor analysis

We decided to check all questions using confirmatory factor analysis (see Table 19).

TABLE 19 Confirmatory Factor Analysis of the Four Original Scales

No. of observ.	Depend. variables	CFI	WRMR	RMSEA	Free param.	SRMR	Chi-square
922	32	.90	1.77, p<1	.05	38	.05	c^2=1431.2 df = 458 P-value=.000

Chi-square test of the exact model fit rejects the model, $p < .001$. Other fit indices are also generally not acceptable (CFI < .95, TLI < .9, WRMR > 1), except maybe RMSEA (< .05) and SRMR (close to .05).

Loadings (regression coefficients) are all statistically significant and have the right sign for all the indicators (See Appendix 6).

The research confirms the theoretical background only partly because results of the model reveal that the increasing of trust between companies are related to discreasing of the innovativeness of these companies (or vice versa). Therefore, it causes doubts regarding predictive validity, because previous study, which is the background of this dissertation confirmed hypothesis that trust positively influences innovativeness. Nevertheless, that does not destroy construct validity as a final fitting model was established with some low but significant relationships between independent, mediating and dependent variables.

However, original questionnaire focuses on many more variables than those that were chosen for this study. Therefore, internal validity might be threatened by the choice of certain variables and absence of certain variables that might influence the results of the study.

Innovativeness seems to be the least valid construct in this research, e.g. because in the EFA of the questions of the original questionnaire we found that several of the innovativeness questions are complex, i.e. load on other constructs in models with 4 or 5 factors. In the final SEM model, the modified innovativeness construct has no complex variables.

The results can be applied to any local network which has similar cultural background and situation to that in Lithuania. The selection of companies was done according to the activities of the companies including companies such as accommodation, food service, leisure activities, governmental organisations, etc.

However, it might emerge that some tourism-oriented companies were not covered by this research due to the selected frame. Future researchers can consider this issue in detail in order to include all the possible companies. The reliability of scales will be discussed below for each of the four constructs.

This chapter presents and analyses results of the analysis in order to answer the first research objective. It gives the understanding of institutional context affecting tourism companies in the destination networks in Lithuania. The chapter starts with secondary data findings and analysis, where Lithuanian tourism administration system is determined.

Furthermore, results of conducted survey and analysis are presented in order to find and confirm the model which could reveal the role of trust, market orientation and innovativeness to performance of tourism enterprises in destination networks.

4.1   Secondary data findings and analysis

The first part of the chapter presents Lithuanian tourism administration system. In the following parts of the chapter the organizational structure of Lithuanian tourism, the role of tourism related associations, national tourism development program, EU support and legislations related with tourism business management in Lithuania are analysed. It builds the understanding of institutional context and presents the role entrepreneurs play in governmental decision making process.

4.1.1   Organizational structure

After obtained independence from the Soviet control in 1991, Lithuania started to recognize tourism as an opportunity to boost its economy and development. The membership in European Union opened new resources and provided possibility to promote the country within European

continent. Nowadays Lithuanian tourism sector has formed an economical structure, has approved institutional structure, which contributes to the renovation of tourism infrastructure and is capable of ensuring high-level service by professional labour sources.

Lithuanian tourism industry at the state level is administrated by the Government of the Republic of Lithuania, Ministry of Economy, State Tourism Department, and The Tourism Council. Regional and local institutions such as Local Counties and Municipalities are more responsible for implementation of the strategies (see Figure 5).

The Parliament is responsible for approving the National Tourism Development Programme, approving projects for the development of tourism infrastructure, recreation and health resorts. The Parliament also takes responsibility for forming the State Tourism Department and approving its statute.

Next, the Ministry of Economy carries out strategic state tourism planning, by preparing and making suggestions for the Parliament regarding development of infrastructure within tourism, recreational and health resorts. One of the most important institutional bodies within the state level is the State department of Tourism that was established in 1992 under the Ministry of Economy. The State Tourism Department is participating in the state's tourism planning and implementation of policies. It is in charge of formation and implementation of the National Tourism Development Programme, preparation of tourism development projects, establishing tourist information centres in foreign countries. Its responsibilities also include preparation of certain laws and other legal regulations for tourism industries, such as regulations for tourism services. The State Tourism Department is also responsible for the research into tourism market and Lithuanian tourism services (The State Tourism Department, 2013).

FIGURE 5 Organisational structure of tourism industry in Lithuania

The Tourism Council plays an advisory role within Lithuanian tourism administration. The Tourism Council's role is to analyse state tourism-related issues and provide possible solutions for the Ministry of Economy, the State Tourism Department and other institutions that are responsible for implementing National Tourism Development Programme and other tourism policies. Tourism Council is comprises 15 members. The members of the council include participants from 7 governmental institutions and 8 from tourism business representatives such as the Ministry of Economy, the State Tourism Department, other governmental organisations, local authorities, tourism business associations or other tourism organisations. The chairman of the council is delegated by the minister of economy, while other member can be delegated by any organisation (Statute of Tourism

Council, 2003). Involvement of representatives from tourism businesses and other organisations ensures the use of practical experience that can influence tourism policies in the country.

Local institutions are some of the most important institutional bodies while implementing tourism policies within certain cities or regions. Lithuania is divided into 60 municipalities, which have their own responsibilities regarding tourism policies. Municipalities have most of the roles regarding performance of tourism organisations within cities. By following the National Tourism Development Programme, municipalities prepare, approve and implement municipality tourism development programme that is significant in order to increase employment within municipality and implement methods to protect recreational territories. Municipalities play a significant role in providing certain certificates for rural tourism entrepreneurs, bed & breakfast, and camp service organisations. It also approves taxation systems for recreational resources that belong to municipality (The Lithuanian Tourism Law, 2003).

In addition, organizational tourism structure in Lithuania is formed clearly that makes it easier to understand the implementation of tourism policies in the country. Existence of a clearly defined institutional structure creates possibilities for collaboration and thus, influences trust, market orientation and innovativeness between businesses or businesses and the state. However, existence of 60 municipalities might negatively influence tourism development implementation process. Moreover, the State does not recognize tourism as an essential industry in order to increase economy of the country. Therefore, there is a lack of funding and support for tourism industry. Regarding funding of the National Tourism Development Programme for 2007–2013, 27 projects were identified that received funding of 140, 4 mln. litas from the EU and just 16, 5 mln. litas from the state budget. Nevertheless, besides different institutional bodies responsible for tourism industry in the country, there are certain associations and other organisations that play an important role in overall tourism administration.

4.1.2 Role of tourism related associations

Lithuanian State Tourism Department pointed out a number of tourism organisations which are established by entrepreneurs who are dependent on the specific business area. It contains twenty two organisations, such as Lithuanian Tourism Association (LTA), Lithuanian Association of Tourist Information Centres (LATIC), Lithuanian Association of Hotels and Restaurants (LAHR), Lithuanian Guide Union (LGU), Lithuanian Association of National Travel Managers (LANTM), National Tourism Business Association (NTBA), Lithuanian Tourism Chamber (LTC), Lithuanian Resort Association (LRA), Lithuanian Association of Recreation and Tourism Educators (LARTE), Lithuanian Association of Castles and Lands (LACL), Lithuanian Association of Medical Tourism (LAMT), Lithuanian Association of Youth Hostels (LAYH), Lithuanian Association of Countryside Tourism (LACT), Countryside Tourism Association of Countryside Region (CTACR), Lithuanian Association of Camping (LAC), Lithuanian Association of Museums (LMA), Lithuanian Golf Federation (LGF), Lithuanian Union of Travellers (LUT), Lithuanian Union of Automobiles (LUA), Lithuanian Union of Ornithologists (LUO), Lithuanian Association of Cyclists (LAC) (Lithuanian State Department of Tourism, 2013). Each of the above mentioned organisations represents the needs and problems of the entrepreneurs and protects their rights. Formation, management, activities, specific features of restructuring and termination of every association is restricted by Law on Associations (Law of Associations, 2004).

One of the oldest non governmental organizations in the tourism sector is Lithuanian Tourism Association (LTA). It was established in 1991 and unites tour operators and travel agencies of the country. LTA includes educational institutions which hold seminars and help to improve the knowledge of entrepreneurs, represents members' interests in governmental institutions, organizes their participation in tourism trade fares as well as other activities which facilitate business. One of the functions of LTA is to sustain current networking between members as well as to spread information about collaboration offers from different businesses in Lithuania and other countries (Lithuanian Tourism Association, 2009).

Another important tourism organisation related with this study is Lithuanian Resort Association (LRA), which was established in 2007. The members of the association are eight health and seaside resort areas in Lithuania which

are acknowledged by Lithuanian State Tourism Department. The research of this thesis is conducted in all of them (Druskininkai, Birstonas, Trakai, Igna-lina, Zarasai, Anyksciai, Neringa and Palanga) which are members of this association. The main objective of LRA is to enhance collaboration of Lithua-nian resorts, as this would encourage innovations and knowledge distribution among health promoting businesses, such as health rehabilitation companies, Spas, Lithuanian resort study centre and etc. LRA seeks to improve the image of resorts, preserve natural resources and develop their use for tourism needs (Lithuanian Resort Association, 2013). Furthermore, National Health Resort Association coordinates and represents its members' interests in governmen-tal institutions; collaborates with foreign partners while implementing inter-national programs; develops attractiveness of cultural and natural resources in resort areas, which could be used for relaxation and health purposes.

All of the above mentioned associations are emphasized by the Lithua-nian State Tourism Department and include entrepreneurs from all around Lithuania. It can be governmental and non governmental organizations, which specialise in specific business scope and share common interests. Furthermore, the Law of Associations enhances to create associations of entrepreneurs of the same business scope.

The organisational structure of Lithuanian tourism and the role of dif-ferent, tourism related associations demonstrate the importance of associa-tions as tools for tourism businesses to keep and improve networking and make a relevant influence on governmental decisions.

4.1.3   Law of Associations

The law of Associations was initiated in 2004. The aim of this law was to regulate the structure, management, activities, restructuring and termina-tion of associations in Lithuania. According to the law, an association is a legal public unit of limited liability that aims at coordinating activities of the members, represents them and defends their interests. Membership in certain associations creates a reasonable and better way to get to know other entrepreneurs and their businesses, as well as share ideas with others and come up with the required conclusions or solutions. Equal rights of participants are ensured by the right to vote regarding certain questions or being involved in decision making.

The law of associations does not limit creation of local, regional or national associations. Therefore, many bigger cities or regions have certain associations that involve businesses of the same scope. For instance, Druskininkai has four tourism-related associations such as Druskininkai Health Organisation Association, Druskininkai Small and Medium Business Association, Druskininkai Health Centre Association, Druskininkai Guide Association. Birstonas has the following two associations: Birstonas Business Associations and Birsonas Group that are responsible for the development of rural area of Birstonas.

Existence of local/regional association encourages collaboration and demonstrates that businesses in Lithuania are willing to create relationships between businesses of the same business scope.

4.1.4 National Tourism Development Programme

The National Tourism Development Programme is prepared by using Lithuanian tourism law, long-term State development programme, economy development programme and Lithuanian health resort development programme. It is one of the main tourism policy documents that describes the goals and objectives of tourism development in the country. Regarding the programme for 2007–2013, the most important goals are to improve tourism infrastructure and develop new forms of tourism such as ecotourism, conferences, cultural, and leisure. Objectives to achieve this are identified as improvement of tourism planning and administration, improvement of qualified labour, performance of health resorts, development of recreational tourism and rural tourism. The National Tourism development programme is funded by the resources of Lithuanian Government, municipalities and EU structural funds. 48 mln. litas expenses were allocated for the programme of 2007–2013.

The programme evaluates recent changes in the tourism sector including tourism resources, changes within service sector and legal acts for tourism, it also elaborates a further tourism development policy and its implementation. The programme emphasizes growth of interest within municipalities and other administrative units for tourism development, gives increased attention to tourism, provides more developed legal acts and regulations regarding tourism development. However, it also states that in order to use

all potential for tourism development, state, counties and municipalities should contribute more to administrating and planning tourism.

The National Tourism Development Programme establishes investment priorities while using European Union Structural Funds. Priorities for the 2007–2013 programme involve areas such as recreational areas, health resorts and other objects that can serve as complex activities, also for the projects that are implemented by collaboration between companies of private and public sectors.

According to weaknesses identified in SWOT analysis of Lithuanian tourism, tourism sector is lacking in diverse leisure activities, distribution of tourism information, development within health services in tourism destinations. Therefore, by using strengths such as natural and cultural potential, low urbanisation in a landscape, low cost of tourism services, legal tourism planning and administrative system weaknesses that have emerged can be eliminated. Promotion of companies' collaboration that is not identified even as an opportunity in SWOT, might be one of the solutions in order to improve current tourism situation and help to develop infrastructure of tourism destinations.

In addition, the national Tourism Development Programme demonstrates a growing state's interest in the tourism industry in general and attracts attention to important issues, such as health resorts, infrastructure, service quality, etc. The National Tourism Development Programme stresses the importance of tourism collaboration development in tourism industry. Although, there are no clearly described tools for collaboration's implementation, the National Tourism Development Programme emphasizes the importance of benefits that businesses and the entire country would gain.

Moreover, National Tourism Development Programme mostly focuses on seaside destinations and overall Lithuanian tourism improvement.

4.1.5 EU support for tourism and SMEs

After Lithuania had become a member of the European Union it gained the right to receive support from the EU structural funds. Overall the EU support during 2007–2013 is estimated to be around 520 million litas for business development, energy and tourism sectors altogether.

Structural support is allocated according to three regional policy objectives: Convergence which includes support for different regions that require development, European territorial cooperation which covers support for regions that have severe economic and social problems and Regional Competitiveness and Employment which provides support for modernization of training systems and the promotion of employment. Considering tourism industry, major investments will support tourism service industry by improving skills of employees, cultural heritage maintenance, and investments into economic class accommodation, development of health resorts, conference resources and ecotourism. Regarding total EU funding for tourism during 2007–2013 it was planned to distribute 140,4 mln. litas while a higher demand for the support is identified (The Ministry of Finance, 2007).

The EU support for SMEs, is important in order to move the whole economic sector forward . However, in a study conducted by Streimikiene, Dapkus and Sivickas (2007) on "Evaluation of support to SMEs in Lithuania" authors argue that SMEs operate with minimum resources and very often have restricted use of financial support, especially during the stage of business establishment. SMEs face problems, such as high interest rates, high profit taxes, too strict requirements on companies' financial situation in order to obtain loans, which highly affects business development process, employment and collaboration with other companies etc. Therefore, funding of SMEs is one of the most important issues. Recently, the EU has greatly focused on SMEs and facilitation of regulations regarding performance. Projects that increase business efficiency and the overall development of business environment development as well as increasing research regarding opportunities and improvement of institutional infrastructure are one of the priorities of EU funding of SMEs in Lithuania.

In addition, the EU plays an important role in encouraging tourism industry and the whole economy of the country. Even if EU support for tourism mostly focuses on overall Lithuanian tourism improvement, the support for business development and SMEs influences growth in businesses. However, the EU funding for tourism industry has no clear guidelines that might build a barrier while obtaining financial support.

4.1.6 Summary

The secondary data analyses provide initial answers to the first research objective: *To understand the institutional context affecting tourism companies in the destination networks in Lithuania*. This section discusses Lithuanian tourism industry administration, legal acts, tourism development programmes and how it influences networking tourism businesses in Lithuania.

Organisational structure
- Organisational structure of tourism industry is clearly formed and different institutions have clearly defined responsibilities. Therefore, it ensures clear coordination of the tasks, development of programmes and resource allocation to local counties and municipalities.
- The existence of 60 different municipalities with their responsible committees/persons is identified as a negative point. High level of bureaucracy might influence business performance, resource allocation, communication between businesses and higher institutions. On the other hand, high level of bureaucracy might positively influence businesses to join associations in order to facilitate communication, influence decision-making regarding tourism development or resource allocation.
- Tourism is planned at a national level, while counties and municipalities are responsible for its implementation. However, the government does not recognize tourism as a feature in order to improve overall economy. Therefore, it fails to support and finance performance of tourism-related businesses.

Law of associations and tourism-related associations
- Law of associations allows the creation of associations on national and regional level. Therefore, it helps to create a reasonable way to get familiar with other entrepreneurs and businesses and increase trust, share knowledge and information, as well as resources.
- It is most likely, to create national level associations, due to small geographical areas of the country and low businesses concentration. However, certain cities and regions have local associations, as for instance, Druskininkai has four, Birstonas has two.

124

- Associations involve both public and private organisations. Therefore, they play an important role by bringing participants of governmental and non governmental organisations together for collaboration.

National Tourism Development Programme
- National Tourism Development Programme of 2007–2013 emphasizes a growing interest within counties and municipalities in tourism development. Thus, it attracts and increases attention to the importance of tourism development at the local level.
- Programme is lacking in development tools for promoting or implementing collaboration. The collaboration is not identified as an opportunity in Lithuanian tourism SWOT analysis. Therefore, business networking is not identified as a significant tool of tourism development in the country.
- There is a great focus on seaside destinations and general Lithuanian tourism improvement in this program. There is a lack of focus on other destinations' influence when distributing national and EU funding.

EU support for tourism and SMEs
- The EU plays a significant role in funding Lithuanian tourism sector and supporting small and medium enterprises. Support during 2007–2013 was expected to reach 140, 4 ml. litas for tourism industry in Lithuania, while demand for funds is much higher than supply.
- The EU support for Lithuanian tourism is provided alongside with the support for business development and energy. There is no separate specific institutional body that would be responsible for support of tourism. Therefore, there exists a lack of funding in tourism sector in locally.
- The EU mostly focuses on general Lithuanian tourism improvement, for instance, improvement of employees' skills, cultural heritage maintenance, and investment into economic class accommodation.
- All types of SMEs are provided with support. Therefore, tourism-related businesses have to compete for funding with other companies in other business sectors. Consequently, tourism-related organisations are often left without support from the EU structural funds.

4.2　Primary data findings and analysis

This chapter presents the collected data, the main findings and its analysis in order to identify the role of trust, market orientation and innovativeness to performance of tourism enterprises in destination networks. The results which were found using Exploratory and Confirmatory Factor Analysis will give us perception of the situation of tourism companies in destination networks in health and seaside resorts of Lithuania.

4.2.1　Background of research destinations

Despite being a relatively small country, Lithuania has much to offer to tourists – from many types of leisure activities and entertainment to a wide list of sightseeing objects.

Travelling with the purpose of health has existed since the ancient world as for example bathing and treatment resorts of the Roman Empire. During the 17th and 18th centuries health resorts became more popular among the European aristocracy. Such activities developed into the demand of relaxation and health treatment within the modern pleasure resorts. The market of health tourism is likely to grow because of many reasons, such as ageing populations, stress among the working populations, increase in interaction between public health and health psychology and the shift from mass tourism towards more customized travel experiences. (Bennett, King & Milner, 2004)

Health tourism is not an unknown aspect of Lithuanian tourism history either, because of its role in the tourism history within the country. Lithuanian health resorts such as Druskininkai, Birstonas and Smardone have been known since 13th and 16th centuries. However, initially the health resorts served as health and rehabilitation treatments. Later, health resorts started to attract more and more people from the Soviet Union for leisure alongside with treatments. There were many organizations and particular legal acts administrating health resorts and their performance. Before Lithuania became part of the Soviet Union the performance of resorts was governed by the Resort Council. Later before the 2nd World War Lithuanian health resorts were administrated by the Lithuanian Resort Law that

distinguished 15 different locations which were considered to be resorts or health resorts. During that time many big organizations, government institutions and associations were investing in building medical spa centres, leisure centres and other facilities for the purpose of recreation. By 1984 there were 27 rehabilitation and health centres in different destinations. However, by the 1990's when Lithuania regained independence, the organizations responsible for the resort performance and development vanished and health resorts adapted to new market and economy conditions. By 2001 and later the Lithuanian government started to implement new legal acts and development programs in order to restore health resorts in Lithuania.

In this dissertation not only Lithuanian health resorts, but also seaside resorts, such as Palanga, Neringa are researched. All of those regions are UNESCO or national heritage sites. There is a possibility not only to lie on the beach but also take part in different ethnographic activities, taste authentic meals, visit valuable cultural and architectural sites and museums, walk in woods or parks. The regions are rich with cultural monuments: castles, mounds, churches, crosses. Moreover, there are also forms active leisure and entertainment. More understanding about regions can be taken from underwritten description.

Trakai

The towers of the Trakai Island Castle are a reminder of the 15th century when the Great Duchy of Lithuania was at the peak of its glory and its lands stretched as far as the shores of the Black Sea. Now this castle is the biggest attraction of the region.

The town of Trakai is surrounded by 5 huge lakes. Tourists like to relax on the beaches or take a boat trip. In summer classical music concerts and medieval craft festivals are held at the Trakai Castle Historical Museum (Trakai District Municipality, 2013).

Neringa

The narrow and lengthy peninsula, washed by the Baltic Sea and The Curonian Sea (Kuršių marios), reminds one of a desert. It was added to the UNESCO World Heritage List in 2000 as one of the most beautiful and unique landscapes in Europe. The strip of sand, stretching into the sea, has several cosy, neat and picturesque fishermen's villages: Juodkrantė, Pervalka and Nida.

Juodkrantė is worth visiting because of its quay, rebuilt old stylish villas, and fishermen's houses surrounded by gardens and flower beds. The Hill of Herons (Garnių kalnas) nearby is the home to one of the largest grey heron and cormorant colonies in Europe.

Nida enjoys the largest number of sunny days in Lithuania per year. Another unique feature of this place is the weathercocks. They used to mark a particular village ownership of the kurėnas (a type of sail-ship). The pathway meanders to the Parnidis dune observation spot, a very popular attraction in Neringa.

Neringa is a summer destination for tourists (Neringa District Municai-pality, 2013).

Druskininkai, Birstonas, Anyksciai, Palanga
Lithuanian resorts and modern spa centres offer a wide variety of services and quality to tourists. Nature, fresh air and exceptional attention of spa staff, relaxing massages, remedial baths and amber therapy attract people's interest, especially those from neighbouring countries.

Recently, Lithuania is becoming a more attractive destination for medical tourism. A lot of people come for dental treatment, because of the prices and quality.

Druskininkai is the oldest, most famous healthcare resort in Lithuania. It is an international recreational centre with modern infrastructure and rich in natural resources. The town has 7 mineral water springs, 9 sanatoriums and 1 balneological treatment facility with the latest diagnostics and treatment methods.

Situated in the Regional Park of Nemunas Loops, the town of Birštonas has been well known since the 19th century for its balneological treatment facilities. The spa centres use natural medical mud and mineral water from springs.

The town of Anyksciai, situated in a national park is a prestigious resort. Its exceptional properties are determined by the unique surrounding nature. In Anyksciai tourists come to enjoy calm recreation, and fresh air.

The sea resort of Palanga offers a variety of entertainment and remedial procedures. There are lots of cafes, night clubs and casinos. This place is mostly chosen by tourists from the eastern countries.

All previously mentioned regions are exceptional and have their own peculiarities. It attracts different people who have different needs for

services. Some regions, especially the capital city, health resort Druskininkai and Neringa attract tourists with higher income. Other regions attract a larger number of tourists who are more price sensitive. Nevertheless, each region has and attracts its own type of tourist (Municipalities of Druskininkai, Anyksciai, Birstonas, Palanga districts, 2013).

Ignalina

Ignalina is well known as a land of beautiful landscape. There are more than 200 lakes, some rivers and ponds. The forests take up a third of the whole territory. The major part of Aukstaitija National Park, as well as fourteen regional parks and various preserves are located in Ignalina district. It is one of the tourists' favourite areas in Lithuania. Wild nature, natural sounds and the spirit of ancient villages attract especially those who are tired of the city's life and noises.

Ignalina is also known as the capital of winter sports. The Lithuanian Winter Sports Centre, which is located near the city, invites sportsmen and holiday-makers all year round. In Ignalina Sports and Leisure Centre visitors can also relax using SPA services. A Flight Training Center which is located near Ignalina town, attracts lovers of extreme sports. Therefore, this region is not only for relaxation, but also for extreme activities (Ignalina District Municipality, 2013).

Zarasai

Tourism is one of the most attractive business fields and investment areas. Such situation is presupposed not only by the extremely favourable natural conditions and the picturesque landscapes but also by a wide variety of objects of sights (including Stelmuze oak, one of the oldest trees in Europe, Dusetos art gallery and many others), spectacular cultural events and well-known cultural heritage. Recently, an increase of tourism services, development of the resources and increased number of guests from Lithuania and abroad is noticed in Zarasai (Zarasai District Municipality, 2013).

4.2.2 Findings and analysis of sample representatives

The assessment of the study results collected in Lithuania starts with descriptive statistics. The results of skewness and means of the variables reveal that answers have a tendency towards *very important* for most of the respondents. Especially it is noticeable for questions related with trust between companies. Negative skewness and mean close to 6 means that most of the respondents consider the subject of the question as *more important rather than not important*. The skewness of questions Questions of other scales have skewness closer to 0 and means close to the middle of the range between not important and very important (see Table 20).

TABLE 20 Descriptive statistics of questions

Questions	Mean	Skewness	Kurtosis	Std. Deviation
Q8A: How important is it that your network partner(s) is honest and truthful with you?	6.11	**-1.22**	**1.91**	1.01
Q8B: How important is it that you have confidence in your network partner(s)?	6.16	**-1.49**	**3.21**	.99
Q8C: How important is mutual trust in developing a relationship with your network partner(s)?	5.66	-.57	.09	1.09
Q8D: How important is it that network partner(s) not try to take advantage of your relationship to benefit their company?	5.56	-.61	.46	1.16
Q8E: How important is it that you are not negatively surprised by your network partners' actions?	5.48	-.44	-.00	1.14
Q8F: How important is it that you can rely on your network partner(s), because you know he/she shares your values?	5.68	-.83	.66	1.20
Q8G: How important is it that network partners share your values?	5.32	-.56	.38	1.18
Q15A: Your sales have increased very much in the last three years?	4.89	-.23	-.09	1.25
Q15B: Your reputation has improved very much?	5.04	-.19	-.33	1.16

Q15C: You have many new products?	4.59	-.07	-.10	1.20
Q15D: You have become very efficient in commercializing new products?	4.94	-.41	.09	1.27
Q15E: Your profits are increasing fast?	4.26	-.12	-.05	1.20
Q15F: Your number of employees is increasing quickly?	3.67	.06	-.24	1.35
Q16A: Within the destination network the partners develop new products quickly?	4.05	-.04	-.27	1.41
Q16B: Within the destination network the partners improve existing products quickly?	4.3	-.09	-.57	1.43
Q16C: Within the destination network the partners have adopted new administrative systems to control the network's operations?	4.18	.08	-.47	1.39
Q16D: Within the destination network the partners are good at identifying tourists' needs?	4.64	-.24	-.29	1.38
Q16E: Within the destination network the partners are good in managing financing of your network?	4.39	-.28	-.31	1.45
Q16F: Within the destination network the partners are good in dealing with governmental and other external agencies?	4.5	-.38	-.19	1.47
Q16G: Within the destination network the partners quickly identifying new sources of supply?	4.43	-.04	-.26	1.43
Q16H: Within the destination network the partners respond quickly to complaints by tourists?	4.76	-.28	-.34	1.45
Q16I: Within the destination network the partners take good care of their employees?	4.45	-.25	-.31	1.50
Q17A: Within the destination network the partners meet with guests visiting your destination to identify what services are needed in the future	4.37	-.31	-.18	1.49
Q17B: Within the destination network the partners interact directly with guests to learn how to serve customers better?	4.71	-.43	-.21	1.48

Q17C: Within the destination network the partners often conduct market research?	3.92	.01	-.83	1.68
Q17D: Within the destination network the partners quickly identify guests' preferences?	4.33	-.22	-.69	1.58
Q17E: Within the destination network the partners survey guests at least once a year to assess quality?	4.11	-.05	-.80	1.74
Q17F: Within the destination network the partners share survey results with those who can respond favourably to guests?	4.1	-.13	-.72	1.68
Q17G: Within the destination network the partners collect information about the tourism industry by many informal lunch meetings?	4.23	-.16	-.54	1.56
Q17H: Within the destination network the partners are quick to identify fundamental changes in guests' leisure preferences?	4.37	-.17	-.48	1.49
Q17I: Within the destination network the partners are independently involved in developing intelligence about guests?	4.4	-.17	-.66	1.54
Q17J: Within the destination network the partners periodically review changes in guests' preferences?	4.47	-.28	-.51	1.57

Note. Disagree to Completely Agree 7-point scale

People usually consider subjects of questions related to *trust* as important or very important, therefore, kurtosis of the majority trust related questions is positive and, in some cases, rather large. If kurtosis is negative, the curve of the distribution is more plain (platykurtic) comparing to the normal distribution. A distribution of answers which is closer to normal means that more respondents have no clear opinion about the subject. Nevertheless, it also depends on the essence of the questions (see Table 20).

Most of the the questions, which are related to *performance*, *market orientation* and *innovativeness* have negative kurtosis. This means that there are peaks neither in the middle of the range of possible answers, nor at the ends. The median of answers varies from 4 to 6. Means spread more evenly

and mostly vary between 4 and 5, except for the questions Q8A and Q8B. It gives the general perception that proposed aspects are more important for respondents rather than not important or they do not have a clear opinion about it (see Table 20).

We checked if there were any respondents who answered identically. None of such responses were found. By counting standard deviation of all questions within each respondent we checked if there were respondents who chose too similar answers to different questions. If answers were very similar then standard deviation would be small (or equal to 0 if all responses are exactly the same). Histogram of these standard deviations is presented in Fig.6. We found only one such respondent and removed him or her from the sample.
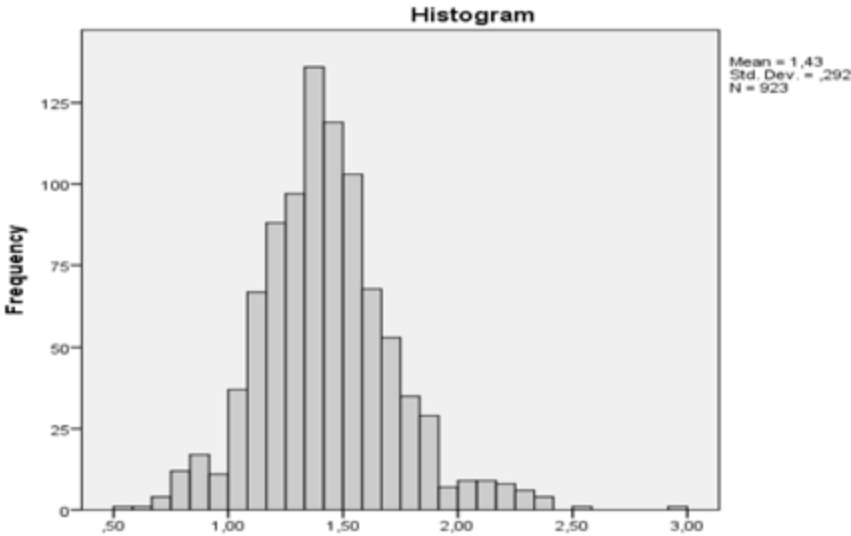
FIGURE 6 Distribution of standard deviations of responses

The results of standard deviations of the questions reveal that there are no questions which have exceptionally small or big standard deviation. The questions, which are related with trust, have smaller standard deviation. This proves that the spread of answers for questions related with trust is smaller. However, people have wider opinions regarding market orientation, innovativeness or performance (see Figure 7).

The following analysis was implemented using 922 cases (see Appendix 7).
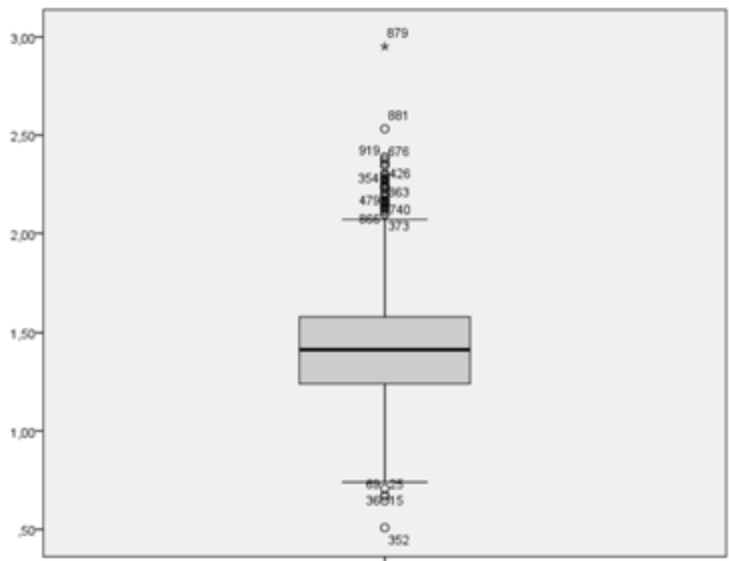
FIGURE 7 Box-plot of standard deviation of responses within-respondents

Based on the questions the respondents had to evaluate the trust, market orientation and innovativeness or factors which influence performance of the companies (32 variables). We divided questions into scales according to themes: Trust, Market Orientation, Innovativeness and Performance.

Pearson and Spearman correlation coefficients were used to estimate bivariate relationships between items of the questionnaire and between the scales. (see Table 21 and Table 22).

TABLE 21 Pearson Correlation of questionnaire scales

Pearson Correlations	Trust	Performance	Innov.	Market Orientation
Trust	1			
Performance	-.007	1		
(sig.)	(.830)			
Innovativeness	.038	.181	1	
(sig.)	(.253)	<.001		
Market Orientation	.031	.129	.489	1
(sig.)	(.342)	<.001	<.001	

Sample size is 922 for all the correlations.

TABLE 22 Spearman's Correlations of questionnaire scales

Spearman's rho	Trust	Performance	Innov.	Market Orientation
Trust	1			
Performance	.053	1		
(sig.)	(.111)			
Innovativeness	-.013	.089	1	
(sig.)	(.692)	(.008)		
Market Orientation	.002	.100	.419	1
(sig.)	(.964)	.003	<.001	

Sample size is 922 for all the correlations.

Results revealed that there is no statistically significant correlation between Trust and Performance, Innovativeness and Market Orientation, but there is a statistically significant correlation between Performance, Market Orientation and Innovativeness.

Next we performed regression analysis in order to see linear relationships between questionnaire scales. This enabled us to see whether the results of the regression model based on scales were similar to the results of the model based on EFA and CFA.

The relationship between Performance as a dependent variable and Trust, Market orientation, Innovativeness as independent variables is statistically significant ($p<0.001$) (see Table 23).

TABLE 23 Performance's regression on trust, market orientation, and innovativeness

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	16.3	3	5.42	11.14	.000[b]
Residual	446.5	918	.486		
Total	462.7	921			

The strength of the relationship being analyzed is rather weak (see Table 24). Only 3.5% of Performance variance is explained by independent variables.

TABLE 24 R-Square and other strength of relationship coefficients of the performance's regression on trust, market orientation, and innovativeness

R	R Square	Adjusted R Square	Std. Error of the Estimate
,187[a]	.035	.032	.697

When we look at the regression coefficients (see Table 25), we see that only Innovativeness has a statistically significant regression coefficient, which shows that while innovativeness of companies in tourism destination network increases the performance of companies also increases.

TABLE 25 Coefficients of questionnaire items

	B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part	VIF
(Constant)	3.83	.24		15.9	<.001				
Trust	-.016	.034	-.015	-.5	.653	-.01	-.02	-.02	1
Innovativ.	.146	.035	.155	4.2	<.001	.18	.14	.14	1.32
Market Orientation	.043	.03	.054	1.4	.149	.13	.05	.05	1.32

Regression analysis of questionnaire scales showed that there are 31 regression outliers which could be excluded from the analysis (Appendix 7). We did it and saw that if we remove those respondents, the results of the model change substantially and two more relationships appear as statistically significant (see Table 26).

TABLE 26 Pearson Correlation of questionnaire scales after removal of respondents

Pearson Correlations	Trust	Performance	Innov.	Market Orientation
Trust	1			
Performance (sig.)	.092 (.003)	1		
Innovativeness (sig.)	-.004 (.455)	.127 (<.001)	1	
Market Orientation (sig.)	.011 (.371)	.123 (<.001)	.490 (<.001)	1

Sample size is 922 for all the correlations.

Results revealed that there is statistically significant correlation between all scales: Trust, Performance, Innovativeness and Market Orientation.

According to regression analysis the relationship between Performance as dependent variable and Trust, Market orientation, Innovativeness as independent variables is statistically significant (p<0.001) (see Table 27).

TABLE 27 Performance's regression on trust, market orientation, and innovativeness after removal of respondents

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	8.364	3	2.788	8.895	.000[b]
Residual	278.031	887	.313		
Total	286.395	890			

The strength of the relationship being analysed is rather weak, r-square is .035 and adjusted r-square is .032.

When we look at the regression coefficients (see Table 28), we see that all regression coefficients are statistically significant.

TABLE 28 Coefficients of questionnaire items after removal of respondents

B		Std. Error	Beta	t	Sig.	Zero-order	Partial	Part	VIF
(Constant)	3.584	.215		16.659	<.001				
Trust	.086	.031	.091	2.755	.006	.092	.092	.091	1.000
Innovativ.	.068	.029	.089	2.338	.020	.127	.078	.077	1.317
Market Orientation	.050	.024	.078	2.060	.040	.123	.069	.068	1.317

This reliability analysis provided the review of scales, but we also want to know how exact features and their structure is while considering participants' responses. In order to do so we run Exploratory Factor Analysis (EFA) of the given data. We chose to do EFA analysis using MPlus because of the possibility to use various rotations and special parameter estimation methods, which are adequate for ranked categorical variables. The main estimator which was used in analyses is WLSMV (Beauducel & Herzberg, 2006)

4.2.3 Finding the appropriate model

In order to start EFA analysis using MPlus we decided to divide the sample randomly into two equal parts. The first part of the data is analysed using EFA in order to determine how the features and their structure in the model are.

The number of features in the model depends on various reasons, such as researcher's opinion. He or she can have some features in mind while developing the questionnaire but there are outside circumstances which affect the number of them. In this case we had four question scales in the questionnaire, but it does not mean that the model will consist of four features. The formulation of questions, the non homogeneity of respondents (some groups of respondents can be different from the whole group of respondents) and all these circumstances can highly influence the number of features.

Therefore, we needed to evaluate the results and establish the most suitable number of features. In the following paragraphs we describe the relations and find out how many features were actually needed to form the

model. Consequently, we looked into one set of data which contains 461 cases. There were 32 categorical dependent variables observed.

As 32 variables cover Trust, MO, Innovativeness and Performance we decided to look into the whole possible model instead of trying to determine how many features each of these constructs separately contains. We chose to do it because we also want to evaluate the connections between constructs.

The indexes used to determine the goodness of fit were RMSEA (root mean square error of approximation), for which values of .05 or less would indicate a close fit of the model in relation to the degrees of freedom. SRMR (standardized root mean square residual) for which values less than 0.05 suggested a good fit, CFI (the comparative fit index), TLI (Tucker-Lewis Index) for which values greater than .90 are considered as a good fit, geomin rotated loadings significant at .05 level, estimated residual variances should be as small as possible (Browne & Gudeck, 1993; Frias & Dixon, 2005; Hu & Bentler, 1995; Satorra & Bentler, 1988; Kline, 2005; McDonald & Ho, 2002; Schermelleh-Engel, Moosbrugger & Muller, 2003; Schumacker and Lomax, 2004; Thompson, 2004).

TABLE 29 Chi-Square test of model fit

Value	261.737*
Degrees of Freedom	175
P-Value	.0000

$P < 0.05$ – Model implied covariance differs from covariance in the data. Model is disconfirmed by data (see Table 29).

The feature of Mplus is that in Exploratory Factor Analysis it uses some of fit indices which are also used in Confirmatory Factor Analysis. It is useful, because Mplus gives more than one solution, e.g. provides a range of features with its fit indices. Then we can choose the applicable number of features.

The results of EFA analysis show that 12 features provide a well-fitting model, but practically and theoretically we need to develop a considerably smaller number of features (see Table 30). (Appendix 8).

TABLE 30 Exploratory factor analysis

No. of factors	CFI	RMSEA	Number of Free Parameter	SRMR	Chi-square
12	.994	.019	318	.019	c^2=208.7, df = 178, p=.057

Geomin Rotated EFA provides goodness-of-fit and loadings of variables. We are looking for the strongest and the most statistically significant loadings of variables. The results reveal that the first feature is formed of trust questions, the third feature is formed of performance questions, the sixth and eighth features are formed only of market orientation questions. One of the features – the second one – has no statistically significant weight and it should be eliminated from the model. A couple of features have only one statistically significant weight. Some features have just some significantly important loadings; therefore, we should not rely on such features. The rest of the features had statistically significant loadings of questions which belonged to a couple of scales (Appendix 8).

Meanwhile, residual variances show how well the questions are explained by the given features. The highest estimated residual variance has question Q17E (related with market orientation) and is badly explained or does not fit the feature. Therefore, this question is taken out from the analysis (Appendix 8).

We continue data analysis with 31 dependent variables as one question is taken away. Again we see that fit indicates are good (see Table 31), but one residual variance is negative (Q16A). Moreover, it has week correlations with other variables or does not have them at all. We decide to take this variable away from the following analysis. Together with Q16A, we take away Q16B, Q16C from further analysis because residual variances of these variables are more than 0.75 (see Table 32, Appendix 8).

TABLE 31 Exploratory factor analysis for model with 31 dependent variables

No. of factors	Dependent variables	CFI	RMSEA	Free Parameter	SRMR	Chi-square
12	31	.995	.018	306	.019	c^2=183.7, df = 159, P-Value=.0873

TABLE 32 Estimated residual variances for model with 31 dependent variables

Q8A	Q8B	Q8C	Q8D	Q8E
.603	.502	.640	.648	.757
Q8F	Q8G	Q15A	Q15B	Q15C
.694	.545	.802	.617	.731
Q15D	Q15E	Q15F	Q16A	Q16B
.645	.672	.621	**-8.813**	**.772**
Q16C	Q16D	Q16E	Q16F	Q16G
.795	.601	.304	.253	.187
Q16H	Q16I	Q17A	Q17B	Q17C
.392	.570	.212	.359	.430
Q17D	Q17F	Q17G	Q17H	Q17I
.625	.511	.597	.625	.721
Q17J				
.661				

Further the data is analyzed using 28 dependent variables using the model of 11 features and later 24 dependent variables were used for it applying the model of already 6 features (see Table 33).

TABLE 33 Exploratory factor analysis for model with 28 and 24 dependent variables

Factors	Dependent variables	CFI	RMSEA	Free Parameter	SRMR	Chi-square
11	28	.998	.012	253	.017	c^2=133.4, df = 125 P-Value= .2857
6	24	.998	.013	129	.023	c^2=158.1 df = 147 P-Value= .2506

While analysing the model of 11 features, Geomin rotated loadings reveal that variable Q16D forms separate features of only one variable (see Table 34). Looking at the model we see that while decreasing the number of features the loading of residual variance increases. The solution is to separate Q16D as a variable which is not included in the features (identification of tourist needs and preferences, which are covered under the scope of innovativeness questions). Analysis reveals that variables Q17I and Q17D can also be removed as separate ones. Q16E has negative residual variance ($p = -.007$) as well as weak relations with the features. Moreover, it splits into two features with small coefficients. Consequently, it was decided to take these questions away (see Table 34). Loadings which have a meaning bigger than 0.1 are given in the table.

TABLE 34 Geomin rotated loadings (significant at 5% level) for model with 28 dependent variables

	1	2	3	4	5	6	7	8	9	10	11
Q8D		.54*					-.10				
Q8B	.45*	.48*									
Q8A	.39*	.43*						-.10		-.12	.12
Q8E		.45*			.12				-.10		
Q8C	.19	.43*	-.19*						.18	-.17	
Q8F	-.11	.52*									
Q8G		.50*						.28*			
Q15B	.13	.52*						.44*	-.45*		
Q15C		.48*									-.10
Q15D		.53*									
Q15E	-.18	.47*									
Q15F	-.33*	.51*				-.18					.14
Q15A		.38*				.11	-.12	.16			
Q16F			.76*				.21				
Q16G			.75*				.23*				
Q16H			.76*						.12		
Q16I			.49*			.31*		-.24*			
Q16E					.98*						
Q17A	-.21					.82*	.16				
Q17B				.27*	-.10	.60*				.12	
Q17C	-.13						.76*				
Q17J						.13	.39*		.18		
Q17F							.31*		.47*		
Q16D				.13				.39*	.19		.14

Q17G			.40*	**.43***		
Q17H	.19*	.18*		**.27***	.19*	.12
Q17D				**.82***		
Q17I						.82*

While analysing the results of 6 features we see that a number of features are acceptable and fit indicates are good (see Table 35). Q8A and Q8B form an additional latent variable which describes honesty and truthful behaviour of companies, Q17A and Q17B also form an additional latent variable, which describes understanding of tourists' needs looking through market orientation perspective. The remaining four features are the following: trust, market orientation, innovativeness and performance (see Table 35).

TABLE 35 Geomin rotated loadings (significant at 5% level) for model with 24 dependent variables

	1	2	3	4	5	6
Q8A	.43*	**.40***				
Q8B	.44*	**.48***				
Q8C	.22*	**.43***		-.18*		
Q8D	.15	**.49***				
Q8E		**.46***			.15*	
Q8F		**.51***				
Q8G		**.56***				
Q16F			**.86***			
Q16G			**.84***			
Q16H			**.72***			
Q16I	.12	-.11	**.46***		.32*	-.11*
Q15A				**.42***		
Q15B		.14*	.12*	**.49***		-.29*
Q15C	.11			**.47***		
Q15D	.11			**.53***		
Q15E	-.12			**.49***		
Q15F	-.21		-.12	**.50***	-.12	.10
Q17A	-.26				**.91***	
Q17B			.26*		**.56***	
Q17C	-.26*		.18*		.22*	**.43***
Q17F						**.64***
Q17G						**.66***
Q17H					.13*	**.36***
Q17J					.19*	**.41***

Next we want to see if a model with smaller number of features is possible. We are especially looking into the model of four or five features in order to avoid weak features. The model must also be theoretically acceptable.

We decide to take variables Q8A and Q8B away from the analysis, because these are complex variables, as they load on two features. Such variables are ambigious and allow several interpretations. Therefore, it is necessary to delete them from the indicator set. The analysis shows that model of five features is a good model (see Table 36).

TABLE 36 Exploratory factor analysis for model with 22 dependent variables

Factors	Dependent variables	CFI	RMSEA	Free Parameter	SRMR	Chi-square
5	22	.994	.022	100	.025	c^2=159.0,df = 131 P-Value= .0482

At the moment we have a model which consists of four features: Trust, Innovativeness, Performance, Market Orientation and Market Orientation Through Direct Communication.

The analysis reveals that variables Q17H and Q15A have estimated residual variance loadings the value of which is more than 0.8 (see Table 37). That means that variables depend not on features, but on something else, e.g. measurement errors.

TABLE 37 Estimated residual variances for model with 22 dependent variables

Q8C	Q8D	Q8E	Q8F	Q8G
.755	.747	.744	.716	.700
Q15A	Q15B	Q15C	Q15D	Q15E
.814	.674	.786	.753	.720
Q15F	Q16F	Q16G	Q16H	Q16I
.699	.254	.209	.489	.616
Q17A	Q17B	Q17C	Q17F	Q17G
.295	.417	.598	.545	.561
Q17H	Q17J			
.808	.696			

The elimination of weak loadings has to improve the model. Therefore, we remove Q17H and Q15A from further analysis. The following model of 5 features is also good (see Table 38), but questions Q16I and Q15B are very ambiguous, because they have statistically significant loadings in three features. Therefore, we decided to take them out from further analysis.

TABLE 38 Exploratory factor analysis for model with 20 dependent variables

Factors	Dependent variables	CFI	RMSEA	Free Parameter	SRMR	Chi-square
5	20	.994	.022	90	.024	c^2=127.6, df = 100 P-Value=.0326

The loadings of the model are all statistically significant (see Table 39), the geomin rotated loadings are distributed between all four features (see Table 40) and estimated residual variances show that all questions are explained by the model (see Table 41).

TABLE 39 Exploratory factor analysis for model with 18 dependent variables

Factors	Dependent variables	CFI	RMSEA	Free Parameter	SRMR	Chi-square
5	18	.993	.029	80	.024	c^2=101.7, df =73, P-Value= .0149

TABLE 40 Geomin rotated loadings (significant at 5% level) for model with 18 dependent variables

	1	2	3	4	5
Q8C	.44*		-.23*		.11
Q8D	.52*				
Q8E	.48*			.15*	
Q8F	.54*		.12*		
Q8G	.51*	.11			
Q16F		.85*			

Q16G	.86*			
Q16H	.73*			
Q15C		.44*	.14*	
Q15D		.50*		
Q15E	.12*	.49*		
Q15F		.55*		.10
Q17A			.92*	
Q17B	.29*		.54*	
Q17C	.13*		.22*	.45*
Q17F				.62*
Q17G				.70*
Q17J			.18*	.42*

TABLE 41 Estimated residual variances for model with 18 dependent variables

Q8C	Q8D	Q8E	Q8F	Q8G
.749	.734	.751	.702	.727
Q15C	Q15D	Q15E	Q15F	Q16F
.779	.749	.745	.679	.262
Q16G	Q16H	Q17A	Q17B	Q17C
.195	.493	.158	.481	.577
Q17F	Q17G	Q17J		
.577	.541	.692		

4.2.4 Verification of model

The five features which were found using EFA provide the measurement model (see Figure 8). In this paragraph we will try to confirm/reject this measurement model using confirmatory factor analysis (CFA). In order to do so, we will use the second part of the data (n=461), which was not used in EFA (see Appendix 9).
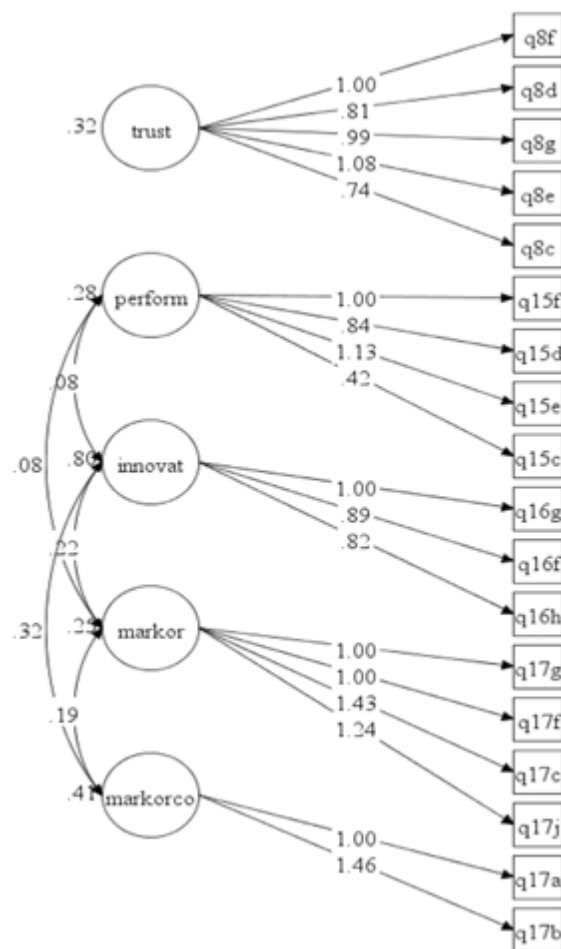
FIGURE 8 Final EFA model with CFA obtained parameter estimates

Confirmatory factor analysis shows that a model of five factors is acceptable (see Table 42).

TABLE 42 Confirmatory factor analysis for model with 18 dependent variables

Factors	Dependent variables	CFI	WRMR	RMSEA	Free Parameter	SRMR	Chi-square
5	18	.982	1.010, p<1	.033	28	.041	c^2=186.8, df = 125, P-Value= 0.0003

The estimation of factors shows that loadings are statistically significant and can be used for CFA analysis (chi-square is statistically significant when it is < 0.05) (See Table 43).

TABLE 43 Results of model with five factors

	Two Tailored	S.E.	Est./S.E.	P-Value
Trust	by			
Q8F	1.000	.000	-	-
Q8E	1.078	.096	11.212	.000
Q8D	.810	.095	8.565	.000
Q8G	.992	.094	10.599	.000
Q8C	.738	.092	7.991	.000
Performance	by			
Q15F	1.000	.000	-	-
Q15E	1.129	.208	5.437	.000
Q15D	.842	.138	6.092	.000
Q15C	.423	.112	3.756	.000
Innovativeness	by			
Q16G	1.000	.000	-	-
Q16F	.887	.031	29.026	.000
Q16H	.823	.034	23.959	.000
Market orientation	by			
Q17G	1.000	.000	-	-
Q17F	.998	.117	8.507	.000
Q17C	1.432	.143	10.030	.000
Q17J	1.245	.129	9.635	.000

Market orientation through direct communication	by			
Q17A	1.000	.000	-	-
Q17B	1.463	.110	13.309	.000

The R-square is statistically significant for all variables except for Q15C, r-square value of which is .050, Q8C r-square value is .174, Q8D r-square value is .162. We can claim that these features are weakly related with features and are the weakest variables in the model. We want to improve the model, therefore, we decide to take these variables away.

The following analysis reveals that the new model is acceptable (see Table 44), p-values of all the variables are less than .05, variances are positive.

TABLE 44 Confirmatory factor analysis for model with 15 dependent variables I

Factors	Dependent variables	CFI	WRMR	RMSEA	Free Parameter	SRMR	Chi-square
5	15	.991	.872, p<1	.029	25	.034	c^2=110.6 df = 80 P-Value=.0132

The loading of residual correlation of questions Q15d and Q16h is -.101. Consequently, model does not reproduce this covariance well. Therefore, we decide to add covariance of these two variables (see Table 45).

TABLE 45 Residual correlations for model with 15 dependent variables

	Q8E	Q8F	Q8G	Q15D	Q15E
Q15F	-.083	.058	-.027	-.004	.005
Q16F	.006	-.027	-.011	.008	-.009
Q16G	.031	.002	.008	.051	.044
Q16H	.003	-.033	.023	-.101	-.044
Q17A	.005	.005	.020	.033	-.013
Q17B	.018	-.030	-.005	-.012	-.017
Q17C	-.024	.039	-.034	.036	-.007
Q17F	.045	-.049	.004	.083	.058
Q17G	-.016	.013	.010	-.065	.012
Q17J	-.044	.013	.047	.018	-.064

We see that covariance improves the model just a little (see Table 46). We continue to look for other possibilities, which can improve the model. Loading of residual correlations of variables Q17B and Q17G is -0.086. Both questions reflect the same question scale – market orientation, but different features. Q17B reflects market orientation through direct communication. While Q17G simply reflects simply market orientation. Consequently, we add covariance between Q7B and Q17G.

TABLE 46 Confirmatory factor analysis for model with 15 dependent variables II

Factors	Dependent variables	CFI	WRMR	RMSEA	Free Parameter	SRMR	Chi-square
5	15	.992	.846, p<1	.027	26	.033	c^2=105.4 df = 79 P-Value=.0249

The results we get after we add covariance between previously mentioned variables prove that the recent model is statistically significant (see Table 47). The r-squares of all questions are statistically significant (see Table 48). The residuals of covariances were not exceptionally big, which means that the model is explained by all variables in the table (see Table 49, Figure 9).

TABLE 47 Confirmatory factor analysis for model with 15 dependent variables III

Factors	Dependent variables	CFI	WRMR	RMSEA	Free Parameter	SRMR	Chi-square
5	15	.994	.816, p<1	.024	27	.032	c^2=99.0 df = 78 P-Value=.0539

TABLE 48 R-Square results

Observed Variable	Estimate
Q8E	.274
Q8F	.357
Q8G	.417
Q15D	.177
Q15E	.307

Q15F	.327
Q16F	.627
Q16G	.795
Q16H	.541
Q17A	.406
Q17B	.894
Q17C	.505
Q17F	.246
Q17G	.277
Q17J	.382

TABLE 49 Residuals for covariances for model with 15 dependent variables

	Q8E	Q8F	Q8G	Q15D	Q15E
Q8F	.005				
Q8G	-.011	.005			
Q15D	.020	.053	-.020		
Q15E	.002	.024	-.004	-.009	
Q15F	-.083	.057	-.028	-.009	.011
Q16F	.006	-.027	-.011	-.001	-.017
Q16G	.031	.002	.008	.042	.035
Q16H	.003	-.033	.023	.000	-.052
Q17A	.005	.006	.021	.033	-.012
Q17B	.018	-.030	-.005	-.013	-.017
Q17C	-.024	.039	-.034	.034	-.005
Q17F	.045	-.049	.004	.082	.059
Q17G	-.016	.012	.010	-.070	.009
Q17J	-.044	.013	.047	.016	-.062

	Q15F	Q16F	Q16G	Q16H	Q17A
Q16F	.000				
Q16G	.029	-.006			
Q16H	-.056	.045	-.028		
Q17A	.060	-.036	.008	-.007	
Q17B	-.026	-.070	.038	.023	.000
Q17C	-.041	.015	.033	-.045	.018
Q17F	.030	.030	.032	-.054	-.008
Q17G	-.024	-.019	-.036	.017	-.042
Q17J	.002	-.048	.040	-.008	.049

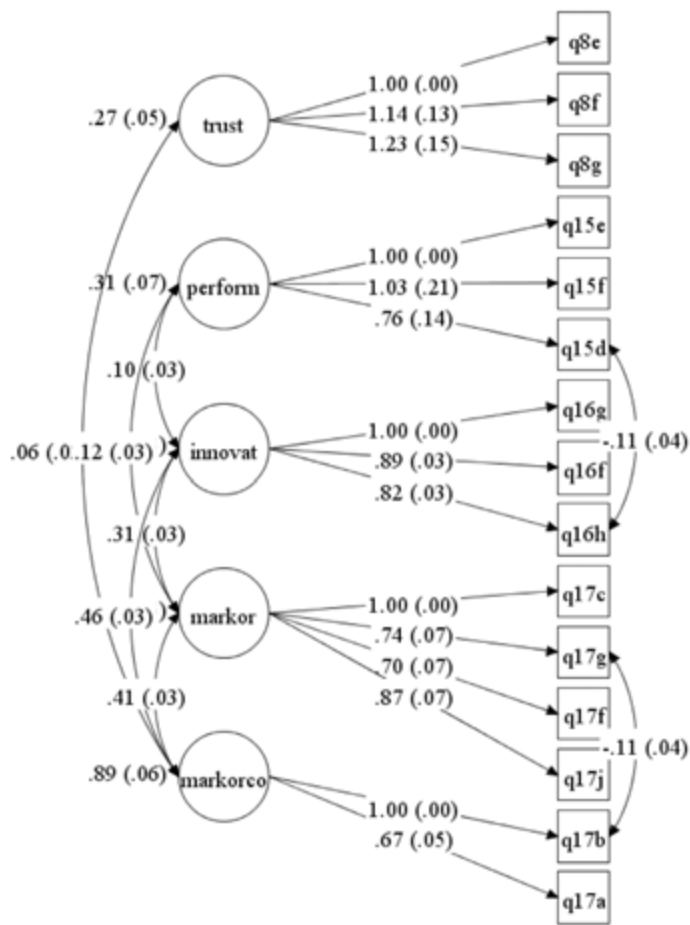|	Q17B	Q17C	Q17F	Q17G
Q17C	.012			
Q17F	-.083	-.053		
Q17G	.000	.047	.032	
Q17J	.017	-.035	.057	-.045

FIGURE 9 Final CFA model with unstandardized parameter estimates

4.2.5 Structural equation model

We check the structural equation model using the same data which was used for confirmatory factor analysis (CFA). The dependent variable is Performance, independent variables in the model are Trust, Innovativeness, Market Orientation and Market Orientation through Direct Communication (see Appendix 10).

According to regression connections Performance does not depend on any features except for only one – Performance depends on Market Orientation. (see Table 50).

TABLE 50 Results of final model

Factors	Estimate	S.E.	Est./S.E.	Two Tailed P-Value
Performance on Trust	-.081	.072	-1.117	.264
Performance on Innovativeness	.079	.056	1.393	.164
Performance on Market Orientation	.292	.100	2.913	**.004**
Performance on MOTDC*	-.123	.070	-1.750	**.080**

* MOTDC – Market Orientation through Direct Communication

Meanwhile Innovativeness has correlation with all factors. The interesting aspect is negative regression coefficient between innovativeness and trust (p = -.191). This means that while trust increases between partners the innovativeness in the tourism destination network does not increase. This can be caused by various circumstances. One of the reasons could be that partners who trust each other in the network feel comfortable and this causes stagnation. They do not try to be innovative or develop their company, because they think the other one will do this. Innovative services are found interesting not by every customer, as some of them like to have traditional services. In this case investments will be lost. Therefore, companies just flow with the stream. Another reason could be that companies who trust each other are in better conditions and do not need to develop their services to fulfil their customers' needs. The only question is, how long they can satisfy their customers without any development of services.

Market orientation has no correlation with Trust. Meanwhile, Market Orientation through Direct Communication has connection with Market Orientation (see Table 51). The Market Orientation of companies in

tourism destination networks is stronger as more entrepreneurs interact with their guests directly, ask for their advice on what is to be improved, listen to their opinions and complaints and try to get into contact with them. The situation is the same when there is a strong market orientation in the networks of tourism companies.

TABLE 51 Correlation of final model

Factors	Estimate	S.E.	Est./S.E.	Two Tailored P-Value
Market Orientation with Trust	.000	.035	.014	.989
MOTDC with Trust	.080	.040	2.012	**.044**
MOTDC with Market Orientation	.408	.034	12.119	**.000**

From the results we can see that Performance does not depend on Trust, but Trust is statistically significantly related to Innovativeness. Consequently, Trust can have an indirect connection with Performance via Innovativeness. In order to find out, we decide to add indirect effects and sums of indirect effects into the model. We add one indirect effect from Trust via Innovativeness to Performance, and the second from Market Orientation via Innovativeness to Performance, the third from Market Orientation through Direct Communication via Innovativeness to Performance. From this analysis we will see which of the features or a sum of them has indirect effects on Performance. This does not change the model, just adds additional possible connections.

The results reveal that Trust and Market Orientation through Direct Communication do not have statistically significant influence on Performance. Nevertheless, there is a statistically significant general direct effect from Market Orientation to Performance, but indirect effect is not statistically significant.

The results also reveal that r-square of Performance is rather small (.129), while r-square of Innovativeness is much bigger (.360). This shows that both are statistically significant but Innovativeness can be described better by the model than Performance (see Table 52).

The model shows the situation between companies in tourism destination networks in health and seaside resorts in Lithuania. Market Orientation has the strongest effect on Performance. The rest of the features have

no direct effect on Performance. Model also shows that Innovativeness is affected by almost all features (Market Orientation, Trust, MOTDC), but it has no direct effect on Performance. Also, questions Q17G have covariance with Q17H and Q16H with Q15A (see Figure 10). The model shows coefficients of regressions (covariance) among features.

TABLE 52 Indirect effects of factors

| Effects from Trust to Performance	Estimate	S.E.	Est./S.E.	Two-Tailed P-Value
Total	**-.096**	.070	-1.360	.174
Total indirect	**-.015**	.012	-1.281	.200
Specific indirect				
Performance-Innovativeness-Trust	-.015	.012	-1.281	.200
Sum of Indirect				
Performance-Innovativeness-Trust	-.015	.012	-1.281	.200
Direct				
Performance-Trust	-.081	.072	-1.117	.264
Effects from Market Orientation to Performance				
Total	**.315**	.100	3.149	.002
Total indirect	**.023**	.017	1.318	.187
Specific indirect				
Performance-Innovativeness-Market Orientation	.023	.017	1.318	.187
Sum of Indirect				
Performance-Innovativeness-Market Orientation	.023	.017	1.318	.187
Direct				
Performance-Market Orientation	.292	.100	2.913	.004
Effects from Market Orientation through Dirrect Communication (MOTDC) to Performance				
Total	**-.091**	.066	-1.385	.166
Total indirect	**.032**	.024	1.342	.180
Specific indirect				
Performance-Innovativeness-MOTDC	.032	.024	1.342	.180
Sum of Indirect				
Performance-Innovativeness-Market Orientation	.032	.024	1.342	.180
Direct				
Performance-MOTDC	-.123	.070	-1.750	.080
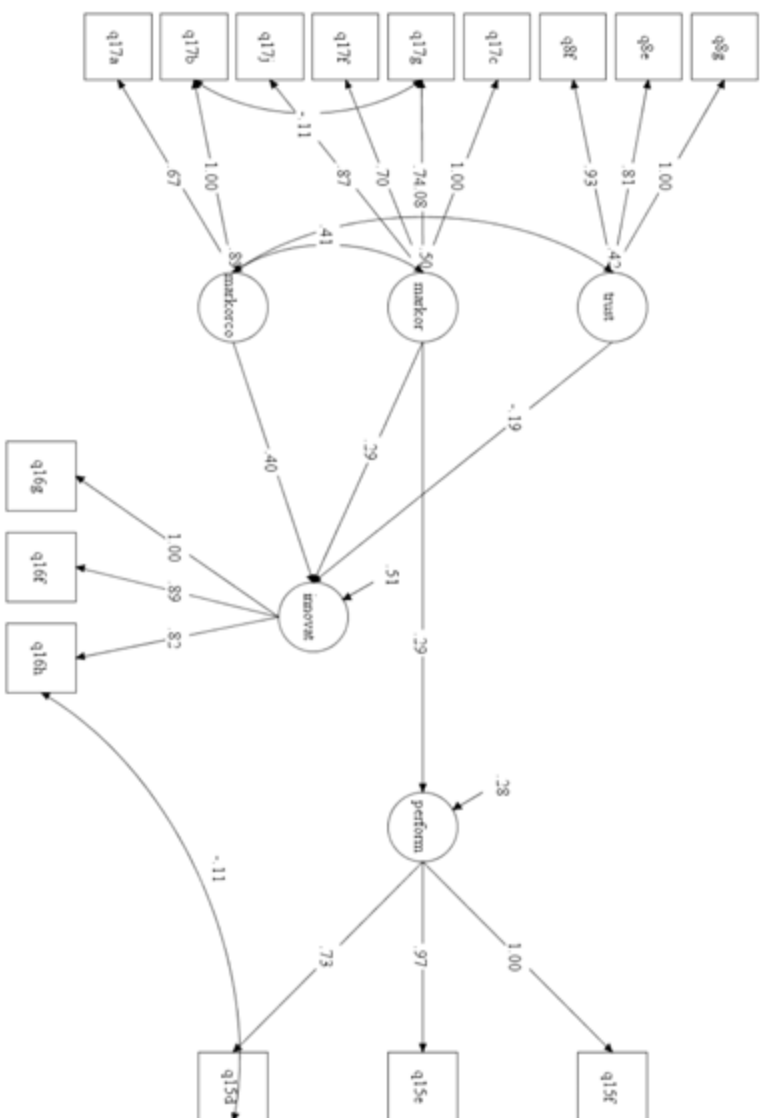
FIGURE 10 Trust, Market Orientation, MOTDC, Innovativeness influence on Performance

4.2.6 Summary

The assessment of primary data presented in this chapter answers the research objectives:

1. *To identify the role of Market Orientation (MO) of tourism companies in the destination networks and its influence on Performance*
2. *To identify the role of Trust of tourism companies in the destination networks and its influence on Performance*
3. *To identify the role of Innovativeness of tourism companies in the destination networks and its influence on Performance*
4. *To identify MO and Trust influences on Innovativeness and Performance of tourism companies in the destination networks*

In this section research results collected in eight health and seaside resorts in Lithuania have been presented. Each resort and its tourist attractions were described in the chapter. First, findings and analysis of sample representatives' constructs were presented: Trust, Market Orientation, Innovativeness and Performance. Then, descriptive statistics of data were analysed. We tried to find an appropriate model using exploratory factor analysis. The following steps were to verify the model which was found using confirmatory factor analysis.

Summarized findings describe the role of Market Orientation, Trust, Innovativeness on Performance, and, thus, explains the remaining research objectives. Results reveal that Market Orientation has the strongest influence on Performance of companies in tourism destination networks in health and seaside resorts in Lithuania, meanwhile, the rest of the features have no direct effect on Performace. Moreover, results reveal that Trust and Innovativeness have a negative relation with each other, which shows that while one increases, the other one decreases

CHAPTER 5. CONCLUSIONS AND DISCUSSION

The research question of this dissertation is: How market orientation and trust influence innovativeness and how these affect the performance of tourism companies in the destination networks? The research was specified to find and confirm the model based on the data collected in eight health and seaside resorts in Lithuania. In order to answer the research question five research objectives were elaborated:

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*

This final chapter is divided into six parts. The first and second part integrate the main findings presented in the previous chapter, in order to answer the objectives respectively. The third part answers, over the basis of the previous objectives, the research question. The fourth, fifth and sixth parts are dedicated to exploring the transferability of the conclusions, the research contributions and recommendations for further research.

5.1   Institutional context of Lithuanian tourism

The first objective of this research was: "*to understand the institutional context affecting tourism companies in the destination networks in Lithuania*". In order to build up the understanding of it, this study included the analysis of particular documents that best reflect the institutional context of Lithuanian tourism.

The analysis of the secondary data demonstrates a well-established institutional structure in the Lithuanian tourism industry as well as a developed legal framework. However, the public sector is still lacking in understanding of the tourist industry as an important tool for the economy. Therefore, the State fails to provide sufficient support for tourism-related businesses and creates an obstacle for the overall development of the country as a touristic destination. The European Union's funding highly contributed to the tourism industry, but the demand for funds is much higher. Therefore, many projects do not get financial support. The current situation creates the basis for businesses to collaborate, develop trust in each other and in governmental institutions.

Second, the legal conditions for businesses to join into associations in order to develop collaboration have been created by the government. This supports a reasonable way to get familiar with other entrepreneurs or businesses and to increase trust in each other.

Despite this, the National Tourism Development Programme and other tourism development policies still fail to promote collaboration and networking as a competitive feature. Drawing attention to the networking between governmental, non-governmental and private businesses could bring stakeholders together for regional development. Increased general understanding of tourism industry would benefit the national economy and local economies. This would enhance support of local tourism enterprises, and promote collaboration to develop tourism destinations and their communities.

The possible solution which could guide Lithuanian tourism system to development path is to create competitive tourism strategy instead of tourism development program. This should be linked with support for longitudinal research to follow changes in selected segments´demand. The strategy should identify proactive action for competitive advancement. It should

reflect the situation analysis, not only from the perspective of representatives of the public stakeholders, but also include the contributions of representatives of the private sector. Such a strategy would seek to ensure good, continuous working relations and partnership between the public sector and the private sector. These parties should answer together the questions-Where are they trying to go?; How can they get there?; How do they know if they are moving to the right direction?.

It should become a master plan with specified key features and aims. These should be carefully identified with the help of all parties. It should be clear to everyone involved in the strategic process creation what is that they are aiming for in terms of – sales, profit, market share, customer satisfaction, establishment of new firms with innovative new tourism products. The created strategy should involve decisions which are complex, integrated, proactive rather than reactive, should have an impact on the whole national tourism sector, and not only on some part of it, as in case of Lithuania– seaside tourism. It should involve major planned changes with resourcing for them, and with the coordination of those who are actually in position of power to actualize the strategy in collaboration and backing of local operators.

Review of tourism related documentation revealed, that the Lithuanian system is concentrating on rather reactive activities, and is focused on small scale intervention, fragmented, and without looking for a long-term plan and the big picture. Therefore, a more tactical approach than strategic thinking has been chosen, e.g. National Tourism Development Programme, where there are set actions that identify how objectives will be achieved and it should support National Tourism Strategy. However, such strategic document for planning the desirable future and design and testing for the suitable ways of bringing it about – does not exist in the policy system related with Lithuanian tourism.

The main mission of Lithuanian tourism strategy should aim for the general belief and support that tourism is the leading contributor to a country's economy. All other programs, policies, plans could support and help to achieve this mission. Moreover, it should be clarified in terms of the responsible parties and actors in charge and annual (weekly) scheduling and follow up of achievement of aims. In order for strategy to have real impact Lithuanian Tourism Department together with Ministry of Economy of Republic of Lithuania should be involved in the preparation of

the document in collusion with the representatives of private sector enterprises and other organizations, such as Tourism Associations etc. which would consider and seek for enhancement of industry profitability to be of prime importance. Marketing organization such as Tourism Department should specifically aim in each selected customer segment to seek means to increase number of visitors. Ministry of Economy could wish to satisfy other objectives such as social responsibility and good management practices. The interests are not compatible, but such circumstances involve not only economic consideration, but also social, environmental and cultural factors of importance. Tourism related organizations could be also involved in creation of tourism strategy, with subgoals that support main strategies, e.g. Ministry of Transport, Ministry of Environment Protection, Association of Resorts should be involved in strategy planning. Individuals and organizations from private sector, local and central government, training sector could provide substantive feedback and valuable insights into draft versions for the strategy.

Involvement and collaboration from top to bottom and from bottom to top would reflect the cultural and political norms that exist within public and private organizations and society.

Together they can evaluate the current situation and determine the action for tourism that is best suited for Lithuania. Possibly it is better to move from mass tourism to quality/differentiated tourism, where segmented demand specific approaches would have significant influences on business cultures.

The strategic implementations could be covered by Tourism Department in consultation with all relevant steakholders by developing detailed implementation plans, which addresses responsibilities and roles, financial implications, timeframes and would also include foresight attempts to deal with future changes in demand.According to Tribe (2010) without strategy, tourism activities may drift towards further fragmentation of supply, and this especially in unstable non-growth economic conditions of recent years.

5.2 Market orientation and trust influence on innovativeness and its effect on performance of tourism companies in the destination networks

While trying to answer the research question of how market orientation and trust influence innovativeness, and how these affect the performance of tourism companies in the destination networks, we had to evaluate the institutional context. This due to the fact that it may have a strong effect on tourism companies. At the same time we evaluated the following concerns:

1. The role of Market Orientation (MO) of tourism companies in the destination networks and its influence on Performance
2. The role of Trust of tourism companies in the destination networks and its influence on Performance
3. The role of Innovativeness of tourism companies in the destination networks and its influence on Performance
4. MO and Trust influence on Innovativeness and Performance of tourism companies in the destination networks

In order to do it we interviewed 922 tourism companies managers, which are located in Lithuanian health and seaside resorts. We divided the data into two equal parts (one as a hold out sample) and using statistical analysis methods used one part of the data to create the model which answers our research questions, and the hold out sample ie. the second part of the sample in the dissertation to check the new model. Four scales of the questionnaire were chosen specifically for the doctoral research: Trust, Market Orientation, Innovativeness and Performance. The chosen constructs and their scales explore the role of each subpart between participants, and reveal their influences within health and seaside resorts in Lithuania.

5.2.1 The role of Market Orientation (MO) of tourism companies in the destination networks and its influence on Performance

While considering market orientation of companies in health and seaside resort destinations in Lithuania we have found two related features. One of them is Market Orientation and the other one is Market Orientation through direct communication (MOTDC). Partners in destination networks are eager to have direct communication with the guests in order to identify their recent and future needs. Jaworski et al. (2000), Hills and Sarin (2003), Kumar et al. (2000), describe such activities by using the concepts of *market-driven*, which reflects current customers' needs and *market-driving*, which reflects future needs activity. The knowledge companies in destination networks gain from tourists who help them to evaluate the provided services and give insights, which of the services can be improved. Companies may profit from such customer knowledge in their competitive situations and learn how to serve customers better in the future.

Results also revealed that direct communication with guests enhance trustful relations. The more companies trust each other the more they are are eager to have direct communication with guests and to share collected common information.

Another aspect which was found in the research is significance of market orientation. Partners in destination networks often conduct market research and share survey results with each other. This helps them to improve the services and not to fall behind in competition. Also they collect information about the tourism industry via informal lunch meetings with other destination network partners, travel agencies and trade partners. This helps companies to understand the market in other destinations and become informed and ahead of them. Partners in researched destination networks periodically reviewed changes in guests' preferences, and took action to meet such preferences.

Lynch et al. (2000) claimed that sharing information is one of the most important benefits of networking and that it often brings mutual benefits to companies and destination communities as a whole.

Moreover, results confirm that market orientation influences performance. Most researchers claim that a company which follows market orientation leads to better organizational performance (Deshpande and Farley, 1998; Jawoski and Kohli, 1993; Slater and Narver, 1994). Therefore, this

study also confirms the findings of previous research. 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 will keep their customers satisfied and loyal, they can attract new customers, and will achieve the needed level of growth, market share as well as performance. On the other hand, in a previous study Tsiotsou (2010) has found facts that market orientation cannot make a direct impact on company's performance without service innovation.

Tourism companies need not only to increase their focus on the customers and become more customer oriented, but they also need to gather information about their competitors. They need to respond to their actions, while they try to coordinate and communicate all about resources they have with their business partners in the network. It is more difficult and more expensive to attract customers than to retain them.

5.2.2 The role of Trust of tourism companies in the destination networks and its influence on Performance

While considering trust between companies in tourism destination networks we have found that companies look for partners who are reliable, have similar values and expected behaviour. It is likely to be related with expected trust. Expected trust is the level of trust businesses expect to get from their partners. Moreover, choice of familiar partner highly influences minimization of risk while networking. As Smith & Lohrke (2008) claim, existence of trust reduces complexity of business actions and increases certainty in business relationships and participants' actions. The study also confirms the work of Geringer (1991) who claims that businesses are interested in partners who have specific skills and could accomplish specific tasks in order to reduce risks. Hence, risk awareness makes businesses choose partners who would be reliable.

Trust of eight researched health and seaside tourism destinations in Lithuania is related to market orientation through direct communication with guests. The more companies trust each other in the network the more they are interested in identifying the current and future needs of partners and guests. This could be explained by the assumption that companies which trust each other do not fear competition from other companies which are

in the destination network. Furthermore, potential relationships with partners mostly depend on the partners' behaviour. Previous experience with the partner plays a large role and provides the background for development of trust. According to Kautonen & Welter (2003) this is a personal trust category, which is based on previous personal experience.

Research results reveal that trust between companies does not have a very important role in health and seaside resorts in Lithuania.

5.2.3 The role of Innovativeness of tourism companies in the destination networks and its influence on Performance

Tourism companies in health and seaside resorts in Lithuania are quick to identify new sources of supply, respond to tourists' complaints and are good at dealing with governmental institutions and other external agencies. Hurley and Hult (1998) defined innovativeness as openness to new ideas as an aspect of a company's culture. Therefore, companies oriented towards innovation encourage risk-taking and creativity.

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 research give 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 et al., 2006).

In Lithuania, government involvement relies on policies which encourage businesses' actions. Favourable legal conditions to develop collaboration are created, however, there is not enough promotion for it in tourism development policies. The National Tourism Development Programme and other tourism development policies in Lithuania do not emphasize the importance of networking as a tool for regional development. Failure to promote networking highly influences entrepreneurs' initiatives to be innovative together.

Moreover, another important aspect is the culture of the companies and the whole destination network. It should be innovation oriented and well aligned with tourism, region, network, and company innovation strategy.

All other features, such as trust, market orientation and market orientation through direct communication influence companies' innovativeness. The connection which was found between innovativeness and performance in researched destinations was the fact that companies which respond quickly to complaints of tourists become very efficient in commercializing new products. In these cases companies can improve recent services and create new services based on tourists' complaints. This helps companies in the researched destination networks to succeed by providing the exact services expected by tourists.

Research results revealed that the more companies in eight health and seaside resorts in Lithuania trust each other, the less companies are eager to be innovative in the destination networks. One of the assumptions could be that some companies become too comfortable and apathetic, and they "forget" 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 not very stable.

Market orientation and market orientation through direct communication with guests has an effect on companies' ability to quickly identify new sources of supply, respond to complaints and deal with governmental and other external agencies. The more companies are oriented to the market the more they are willing to be innovative. Frequently conducted market research, information collection via informal meetings with other partners in other networks, sharing information and direct communication with guests in order to find out their needs reflect the situation and dictate the direction of innovation. Companies which are market oriented are more eager and are more open for innovative solutions.

The research confirms the presumptions of various scholars that market orientation has a strong link with the success of a company's innovative efforts (Kohli and Jaworski, 1990; Slater and Narver, 1994; Atuahene-Gima, 1996; Mavondo and Farrell, 2003). They have also claimed that market orientation is one of the background factors of an innovative culture. Companies strive to create innovations that best address the needs of customers and in most cases these efforts require the consumer to become co-producers. Customer participation in new service development helps companies to lower the costs, and still try to achieve service that is well adapted to market needs. Companies which focus on future customer needs

can find out about new market and technology developments. Moreover, it increases companies' abilities to integrate developments into service innovation. This focus helps to create offers with unique benefits.

In conclusion, results reveal that Market Orientation has strong effect on Performance. The rest of the factors have no direct effect on Performance. The established model elaborated here also showed that Innovativeness is affected by both factors (Market Orientation and Trust) but Innovativeness has no direct effect on Performance in our model, which raises an interesting question for further research. The influence of Trust on Innovativeness was significant, low, but negative. Therefore, we cannot confirm the tentative model, our null hypothesis.

5.3   Transferability of conclusions

The understanding of market orientation, trust, innovativeness and its influence on performance of tourism companies in the destination networks developed in this dissertation might be transferred to other cases under similar circumstances. The information gathered by the analysis of secondary data and by the survey enables the transferability of the conclusions. However, there are limitations of the study which should be kept in mind while considering the conclusions.

First of all, this dissertation analyses managers´s views in a sample of Lithuanian tourism industry. Therefore, the conclusions regarding institutional context might be applied only for companies or networks operating in tourism industry and only in Lithuania. Furthermore, in order to transfer conclusions of Lithuanian tourism institutional context it is important to consider the possible changes of institutional structure and changes in the analyzed documents. For instance, this study was conducted after financial recession in the country, therefore, the funding for tourism industry might be slightly different after the financial crisis and already after some time. Moreover, European Union support and regulations of tourism industry might change over the years as well, and influence the overall context of Lithuanian tourism.

The sample represents about one fourth of all tourism operators in Lithuania. Doubts could arise regarding generalization of the study due to

the very specific sample of the study and cultural aspects. The aspects of cultural context of the study and size of the sample should be taken into consideration when transferring the conclusions. Therefore, the conclusions of the study might be used only in a context with similar national culture. Moreover, the results can be applied to any local network, since the study focuses on businesses operating in local networks.

5.4 Limitations of the study

As with any study, the findings must be viewed through its limitations. The results of the study do not represent the overall situation of countries which have similar cultural background and cannot be interpreted as an understanding of the whole culture of these regions.

Our analysis does not include discussion and analysis of companies' size and its influence on trust, market orientation, innovativeness and performance. For instance, many tourism entrepreneurs are small family businesses and they get most of the advice from their family members. Therefore, a detailed analysis regarding company size, might improve the understanding of constructs and their influence on companies' innovativeness and performance.

We are using Exploratory Factor Analysis as well as Confirmatory Factor Analysis in this research. This increases the requirements to the sample size relative to the number of variables and the number of free parameters in the model. The more complicated model we have and the more modifications we do, the bigger sample size we need. At the moment the sample size is 15:1, this would be probably enough in the usual situation of CFA, however, this is probably a bit too small for our complicated EFA and CFA models, each using half of the sample. Consequently, we risk some "overfitting" of the model. The model can be overly adjusted to particular cases. Thus, there is a possibility to lose theoretical commonness and suitability for other cases collected in other regions and countries (Hawkins, D.M., 2004).

Another issue can be non-homogeneity of the sample. As there is only one model which fits the cases it cannot be ensured that the model will fit if we differentiate cases according to the area or company side or any other

attributes. There is a possibility that different models are needed for different groups of organizations, e.g. small and medium companies, incoming and outgoing tourism, etc.

The respondents' refusal to participate or impossibility to contact them raises the question of representativeness. We could predict that the respondents who refused to participate in research are different from those who participated; therefore, their contribution could have changed the research results. We cannot certainly claim that the model represents all tourism companies in the destination networks. The more results are collected (geographically), the better it reflects the specifics of the region. Other researchers should consider these issues and try to approach a wider audience.

Moreover, the original questionnaire and other studies of the Experience Stratos 2007–2017 research programme also analyses other factors besides the focal concepts, ie. trust, loyalty and commitment. Whereas this study only analyses concepts of trust, market orientation, innovativeness and performance. Despite the limitations, this research contributes to a growing set of studies that have influence on further development of the programme.

5.5   Research contributions

In order to consider the study successful it is important to ensure its contribution for network members and for its academic audience.

5.5.1 Research contribution to network members

Networking is seen as an opportunity to gain benefits for the company and to contribute to overall destination development. With the help of literature review, this study explains positive benefits that entrepreneurs might perceive while participating in business networks. The study provides network members with a strong theoretical framework in order to improve business relationships.

Secondary data analysis demonstrates legal possibilities to join networks while creating associations. Therefore, it demonstrates opportunities for

potential members to join networks. Moreover, analysis of National Tourism Development Programme and EU funding disclose possibilities for collaboration improvement. So entrepreneurs could attempt to influence the decisions of municipalities and counties in order to improve businesses environment.

Members of the researched destinations learn about the importance of common actions in order to develop their destination as a whole. For instance, formal and informal meetings to share ideas and ambitions might contribute to development of personal businesses as well as the entire destination.

5.5.2 Research contribution to theoretical framework

The work of Mitchell (1969), Szarka (1990), Gambetta (1988), Sako (1992) and O'Donnell et. all (2001), Welter (2012) provided a strong theoretical foundation for this research. Moreover, analysis and findings of this study provide additional support to the relationships between trust, market orientation, innovativeness and performance of companies while developing the whole destination.

The scientific contribution of this research is the establishment of relationship of market orientation and trust on innovativeness and performance. To our knowledge this is the first of its kind in the strategy and entrepreneurship literatures in simultaneously connecting these factors (MO and Trust impacts on Innovativeness and performance) into an explanatory framework. The original hypothesis was disconfirmed only to the extent that the trust to innovativeness relationship proved to be negative, which is an interesting, unexpected finding

Results of the dissertation highly contribute to the destinations' dependency on the institutional context. Market orientation, trust, innovativeness and performance within it might be developed to a particular level only if administrational structure of the tourism industry and legislations support collaboration among companies. Recently, low level of institutional support have had negative consequences to tourism sector.

5.6 Recommendations for further research

Several ways of future research would add to our understanding of the role of trust, market orientation on innovativeness and performance. First, it would be informative to include other characteristics, in addition to the concepts which were used in this research, to expand the understanding aspects influencing innovativeness and performance. These additions to the model would include learning orientation or commitment of companies, which could give the additional viewpoint of companies' managerial perceptions. Second, case research of individual entrepreneurs mental models could be implemented. It would give an understanding of perceived values, which could add a sense of reality to our understanding of factors that influence innovativeness and performance. It may be useful to have entrepreneurs to indicate and describe those factors, which in their eyes have influence on dependent constructs, or how they perceive trust and market orientation. Also, it would be interesting to investigate if the results of this research hold in qualitative case studies. Third, it would be useful to extend the study by development of trust measures in order to have deeper viewpoint of the fragile construct, and main circumstances that influence it. What is the process of trust development in relation to the region (e.g. what are the exact factors that influence trust development in SME?)? Maybe it would be possible to identify the conditions and aspects which influence trust either positively or negatively. The fourth point would be to study companies' specialization strategy (in hotels, catering companies, spas etc.) and impacts of this differentiation on market orientation, trust, innovativeness; the companies´ performance and their contribution to overall development of the destination. The fifth topic of interest is comparative research that would include all Lithuanian companies operating in tourism industry, and to compare results between all Baltic countries. This could give a more clear insight into whether research findings depend on the cultural aspects (e.g. post-socialist cultural background), regional viewpoint or other circumstances. These contextual aspects could reveal how perceptions differ across and between cultures.

Nevertheless, there is a wide range of topics of interest. In post doctoral studies the main aim may be implementation of case research of individual entrepreneurs to investigate if the results of recent research hold in

qualitative cases. We could focus on explanatory perceptions of trust and market orientation influences on innovativeness and performance of companies. The companies and entrepreneurs should be chosen for the research based on the existing data collected in Lithuania, where the primary research was implemented. These qualitative studies may be implemented within the Experience Stratos partner countries, eg. in Finland, Sweden, The USA, and Turkey. It would be of strategic importance as well as of practical interest to observe and compare mental perceptions of entrepreneurs.

In case of Lithuanian enterprises trust influence on innovativeness was low, negative and significant. But the findings also revealed that the more Lithuanian entrepreneurs trust each other the less innovative solutions they adopt in their business. Furthermore, it is also important to do qualitative research to follow evolution of inter-organizational networks. This is vital to the efficiency and resiliency of the tourism industry in general, and for the local destinations in particular. This should also become a longitudinal undertaking. The data may be collected with personal, structured interviews with the possibility to return to re-interview the same person within the next few years. Information received from respondents would be kept with strict confidence in appropriate records, where no individual answers would be unveiled unless there would be a contract that allows it.

Such research would give a better understanding and would give an opportunity to explain interrelations and influences of decision makers, market orientation related cognitions, their motives to cooperate, and how these cognitions influence the perceptions of trust, innovativeness and the overall success in cooperation of tourism destination networks. The proposed approach could go even beyond motives and would extend to indentifying business requirements and the conditions under which individuals in companies make decisions. Moreover, a stream of individual and co-authored scientific journal publications would be created, which could contribute to understanding of entrepreneurs' decision making in cultures which have market oriented perception recently adopted to their markets. Moreover, during the following years the theoretical framework and research scope in market and developing countries could be continuously developed.

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APPENDICES

Appendix 1 The tentative model forming the null hypothesis of the doctoral study and reiview of results
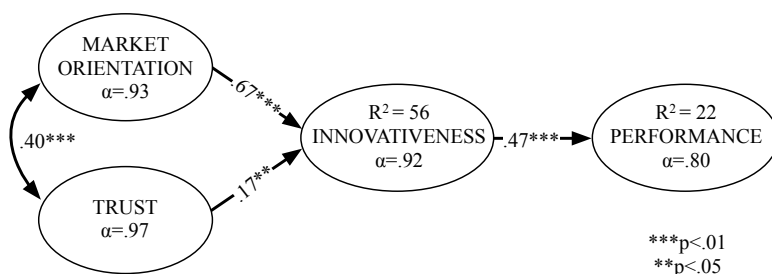

FIGURE 1. Hypotherical model (Source: Ruibyte, E., Haahti, A., and Pesämaa, O., Proceedings of Rencontres de St Gallen, 2010).

The assessment of the study results collected in Lithuania, Finland and Sweden was developed by calculating the reliability of four sample representatives' constructs: Market Orientation (MO), Trust, Innovativeness and Performance. The reliability of every construct was calculated separately. This guideline was met and each subpart presents high reliability: MO reliability (Cronbach α) is 0.93, Trust α=0.97, Innovativeness α= 0.92 and Performance α=0.80. Overall, all four constructs met established guidelines and confirmed their reliability. This demonstrates that all sample representatives in the every construct are reliable, relevant for its subpart.

The fact that reliability is higher than 0.7 gives the opportunity to consider correlation factors of the four constructs. The higher the correlations between items of a subpart (scales), the better it measures the same underlying construct. Results indicate that Market orientation is positively and significantly related to Innovativeness (regression coefficient b=0.67***; p<0.01) and Trust (b=0.40***; p<0.01). Moreover Trust is significantly related to Innovativeness (b=0.17**; p<0.05). Innovativeness is also significantly related to Performance (b=0.47***; p<0.01).

The results indicate that there are strong relationship between Market Orientation, Trust, Innovativeness and Performance. This suggests that within network

entrepreneurs should focus on all four constructs, which could be one of the reasons for network development.

This study confirms results of Pelham (2000) that market orientation is strongly related with performance. Business performance in the network is related not only with market orientation, but also with trust and innovativeness. These factors complement each other as relatively nascent tourism businesses develop their services and performance.

Appendix 2 Experience Stratos projects and sub-projects

CUSTOMER PERSPECTIVE
1. Image and positioning enterprises, destinations, regions, nations.
   2.a. Quality destination services;
   2.b. E-quality in destinations management;
   2.c. Recovery Service Loss.
3. Comparative Modelling Attitudes;
   3.a. Intentions to start a new enterprise – attitudes students toward entrepreneurship – comparisons in student populations;
   3.b. Residents attitudes toward tourism impacts on the local human ecosystem.
CONTENTS STRATEGIC BEHAVIOUR I.E. MANAGEMENT PERSPECTIVE
4. Commitment, trust and loyalty in destination networks.
5. Growth in family firms: characteristics, strategic orientations and generation shift impacts on growth;
6. Managerial value orientations and ethical management;
7. Competitiveness resources, entrepreneurial orientations and impacts on performance;
8. Experience designs and emerging views to new business models in destinations network.
COMMUNITY AND CONTEXTS PERSPECTIVE
9. Competitiveness destinations and regions;
10. Human ecosystems and human ecology in tourism;
11. Search identity and identity economies: resilient adaptation SMTEs and destinations in varying contexts;
12. Trust in business relationships, paths to entrepreneurship, innovation and diffusion innovation.

Appendix 3 Questionnaire

Trust – seven items (Not important at all to Very important 7-point scale)
In considering <u>trust</u>, what would you say about the following:
Q8A. How important is it that your <u>network partner(s)</u> is honest and truthful with you?
Q8B. How important is it that you have confidence in your network partner(s)?
Q8C. How important is mutual trust in developing a relationship with your network partner(s)?
Q8D. How important is it that network partner(s) not try to take advantage your relationship to benefit their company?
Q8E. How important is it that you are not negatively surprised by your network partners' actions?
Q8F. How important is it that you can rely on your network partner(s), because you know he/she shares your values?
Q8G. How important is it that network partners share your values?

Market Orientation – ten items (Disagree to Completely Agree 7-point scale)
In considering <u>market orientation</u> would you say that within the destination network your <u>partners</u> generally:
Q17A. meet with guests visiting your destination to identify what services are needed in the future
Q17B. interact directly with guests to learn how to serve customers better
Q17C. ten conduct market research
Q17D. quickly identify guests preferences
Q17E. survey guests at least once a year to assess quality
Q17F. share survey results with those who can respond favourably to guests
Q17G. collect information about the tourism industry by many informal lunch meetings with e.g other destination network partners, travel agencies and trade partners
Q17H. are quick to identify fundamental changes in guests' leisure preferences
Q17I. are independently involved in developing intelligence about guests
Q17J. periodically review changes in guests preferences

Innovativeness – nine items (Disagree to Completely Agree 7-point scale)
In considering the <u>innovativeness</u> your network would you say that within the destination network the <u>partners</u>:
Q16A. develop new products quickly
Q16B. improve existing products quickly
Q16C. have adopted new administrative systems to control the network's operations
Q16D. are good at identifying tourists' needs
Q16E. are good in managing financing your network
Q16F. are good in dealing with governmental and other external agencies
Q16G. quickly identifying new sources supply
Q16H. respond quickly to complaints by tourists
Q16I. take good care their employees

Performance – six items (Disagree to Completely Agree 7-point scale)

In considering <u>performance your firm</u>, what would you say about following:

Q15A. Your sales have increased very much in the last three years.

Q15B. Your reputation has improved very much.

Q15C. You have many new products.

Q15D. You have become very efficient in commercializing new products.

Q15E. Your prits are increasing fast.

Q15F. Your number employees is increasing quickly.

Trust – seven items (Not important at all to Very important 7-point scale)

In considering <u>trust</u>, what would you say about the following:

~~Q8A. How important is it that your <u>network partner(s)</u> is honest and truthful with you?~~

~~Q8B. How important is it that you have confidence in your network partner(s)?~~

~~Q8C. How important is mutual trust in developing a relationship with your network partner(s)?~~

~~Q8D. How important is it that network partner(s) not try to take advantage your relationship to benefit their company?~~

Q8E. How important is it that you are not negatively surprised by your network partners' actions?

Q8F. How important is it that you can rely on your network partner(s), because you know he/she shares your values?

Q8G. How important is it that network partners share your values?

Market Orientation – ten items (Disagree to Completely Agree 7-point scale)

In considering <u>market orientation</u> would you say that within the destination network your <u>partners</u> generally:

Q17A. meet with guests visiting your destination to identify what services are needed in the future

Q17B. interact directly with guests to learn how to serve customers better

Q17C. ten conduct market research

~~Q17D. quickly identify guests preferences~~

~~Q17E. survey guests at least once a year to assess quality~~

Q17F. share survey results with those who can respond favourably to guests

Q17G. collect information about the tourism industry by many informal lunch meetings with e.g other destination network partners, travel agencies and trade partners

~~Q17H. are quick to identify fundamental changes in guests' leisure preferences~~

~~Q17I. are independently involved in developing intelligence about guests~~

Q17J. periodically review changes in guests preferences

Innovativeness – nine items (Disagree to Completely Agree 7-point scale)

In considering the <u>innovativeness</u> your network would you say that within the destination network the <u>partners</u>:

~~Q16A. develop new products quickly~~

~~Q16B. improve existing products quickly~~

~~Q16C. have adopted new administrative systems to control the network's operations~~

~~Q16D. are good at identifying tourists' needs~~

Q16E. are good in managing financing your network
Q16F. are good in dealing with governmental and other external agencies
Q16G. quickly identifying new sources supply
Q16H. respond quickly to complaints by tourists
Q16I. take good care their employees

Performance – six items (Disagree to Completely Agree 7-point scale)
In considering <u>performance your firm</u>, what would you say about following:
Q15A. Your sales have increased very much in the last three years.
Q15B. Your reputation has improved very much.
Q15C. You have many new products.
Q15D. You have become very efficient in commercializing new products.
Q15E. Your prits are increasing fast.
Q15F. Your number employees is increasing quickly.