

# MARKET ORIENTATION AND HOTEL PERFORMANCE: EXPLORING THE MEDIATING ROLE OF SERVICE INNOVATION

## Abstract

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*Purpose* – This study examines the mediating role of service innovation in the relationship between market orientation and hotel performance within Ghana’s hospitality industry, using the resource-based view (RBV) as a theoretical foundation.

*Methodology* – A quantitative research approach was adopted, with data collected through a structured survey targeting managerial staff in Ghanaian hotels. A total of 200 valid responses were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) to test the hypothesized relationships.

*Findings* – The results indicate that market orientation positively influences hotel performance and that service innovation significantly mediates this relationship. Hotels that effectively implement market-oriented strategies and foster service innovation gain a competitive advantage and enhance overall performance.

*Originality of the Research* – This study is among the first to empirically validate the mediating role of service innovation in the market orientation–performance link within Ghana’s hotel industry. It offers valuable insights for hotel managers on the need for continuous innovation and contributes to the theoretical understanding of how market orientation translates into superior performance through service innovation.

**Keywords** Market Orientation, Performance, Service Innovation, Hotel Industry, Ghana.

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## INTRODUCTION

The hotel industry in Ghana operates in a highly competitive and dynamic environment characterized by fluctuating customer preferences, economic instability, and increasing pressure to enhance service quality. Market orientation, which involves a firm’s ability to generate, disseminate, and respond to market intelligence, has been widely recognized as a key driver of firm performance (Mathafena & Msimango-Galawe, 2023; Kurniawan et al. 2021). Market orientation is defined as an organizational culture and strategic approach that prioritizes customer needs, competitor intelligence, and inter-functional coordination to create superior value for customers (Narver & Slater, 1990; Kohli & Jaworski, 1990). However, the extent to which market orientation influences firm performance in Ghana’s hotel sector remains underexplored, particularly in the face of challenges such as inconsistent tourist arrivals, high operational costs, and weak service differentiation (UNWTO, 2023). While previous studies have examined market orientation in developed economies (Narh et al. 2023; Frimpong et al., 2025), their applicability to developing markets like Ghana, where hotels struggle with limited infrastructure, regulatory uncertainties, and intense competition from informal accommodation providers, remains unclear. Understanding how market orientation drives firm performance in this unique context is crucial for developing strategies that ensure competitiveness and long-term sustainability.

Service innovation, which refers to the introduction of new or improved service offerings, processes, or business models, has been identified as a key mechanism through which market-oriented firms enhance their performance (MS et al. 2022; Ma et al. 2021).

In Ghana's hotel industry, where customer expectations are evolving rapidly due to globalization and digital transformation, service innovation may serve as a key mediator in the relationship between market orientation and firm performance. Hotels that proactively leverage market insights to develop innovative services such as personalized guest experiences, digital booking platforms, and eco-friendly hospitality practices are more likely to achieve higher customer satisfaction, increased occupancy rates, and improved financial performance (Srivastava & Kumar, 2021). However, empirical research on the mediating role of service innovation in this relationship is limited, particularly in the context of Ghana's hospitality sector, where financial constraints, technological gaps, and resistance to change often hinder service innovation efforts (Opoku et al. 2024).

Despite extensive research on market orientation and firm performance, existing literature lacks a clear understanding of how service innovation mediates this relationship in emerging economies, especially in sub-Saharan Africa. Most studies on market orientation have been conducted in Western contexts, where firms operate in relatively stable environments with advanced technological capabilities and strong institutional support (Ipek & Tanyeri, 2021). In contrast, hotels in Ghana face unique challenges, including limited access to skilled labor, inconsistent regulatory enforcement, and vulnerability to external shocks such as currency depreciation and inflation (Ghana Tourism Authority, 2023). Although previous studies in sub-Saharan Africa have explored market orientation among SMEs and manufacturing firms (Akomea et al., 2023; Bamfo, & Kraa, 2019), and some have touched on the broader service sector (Adomako, 2024), very few have focused on the hospitality industry, where customer experience and service innovation are central to value creation. Unlike prior studies that generalize across sectors or countries, this study zooms in on the Ghanaian hotel industry a vital but understudied segment offering context-specific insights into how service innovation acts as a strategic lever within market-oriented practices. By empirically examining this mediating role in a highly volatile and informally competitive setting, the study provides a distinct contribution that bridges the gap between general market orientation theories and the nuanced realities of tourism-based service firms in under-researched African markets.

This study seeks to fill this gap by investigating the impact of market orientation on firm performance in Ghana's hotel industry, with a specific focus on the mediating role of service innovation. By examining this relationship, the study contributes to the existing body of knowledge by providing empirical evidence on how hotels in a volatile market can effectively implement market-oriented strategies to drive innovation and improve performance. Furthermore, it offers practical implications for hotel managers and policymakers, highlighting the need for targeted interventions that foster a culture of market responsiveness and service innovation. The findings will be particularly relevant for stakeholders seeking to enhance the competitiveness and sustainability of Ghana's hospitality sector in an increasingly uncertain global landscape.

## 1. LITERATURE REVIEW

### 1.1. Theoretical outlook and hypothesis development

This study is anchored in the Resource-Based View (RBV), which emphasizes that a firm's competitive advantage is derived from its internal resources, particularly those that are valuable, rare, inimitable, and non-substitutable (VRIN) (Barney & Clark, 2007). In the context of Ghana's hotel industry, market orientation serves as a key intangible resource that enables firms to gather, interpret, and respond effectively to market intelligence, ultimately enhancing firm performance. By leveraging market knowledge, hotels can differentiate themselves in a highly competitive environment, improve customer satisfaction, and achieve superior financial outcomes. Given the industry's challenges, such as infrastructural deficits and fluctuating demand, RBV provides a useful framework for understanding how internal capabilities contribute to sustainable success.

Service innovation further strengthens this relationship by acting as a dynamic capability that helps firms translate market insights into actionable improvements in service offerings, processes, and business models (Teece et al. 1997). In line with RBV, service innovation enables hotels to adapt to changing customer expectations, enhance operational efficiency, and sustain long-term growth. This study applies RBV to explore how market orientation and service innovation function as strategic resources that drive firm performance in Ghana's hospitality sector. By examining these relationships, the research contributes to the broader strategic management literature, offering insights into how hotels in emerging economies can leverage their internal resources to navigate market complexities and remain competitive.

### 1.2. Market Orientation and hotel Performance

Market orientation is a critical factor influencing firm performance, allowing businesses to align their strategies with market demands and competitive dynamics. It is defined as a business culture that emphasizes customer orientation, competitor orientation, and inter-functional coordination (Narver & Slater, 1990), contributing to superior performance outcomes such as higher profitability and competitive advantage (Rua & Santos, 2022; Correia, Dias, & Teixeira, 2021). By leveraging market intelligence, firms can proactively adapt to shifting consumer preferences, fostering sustained growth (Rua & Santos, 2022). This study adopts a comprehensive approach, integrating all three dimensions of market orientation to assess its impact on hotel performance in Ghana.

Despite its advantages, excessive market adaptation without innovation can negatively impact firm performance by increasing operational inefficiencies, financial burdens, and strategic instability (Wang & Thai, 2024). In the hotel and tourism sector, frequent adjustments to services and pricing may lead to brand inconsistency and reactive strategies rather than proactive differentiation. SMEs in emerging economies like Ghana also face financial and structural challenges that limit their ability to fully implement market-oriented strategies. However, research suggests that balancing market adaptation with strategic innovation enhances competitiveness and resilience in volatile markets (Akomea et al.2023; Abebrese, 2023). Therefore, this study proposes the following hypothesis:

H1: Market orientation is positively associated with hotel performance.

### 1.3. Market Orientation and Service Innovation

Market orientation plays a vital role in driving service innovation by enabling firms to develop customer-centric solutions and maintain competitiveness in dynamic markets. It consists of three key dimensions—customer orientation, competitor orientation, and inter-functional coordination—that contribute to an organization’s ability to innovate (Narver & Slater, 1990). While service innovation is widely recognized as a key driver of firm performance, market orientation serves as the foundation that enables firms to identify, develop, and implement innovative services effectively. Rather than treating service innovation as an independent starting point, this study argues that market orientation provides the strategic framework through which firms gather market intelligence, anticipate customer needs, and cultivate innovation (Tai et al. 2021; Khan, 2024).

The link between market orientation and service innovation is strengthened by competitive insights and cross-functional collaboration, which enable firms to adopt best practices and differentiate their services (Chen et al.2021). In resource-constrained economies like Ghana, market-oriented SMEs leverage limited resources to develop cost-effective service innovations, leading to improved performance and customer retention (Basu & Bhola, 2022; Rajagopal & Rajagopal, 2021). Therefore, this study positions market orientation as the theoretical foundation driving service innovation, which in turn enhances firm performance. Understanding this relationship deepens the theoretical contribution of this research by demonstrating how market-oriented firms transform market intelligence into innovative service offerings. Thus, it is proposed that:

H2: Market orientation is positively associated with service innovation.

### 1.4. Service Innovation and hotel Performance

Service innovation is a key driver of firm performance, enabling businesses to enhance efficiency, differentiate from competitors, and improve customer satisfaction. It involves the development and implementation of new or improved service concepts, delivery mechanisms, or business models that create value for both firms and customers (Raddats et al.2022). Research has consistently shown that firms investing in service innovation experience superior business outcomes, including increased profitability, market share, and customer retention (Nwachukwu & Vu, 2022; Hajar et al., 2022). This is particularly crucial in the hospitality industry, where customer expectations are continuously evolving, requiring hotels to introduce innovative solutions to maintain a competitive advantage (Hidayat et al., 2024). Moreover, service innovation plays a crucial role in fostering customer engagement, strengthening brand loyalty, and ensuring long-term business sustainability (Mohammed, 2023).

While service innovation generally enhances firm performance, its impact can vary based on resource availability, technological readiness, and organizational adaptability. In emerging economies such as Ghana, firms often face financial and infrastructural constraints that limit their ability to develop and implement innovative service offerings. However, studies indicate that technological advancements and digital transformation can mitigate these challenges by streamlining operations, reducing costs, and improving service quality (Duraivelu, 2022). Additionally, service innovation enables firms to navigate market uncertainties and adapt to changing consumer needs, ultimately strengthening their competitive positioning (Mathew et al. 2021). By integrating service innovation as a core strategic approach, hotels in Ghana can enhance guest experiences, increase operational efficiency, and sustain long-term profitability. Therefore, this study proposes the following hypothesis:

H3: Service innovation is positively associated with hotel performance.

### 1.5. The Mediating Effect of Service Innovation

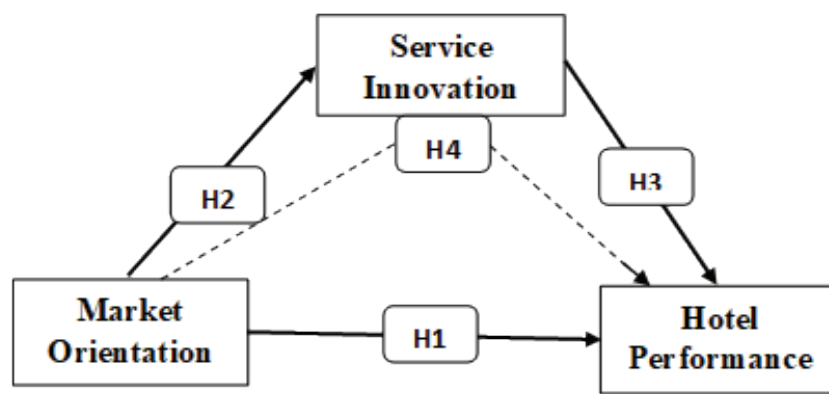
Service innovation serves as a crucial mechanism through which market orientation enhances firm performance, acting as the transformative link between market intelligence and competitive advantage. Market-oriented firms actively gather insights on customer preferences, competitor strategies, and industry trends to develop innovative services that drive differentiation and long-term success (Narver & Slater, 1990; Vierula, 2024). Rather than a direct causality between market orientation and firm performance, service innovation facilitates this relationship by converting market knowledge into practical, value-creating service offerings (Chen & Huan 2022). This perspective aligns with the resource-based view (RBV), which emphasizes that firms gain a competitive edge by leveraging unique capabilities such as market-driven innovation to enhance service quality and operational efficiency (Daneshvar Kakhki & Nemati, 2022; Sultana et al., 2024).

Empirical evidence supports the mediating role of service innovation in the market orientation–performance relationship. Studies indicate that market-oriented firms are more likely to engage in service innovation, leading to improved customer satisfaction, loyalty, and revenue growth (De Toni et al., 2022; Juárez-Varón & Monreal, 2025). This is particularly relevant in the hospitality sector, where service differentiation is key to attracting and retaining guests. For SMEs operating in resource-constrained environments such as Ghana, service innovation helps translate market intelligence into tangible performance improvements despite financial and structural limitations (Chen & Huan, 2022). By strategically integrating service innovation into their market-oriented approaches, hotels can achieve sustainable competitive advantages and drive long-term profitability. Therefore, this study proposes the following hypothesis:

H4: The relationship between market orientation and hotel performance is mediated by service innovation.

## 1.6. The Conceptual Model

Figure 1: Conceptual Model of the Study



## 2. METHODOLOGY

### 2.1 Sample and Data Collection

This study employed a quantitative research approach to investigate the Ghanaian hospitality industry, focusing on the relationship between market orientation, service innovation, and firm performance. The hospitality sector was selected due to its substantial contribution to Ghana's economic growth, employment generation, and national revenue. Its dynamic and competitive nature necessitates continuous innovation and strategic adaptation, making it an ideal context for examining market-driven business practices. Improving service quality remains essential for firms in this sector to meet evolving customer expectations and sustain long-term growth.

The study specifically focused on the Ashanti Region, with particular attention to Kumasi-Ghana's second-largest city and a major commercial and cultural hub. This region was selected due to its centrality in Ghana's tourism and hospitality landscape. According to the Ghana Statistical Service (2024), there are 225 registered hotels in Kumasi, ranging from budget lodges to high-end establishments. In addition to its hotel concentration, the Ashanti Region has experienced notable growth in domestic and cultural tourism, driven by its historical significance, including landmarks such as the Manhyia Palace and annual traditional festivals. Recent data from the Ghana Tourism Authority (2023) and Ministry of Tourism, Arts and Culture (2023) indicate that the region recorded a steady increase in domestic tourist arrivals between 2019 and 2023, with an annual growth rate averaging 6.5%, primarily due to cultural heritage attractions and improved promotional campaigns. Moreover, the region has shown increasing adoption of digital platforms and localized service innovations in hospitality compared to other regions (Ghana Tourism Authority, 2023), making it an ideal setting to examine how market orientation and innovation strategies impact firm performance in a culturally vibrant and economically active environment. This diversity offers a broad representation of Ghana's hotel sector and ensures that the findings can be reasonably generalized to similar urban settings across the country. A total of 200 respondents participated in the survey, drawn from 150 different hotel establishments within Kumasi. Each hotel contributed between one and three respondents, depending on staff availability and willingness to participate. Respondents included hotel managers, marketing officers, and front-desk supervisors key personnel with relevant insights into their firms' market orientation and service innovation strategies. This sampling approach ensured that data were collected from knowledgeable individuals capable of providing informed responses regarding firm-level practices and performance.

To ensure the reliability and validity of the research instruments, a five-point Likert scale was employed, with some modifications to align with industry-specific requirements. Prior to data collection, the measurement scales were refined through discussions with industry practitioners in a workshop setting. A pilot study was conducted to test the questionnaire's clarity and effectiveness, and necessary revisions were made based on feedback.

The final data collection involved the distribution of 320 questionnaires to managerial staff in hospitality firms across the Ashanti Region using a simple random sampling approach. Respondents provided informed consent before participation. A total of 223 questionnaires were returned, but 23 were excluded due to incomplete responses, resulting in a final sample of 200 valid responses for analysis.

## 2.2. Measures

This study developed its measurement scales based on insights from previous research. Scale items were initially designed using established measures from prior studies and refined through discussions with industry experts in a workshop. Following a systematic evaluation in a pilot study, the scale items were further assessed using exploratory factor analysis to ensure content validity.

Market orientation was measured using the scale developed by Narver and Slater (1990). Service innovation and hotel performance were assessed using adapted measures from Agarwal et al. (2003) and Samiee and Roth (1992), respectively. Before finalizing the questionnaire, both face validity and content validity were examined. Experts in the relevant field were invited to review the questionnaire, and their feedback was incorporated to enhance clarity and reliability before conducting the pilot study. This study did not include control variables such as hotel size or age because its primary focus was on the direct and mediating effects of market orientation and service innovation on hotel performance. External factors like tourist arrivals and operational costs may impact the industry but do not alter the core relationships examined in this study.

## 2.3. Statistical Tool

This study employed Partial Least Squares Structural Equation Modeling (PLS-SEM) using Smart PLS (version 4) to test the hypotheses. PLS-SEM is particularly suitable for analyzing primary data in exploratory research (Hair, Risher, Sarstedt, & Ringle, 2019). The analysis followed a two-step approach: (1) evaluating the measurement model and (2) assessing the structural model, as illustrated in Figure 2. To address potential Common Method Bias (CMB), a full collinearity test was conducted using the Variance Inflation Factor (VIF), with a threshold of 3.3. Since all VIF values in this study were below 3.3, CMB was not a concern.

Despite these statistical controls, relying on self-reported data from managerial-level respondents introduces potential practical biases. Respondents may unintentionally overstate their firm's market orientation, service innovation, or performance due to social desirability bias, common rater effects, or subjective perceptions (Podsakoff et al. 2012). To mitigate these risks, the study assured respondent anonymity, emphasized the importance of honest reporting, and aligned findings with existing literature.

## 2.4. Data Analysis and results

To assess the measurement model in PLS-SEM, this study evaluated factor loadings to ensure internal item consistency. The PLS-SEM measurement model is presented in Figure 2, with results summarized in Table 1. A minimum threshold of 0.5 was used to retain scale items, following the recommendations of Hair et al. (2014). The findings indicate that all retained items have factor loadings above 0.5, aligning with the threshold suggested by Wong, (2013). Additionally, PLS bootstrapping, a crucial step in PLS-SEM, was conducted to examine relationships between variables (Hair et al. 2014; Hair et al., 2012). As shown in Figure 2 and Table 3, bootstrapping was performed on 200 cases, with results interpreted based on t-values and beta coefficients.

## 3. RESULTS

### 3.1. Demographic profile

The demographic profile of the respondents revealed that out of 200 participants from the Ashanti region, 121 (60.5%) were male, and 79 (39.5%) were female. In terms of age distribution, 15.5% (31 respondents) were between 21 and 30 years, 33.5% (67 respondents) were aged 31 to 40 years, while the majority, 51% (102 respondents), fell within the 41–50 years category. Regarding marital status, 21.5% (43 respondents) were single, whereas 78.5% (157 respondents) were married. In terms of job positions, 36.5% (73 respondents) were managing directors, while 63.5% (127 respondents) were employees or staff members of various firms. Concerning educational qualifications, 84.5% (169 respondents) held a diploma or degree, whereas 15.5% (31 respondents) did not possess a diploma or degree.

### 3.2. Validity and Reliability of Results

To assess the reliability of the constructs, this study employed Cronbach's alpha and Composite Reliability (CR), following the recommendations of Bacon et al. (1995) and Peterson and Kim (2013). According to the literature, both Cronbach's alpha and CR values should exceed the threshold of 0.7 to ensure reliability. As shown in Table 1, all values meet this criterion. Furthermore, Fornell and Larcker (1981) emphasized that convergent validity should be established using the Average Variance Extracted (AVE), which must be greater than 0.5. Table 1 confirms that all AVE values exceed this threshold, demonstrating adequate convergent validity.

Table 1: **Reliability and Validity Factor Loadings**

Research Constructs	Cronbach's Alpha	CR	AVE	Rho_A	Loadings
<b>Firm Performance</b>	0.949	0.964	0.869	0.953	
FP1: Our hotel has achieved consistent revenue growth over the past three years.					0.872
FP2: Our hotel has a strong competitive position in the market.					0.946
FP3: Our hotel effectively meets customer expectations and ensures high satisfaction.					0.967
FP4: Our hotel has improved its operational efficiency and overall performance.					0.941
<b>Market Orientation</b>	0.944	0.959	0.855	0.944	
MO1: Our hotel regularly collects and analyzes customer feedback to improve services.					0.940
MO2: Our hotel responds quickly to changes in customer preferences and market trends.					0.919
MO3: Our hotel actively monitors competitors to enhance our competitive advantage.					0.927
MO4: Our hotel encourages inter-departmental collaboration to better serve customers.					0.912
<b>Service Innovation</b>	0.915	0.941	0.799	0.918	
SI1: Our hotel frequently introduces new and improved services to enhance customer experience.					0.943
SI2: Our hotel adopts innovative technologies to improve service delivery.					0.943
SI3: Our hotel regularly updates service processes to increase efficiency and effectiveness.					0.884
SI4: Our hotel encourages staff to propose and implement new service ideas.					0.910

Source: Field data (2024)

### 3.3. Descriptive statistics

The descriptive statistics indicate that Market Orientation has the highest mean ( $M = 0.854$ ) and the lowest standard deviation ( $SD = 0.013$ ), reflecting a high and consistent emphasis among firms. Firm Performance, on the other hand, shows the lowest mean ( $M = 0.296$ ), suggesting greater variability across firms. Service Innovation also demonstrates a moderately high mean ( $M = 0.578$ ) and standard deviation ( $SD = 0.055$ ). The correlation coefficients reveal strong positive relationships among the variables, with Firm Performance being strongly associated with both Service Innovation ( $r = 0.831$ ) and Market Orientation ( $r = 0.790$ ). This implies that higher levels of market orientation and service innovation are linked to improved firm performance. Table 2 presents the detailed means, standard deviations, and intercorrelations among the main variables.

Table 2: Descriptive statistics

Variable	Mean	SD	Firm Performance	Market Orientation	Service Innovation
<b>Firm Performance</b>	0.296	0.061	1.000		
<b>Market Orientation</b>	0.854	0.013	0.790	1.000	
<b>Service Innovation</b>	0.578	0.055	0.831	0.854	1.000

Note: Correlation coefficients are shown above the diagonal. All correlations are significant at  $p < 0.01$ .

Source: Field data (2024)

### 3.3. Discriminant Validity and Heterotrait-Monotrait (HTMT) Ratios

Discriminant validity was assessed using the Heterotrait-Monotrait (HTMT) ratio of correlations, which is considered a more reliable approach than the traditional Fornell and Larcker (1981) criterion. While the Fornell-Larcker method suggests that the square root of the Average Variance Extracted (AVE) for each construct should exceed the correlations with other constructs, this study adopted the HTMT method due to its superior sensitivity in detecting discriminant validity issues. The HTMT results indicated that the majority of construct pairs had values below the threshold of 0.85, demonstrating acceptable discriminant validity. These results are presented in Table 3, confirming that the constructs are empirically distinct. Additionally, Table 4 presents the cross-loadings, showing that each variable loaded highest on its intended construct compared to others, further supporting discriminant validity.

Table 3: Discriminant Validity and Heterotrait-Monotrait (HTMT) Ratios of Correlation

	1	2	3
<b>Firm Performance</b>	<b>(0.932)</b>		
<b>Market Orientation</b>	0.790	<b>(0.925)</b>	
<b>Service Innovation</b>	0.831	0.854	<b>(0.894)</b>
Construct (HTMT)	1	2	3
<b>Firm Performance</b>			
<b>Market Orientation</b>	0.834		
<b>Service Innovation</b>	0.823	0.896	

Note. Values on the diagonal (bold) are square root of the average variance extracted

Note. HTMT ratios are good if  $< 0.90$ , best if  $< 0.85$ .

Table 4: Cross Loadings

	Firm Performance	Market Orientation	Service Innovation
FP1	0.872	0.689	0.703
FP2	0.946	0.755	0.821
FP3	0.967	0.744	0.793
FP4	0.941	0.757	0.777
MO1	0.768	0.940	0.805
MO2	0.726	0.919	0.750
MO3	0.690	0.927	0.788
MO4	0.738	0.912	0.813
SI1	0.797	0.808	0.943
SI2	0.792	0.678	0.834
SI3	0.673	0.747	0.884
SI4	0.705	0.814	0.910

Source: Field data (2024).

### 3.4. Coefficients of Determination (R<sup>2</sup>) and adjusted R<sup>2</sup> (R<sup>2</sup> adj.)

The R-square statistic measures the proportion of variance in the dependent variable that can be explained by the independent (exogenous) variables. Liao and McGee's (2003) model on firm performance and service innovation demonstrates strong predictive accuracy, with adjusted R-square values of 0.713 and 0.728, as presented in Table 5.

Table 5: Evaluation of the structural model and Coefficients of determination (R<sup>2</sup>) and R<sup>2</sup> adjusted

	R Square	R Square Adjusted
<b>Firm Performance</b>	0.715	0.713
<b>Service Innovation</b>	0.729	0.728

R<sup>2</sup>= determination coefficient

### 3.5. Model Fit Summary

The fit indices of the proposed model align with conventional standards (Bagozzi & Yi, 2012), showing a Chi-Square value of 558.683, an NFI of 0.867, and an SRMR of 0.054, as outlined in Table 6. These values indicate an acceptable model fit, suggesting that the proposed framework adequately represents the observed data. Additionally, the NFI value approaching 0.90 and the SRMR below the recommended threshold of 0.08 further support the model's robustness.

Table 6: Model Fit Summary

	Saturated Model	Estimated Model
SRMR	0.054	0.054
d_ ULS	0.230	0.230
d_ G	0.359	0.359
Chi-square	558.683	558.683
NFI	0.867	0.867

Source: Field data (2024)

Figure 2: Results of the PLS Structural Model

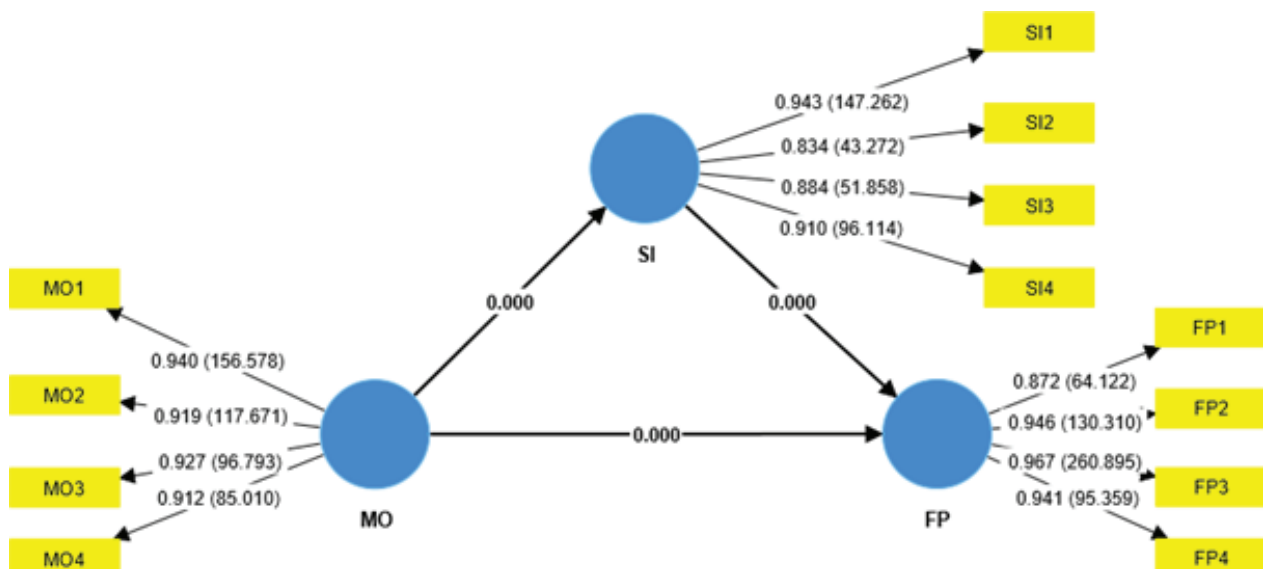


Table 7: Structural Analysis

	Hypothesis	Path coefficients	T-Statistics	P-Values	Decision
MO → FP	H1	0.298	4.928	0.000	Supported
MO → SI	H2	0.854	63.486	0.000	Supported
SI → FP	H3	0.576	10.422	0.000	Supported
MO → SI → FP	H4	0.492	9.732	0.000	Supported

Source: Field data (2024). Note: Market orientation (MO), Service innovation (SI) and Firm Performance (FP).

\*Significance at  $p < 0.05$ ; \*\*Significance at  $p < 0.01$ ; \*\*\* Significance at  $p < 0.001$ .

### 3.4. Discussion

This research assesses the impact of market orientation on firm performance and its mediating role in service innovation. The table 7 and figure 2 illustrates the results of hypothesis testing regarding the association between each factor. The study's results ( $\beta = 0.298$ ,  $t = 4.928$ ,  $p = 0.000$ ) indicate that market orientation significantly and positively influences firm performance, supporting H1. This finding aligns with existing literature, which underscores the importance of market orientation in driving business success. Shahzad et al. (2024) and Alghamdi, & Agag, (2024) assert that market-oriented firms gain a competitive advantage by proactively understanding and responding to customer needs, competitor strategies, and market trends. Shahzad, Javed, & Zahid, (2024) further confirm that firms embracing market orientation experience improved profitability, customer satisfaction, and long-term sustainability. Additionally, a meta-analysis by Alqahtani et al. (2024) validates the strong positive relationship between market orientation and firm performance across various industries.

In the context of Ghana's hotel industry, market orientation plays a vital role in sustaining competitiveness and enhancing service innovation. Research by Tajeddini et al, (2024) suggests that hotels with a strong market orientation achieve superior customer satisfaction, improved service quality, and higher financial returns. Similarly, Lim et al. (2024) highlight that market-oriented hotels are more adaptable to evolving consumer demands, enabling them to strengthen their market position. Given the highly competitive nature of Ghana's hospitality sector, hotels must continuously innovate and refine their services to meet customer expectations (Preko, & Anyigba, 2024). However, challenges such as service differentiation and customer retention remain significant obstacles (Adzinyo et al.2024). Agbenyegah, & Neequaye, (2024) emphasize that adopting a market-oriented approach allows hotels to leverage customer insights, improve service innovation, and enhance overall performance. Therefore, the study's findings reinforce the necessity of market orientation as a strategic tool for boosting firm performance in Ghana's hospitality industry.

The results indicated that market orientation ( $\beta = 0.854$ ,  $t = 63.486$ ,  $p = 0.000$ ) had a significantly positive effect on service innovation, supporting H2. This finding aligns with prior research emphasizing that market-oriented firms are more likely to develop innovative services to meet changing customer needs and remain competitive (Alghamdi, & Agag, 2024; Juárez-Varón, & Monreal, 2025). Market orientation fosters a culture of continuous learning, where businesses actively gather and analyze market intelligence to enhance service innovation (Rehman, 2025). Furthermore, research by Alghamdi, & Agag, (2024) suggests that market-oriented firms exhibit higher levels of service innovation due to their proactive approach in understanding customer preferences and responding to industry trends. Similarly, Sheykhani et al, (2024) highlight that a strong market orientation promotes the development of new service offerings, leading to increased customer satisfaction and sustained competitive advantage.

In the context of Ghana's hotel industry, service innovation is vital for maintaining competitiveness and attracting both local and international tourists. Market-oriented hotels are better positioned to introduce new service experiences, improve service quality, and enhance customer satisfaction (Hinson et al, 2024). The Ghanaian hospitality sector faces intense competition, requiring hotels to continuously innovate to differentiate themselves (Anandene, 2024). Research by Ngunga, (2023) indicates that hotels in Ghana that adopt a strong market orientation are more likely to implement service innovations such as personalized guest experiences, digital booking systems, and eco-friendly initiatives. Additionally, Wavei, (2023) suggests that market-driven service innovation is essential for overcoming challenges related to customer retention and fluctuating tourism demand. Therefore, the study's findings reinforce the key role of market orientation in driving service innovation within Ghana's hospitality industry, ultimately enhancing hotel performance and long-term sustainability.

The following analysis results suggested that service innovation ( $\beta = 0.576$ ,  $t = 10.422$ ,  $p = 0.000$ ) significantly and positively impacted firm performance, thus supporting H3. This finding aligns with previous research, which highlights that firms that invest in service innovation experience improved operational efficiency, customer satisfaction, and overall financial performance (Shin et al.2022; Alyahya, & Agag, 2025). Service innovation enables businesses to create unique value propositions, adapt to evolving customer needs, and enhance brand reputation, ultimately leading to superior firm performance (Kandampully

et al, 2023). Research by Solikin, et al, (2025) also emphasizes that firms engaging in continuous service innovation gain a competitive edge by offering differentiated and high-quality services that attract and retain customers. Additionally, Feng, Ma, & Jiang, (2021) suggest that digital and process innovations in service-oriented firms lead to greater efficiency and profitability, further supporting the positive link between service innovation and firm performance.

In the context of Ghana's hotel industry, service innovation plays a vital role in driving competitiveness and sustaining growth. The hospitality sector is highly dynamic, with customer expectations continuously evolving, necessitating constant service enhancements (Hinson et al, 2024). Research by Anandene, (2024) highlights that Ghanaian hotels that implement innovative services, such as personalized guest experiences, digital booking platforms, and eco-friendly initiatives, tend to achieve higher customer satisfaction and repeat business. Moreover, Wavei, (2023) indicate that hotels leveraging technological advancements and customer-driven service improvements can differentiate themselves in a highly competitive market. Given the increasing demand for quality hospitality services in Ghana, service innovation is vital for improving firm performance by fostering customer loyalty, enhancing service delivery efficiency, and boosting profitability. Therefore, the study's findings underscore the importance of service innovation in strengthening the performance and long-term sustainability of hotels in Ghana's hospitality industry.

The mediating analysis reveals that market orientation significantly affects firm performance through service innovation ( $\beta = 0.492$ ;  $t = 9.732$ ;  $p = 0.000$ ), indicating that service innovation plays a crucial role in translating market orientation into enhanced firm outcomes. This finding is consistent with prior studies that highlight the indirect effect of market orientation on firm performance through innovation-related capabilities (Pundziene et al. 2022; Roldán Bravo et al, 2022). Market-oriented firms prioritize customer needs, competitor insights, and inter-functional coordination, which in turn fosters a culture of continuous innovation in service delivery (Shin, Kim, Jung, & Kim, 2022; Alyahya, & Agag, 2025). Studies by Kolbe, Frasset, & Calderon, (2022) and Manafe et al. (2024) further confirm that firms with strong market orientation are more likely to introduce innovative services that meet customer expectations, leading to improved business performance. Service innovation, therefore, serves as a key mechanism through which firms convert market-driven insights into tangible competitive advantages (Sultana et al., 2024; Cadden, Weerawardena et al.2023).

In the context of Ghana's hotel industry, the mediating role of service innovation is particularly significant due to the competitive nature of the sector and evolving consumer preferences. Hotels that actively embrace market orientation strategies such as personalized guest services, digital transformation, and eco-friendly initiatives leverage service innovation to enhance customer satisfaction and loyalty (Hinson et al, 2024). Research by Mensah and Mensah (2018) underscores that service innovation in Ghanaian hotels, including improvements in room automation, mobile booking platforms, and tailored hospitality experiences, significantly contributes to firm performance by increasing occupancy rates and revenue generation. Moreover, Anandene, (2024) highlight that hotels that integrate market insights into their service development processes achieve higher levels of customer engagement and long-term sustainability. Given the rising competition in Ghana's hospitality industry, service innovation acts as a strategic enabler that strengthens the relationship between market orientation and firm performance, ensuring that hotels remain relevant and competitive in the ever-changing market landscape.

### 3.5. Managerial Implications

The findings of this study provide valuable insights for hotel managers in Ghana, emphasizing the pivotal role of market orientation in driving service innovation and enhancing firm performance. To effectively implement market-oriented strategies, managers should actively engage in continuous market research, customer feedback analysis, and competitor benchmarking. For instance, hotels can introduce structured customer feedback mechanisms such as digital surveys, review analysis, and loyalty programs to gather actionable insights and refine service offerings based on guest expectations. Additionally, competitor intelligence should be leveraged to identify emerging trends, pricing strategies, and unique value propositions that can differentiate a hotel in the marketplace.

To strengthen service innovation, managers should prioritize investments in technology and personalized guest experiences. For example, adopting digital transformation initiatives such as mobile check-ins, AI-powered chatbots for customer inquiries, and smart room technology can enhance operational efficiency and guest satisfaction. Hotels can also develop customized experience packages, including personalized room preferences and tailored travel recommendations, to enhance customer engagement and loyalty. Moreover, sustainability-focused innovations, such as energy-efficient lighting, water-saving fixtures, and eco-friendly amenities, not only reduce operational costs but also appeal to environmentally conscious travelers.

Strategically integrating market orientation with innovation-driven initiatives requires fostering an organizational culture that encourages creativity and knowledge-sharing. Managers should implement regular training programs and workshops to empower employees with problem-solving skills and innovation-oriented mindsets. Additionally, partnerships with industry stakeholders, such as tourism boards, technology firms, and educational institutions, can facilitate access to new market insights, funding opportunities, and cutting-edge service solutions. Given the dynamic nature of the hospitality industry, hotels that continuously innovate while maintaining a strong market-oriented approach will be better positioned to attract and retain customers, achieve operational excellence, and sustain long-term growth in an increasingly competitive market.

### 3.6. Theoretical Implications

This study makes significant theoretical contributions by expanding the understanding of market orientation and service innovation within the hotel industry, particularly through the lens of the Resource-Based View (RBV). By conceptualizing market orientation as a driver of service innovation, the research highlights how hotels can leverage internal capabilities to enhance performance. Moreover, the study provides novel insights into the mediating role of service innovation in the relationship between market orientation and hotel performance, offering a clearer explanation of how firms can translate market-driven strategies into tangible performance outcomes. Crucially, this research tests and validates these theoretical linkages within the underexplored context of Ghana's hotel industry-where empirical applications of such models remain scarce-thereby making a valuable contribution to the global literature on strategic marketing and innovation in emerging markets. This integration of constructs enriches existing literature by demonstrating that service innovation serves as a key mechanism for achieving competitive advantage in the hospitality sector.

### 3.7. Limitations and directions for future research

Despite its contributions, this study has several limitations that present opportunities for future research. First, the study focuses exclusively on hotels in Ghana, which may limit the generalizability of the findings to other regions or industries. Future research could expand the scope to include different service sectors or cross-country comparisons to enhance external validity. Second, the study employs a cross-sectional design, which restricts the ability to establish causal relationships over time; therefore, longitudinal studies are recommended to capture the dynamic nature of market orientation, service innovation, and firm performance. Lastly, while this study highlights the mediating role of service innovation, future research could explore additional moderating variables, such as digital transformation or regulatory environments, to gain a more comprehensive understanding of the factors influencing hotel performance.

## CONCLUSION

This study highlights the pivotal role of service innovation in mediating the relationship between market orientation and hotel performance in Ghana's hospitality industry. The findings confirm that market-oriented hotels achieve superior performance by leveraging customer insights, competitor awareness, and inter-functional coordination to drive service innovation. By integrating market intelligence into their service development processes, these hotels can enhance customer satisfaction, differentiate their offerings, and strengthen their competitive positioning. This reinforces the resource-based view (RBV), which suggests that firms gain a sustainable advantage by effectively utilizing their unique capabilities, such as market orientation and innovation. Furthermore, the study contributes to a deeper understanding of how hotels in emerging economies can navigate competitive and resource-constrained environments through market-driven innovation. The evidence suggests that hotels that prioritize both market orientation and service innovation are better equipped to adapt to changing customer preferences and industry trends, ultimately leading to improved business performance. However, the Ghanaian hotel industry faces external challenges that may influence these relationships. Regulatory instability, including frequent changes in licensing requirements and tax policies, can create uncertainty for hotel operators and affect investment in innovation. Additionally, infrastructure limitations such as unreliable electricity supply, inadequate transportation networks, and inconsistent internet connectivity may hinder the effective implementation of market-driven service innovations. Economic fluctuations, including inflation and exchange rate volatility, can also impact hotel revenues and limit financial resources available for strategic investments in service enhancements.

Despite these challenges, fostering a strong culture of market orientation and continuous service innovation remains essential for long-term success. Policymakers and industry stakeholders should collaborate to create a more stable regulatory environment and improve infrastructure support, enabling hotels to fully capitalize on market-oriented strategies and innovation. By addressing these external constraints, the Ghanaian hospitality sector can enhance its resilience, competitiveness, and overall contribution to the country's economic growth.

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