Individual and joint effects of innovation, customer orientation and human resources practices on the performance of Albanian tourism SMEs

Doctoral Thesis

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Abstract

Though SMEs play a crucial role on the countries' economic development, what the reality offer is that, inevitably, some SMEs succeed and others fail during their life cycle. In this regard, managers/owners continually have to identify the most significant factors into the SMEs' environment that affect performance management.

We referred to the theoretical frameworks such as stakeholder theory, resource based view and market orientation approach, to accurately identify into the business environment factors that affect SMEs' performance.

Consequently, the main goal of the thesis was to empirically investigate the direct and indirect effects of innovativeness, innovation behavior, customer orientation, human resources hiring practices and human resources training practices on SMEs' performance management.

Apart gathering quantitative data for 211 valid cases through email survey and face-to-face techniques, the qualitative data were a strong support to argue on empirical results.

By using the SEM statistical methodology, results show that while innovativeness does not significantly affect SMEs' performance, innovation behavior was significantly affecting.

Through the empirical analysis, our research found that the more customer oriented are tourism SMEs the more they will achieve profit and sales goals.

In contrast to what we hypothesized, the effects of HR hiring practices on performance resulted significantly negative. Additionally, HR training did not have significant effect on performance.

Through this study the indirect effects of innovativeness, innovation behavior, CO and HR hiring and training practices on SMEs performance, are also investigated.

Finally, the contributions of this study are in terms of theoretical and practical/managerial. Results have also implications for local and regional economic development.

Statement of originality

I undersigned Shpresim Domi, PhD student at Faculty of Economics - Prilep, University of St. Kliment Ohridski"-Bitola, with ID student 3020, declare that I have not submitted a similar thesis in another institution either in the country or abroad and the doctoral dissertation will solely be a result of the authentic research carried out by me.

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Introduction

1. Introduction

1.1 Problem statement

The business environment has changed over the past years and is continuously changing. Furthermore, internationalization of businesses is now at global level, and as a result, the fierce competition has increased. Meanwhile, customers' needs change rapidly which consequently shortens the production's life cycle. Therefore, changes in demand require fast adjustment and continuous product improvement through innovative ideas. However, the small and medium enterprises' (SMEs) resources for adjustment to this dynamic environment are limited.

SMEs conditions to succeed require more elaboration in term of researches, because nowadays dynamic fierce competitive environment cause uncertainty at SMEs management. Though SMEs have limited resources to adjust to the dynamic and uncertain environment compared to the large businesses, they tend to use less capital per worker, thus having the capacity to utilize capital productively. Additionally, because of their size SMEs are more flexible to the environments' changes than large firms are.

Addressing issues related to the SMEs, are unlimited. A large number of studies has been focused on SMEs issues such as economic influence (Stanworth and Gray, 1993; Wolff and Pett, 2006), growth (Capelleras et al., 2010), success (Greenley and Foxall, 1996;Harrison and St. John, 1994;Kotter and Heskett, 1992), innovation (Rosenbusch et al., 2011; Hjalager, 2010), human resources practices (Sheehan, 2013; Wright et al., 2003) etc. However, this number of studies is justified since the majority of firms worldwide are SMEs and their significance for the countries' economic development (Stanworth and Gray, 1993; Wolff and Pett, 2006). Therefore, the performance of the SME sector is closely associated with the nations' performance.

Though SMEs play a crucial role on the countries' economic development, what the reality offers is that, inevitably, some SMEs succeed and others fail during their life cycle.

While the success of SMEs has no secrets, it is a challenge the way to find and manage them.

Success and failure can be interpreted as measures of better or indifferent management (Jennings and Beaver, 1997). While there is no universally accepted definition of the business success concept (Morel d'Arleux, 1997; Foley and Green, 1989), it can be understood as survival, sales growth, customer retention, return on investment, profit, number of employees, happiness, reputation etc., (Vesper, 1990).

Often the concept of success is equal or synonym to the positive performance management in the business. Indeed, strategically, business performance is often referred to as business success (Ostgaard and Birley, 1995; Dess and Robinson, 1984). As a result, succeeding the business is used to understand a positive performance management (see e.g., Storey, 1994; Kauranen, 1993; Smith et al., 1988; Robinson et al., 1984), which comes as a result of a large and complex factors that affect it.

Considering the fact that the firms worldwide are SMEs, their significance for the countries' economic development on the one side and the resources scarcity of SMEs, their susceptibility, small size, high failure probability caused by dynamic and uncertain environment on the other side, a better understanding of the factors affecting SMEs performance is required.

1.2 Research objectives

Performance as a concept it could be described as a "black box" given the multiple goals that represents. Furthermore, the factors of business' environment that affect performance are several, complex by nature and sometimes are defined by the author's point of view. As a result, there is a need to be more specific in selecting most significant factors into the SMEs environment. Thus, when we aim to find those factors, we should see internally as RBV suggests (human resources, innovation etc.,) and furthermore in the firm's external environment as stakeholder theory and market orientation suggests (customer orientation, employee, shareholders, suppliers etc.). In this line, considering those three theoretical

backgrounds (see section 1.3), we selected innovation, customer orientation and human resources practices as the most significant factors that affect SMEs performance.

Regarding the literature in tourism, there are empirical studies that have treated innovation (Rosenbusch et al., 2011; Hjalager, 2010; Grissemann et al., 2013), customer orientation (Grissemann et al., 2013) and human resources (HR) practices (Sheehan, 2013; Wright et al., 2003) as important factors affecting SMEs performance.
However, while there are studies that have just started to scratch the surface, regarding their direct effects, studies that empirically investigates their indirect effects are lacking.
As a result, the research question leading this study is:

What are the direct and indirect effects of innovation, customer orientation and human resources practices on SMEs performance?

Additionally, this research question will be further specified by operationalizing the innovation and HR practices factors. Thus, the innovation factor will be operationalized in terms of innovativeness and innovation behavior (see chapter 3) and HR practices in terms of HR hiring and training practices (see chapter 5).

As stated in the research question, this study has investigated not only the direct effects, but also the indirect effects of the above factors (predictors) on SMEs performance (outcome variable). As a result, a novelty that this thesis intends to bring out is the empirical investigation of those direct and indirect relationships.
In this regard, first we investigated the direct relationships between innovativeness, innovation behavior, CO, HR hiring practices and HR training practices with SMEs performance. Second, we have empirically investigated the mediation role of innovativeness, innovation behavior on the CO-performance relationship and the mediation role of innovativeness, innovation behavior and CO on the HR hiring/training practices-performance relationship.

Due to fierce competition, globalization, and technology in recent years, the need to innovate it is considered indisputable (Tajeddini and Trueman, 2008).
Tourism is a changing and dynamic industry. To this, it will need to be adjusted to the new customers' demands, adequately reacting to competitors' innovations and taking advantage of the new technological developments available in the market place (Camison, 2000; Huybers and Bennett, 2000; Okumus and Hemmington, 1998).

However, innovation in tourism is an understudied area (Chan et al., 1998; Rodgers, 2007). In addition, innovation studies in tourism still rely on explorative and qualitative cases at a significant extent (Hjalager, 2010). Ottenbacher and Gnoth (2005, p. 206) stated that due to the lack of such knowledge, "managers often rely on gut feeling, speculation, and their own limited experience about the keys to innovation success."

Current researches in tourism, measure innovation in terms of innovation behavioral (e.g., Orfila-Sintes et al., 2005; Agarwal et al., 2003; Grissemann et al., 2013) and innovativeness (e.g., Hurley and Hult, 1998; Tajeddini, 2010; Grissemann et al., 2013) (see chapter 3). This dimension of innovation operationalization represents a current approach (see e.g., Grissemann et al., 2013). As a result, this study will operationalize innovation in terms of innovativeness and innovation behavior.

While there are a large number of studies investigating the effects of innovativeness on business performance, the empirical researches have not yet achieved a consensus on this relationship (Tsai and Yang, 2013).
In relation to the innovation behavior, Orfila-Sintes and Mattsson (2009) state that, a few studies have attempted to investigate this construct in the hospitality sector.

While there are several studies addressing the question of whether innovativeness guides innovation behavior (e.g., Snyder and Kendzierski, 1982; Grissemann et al., 2013; Matsuo, 2006) and other studies elaborating the effects of innovation behavior on business performance (e.g., Chadee and Mattsson, 1996; Storey and Easingwood, 1998; Ottenbacher and Gnoth, 2005; Ottenbacher et al., 2006; Chen et al., 2009; Grissemann et

al., 2013), on the other hand, there is a lack of studies investigating the effects of innovativeness on business performance mediated by innovation behavior.

Consequently, the controversial results and the paucity of the empirical investigations on direct and indirect relationships between innovativeness and innovation behavior with SMEs performance in the tourism sector, urges us for additional investigation.
Hence, the first specific research objective of the thesis is:

To empirically investigate the influence of innovativeness and innovation behavior on tourism's SMEs performance and mediation role of innovation behavior on innovativeness-SMEs performance relationship

Nowadays fierce competitive business environment raises the need for a continuous emphasis on delivering superior quality products and services to customers (Day and Wensley, 1988). Appiah-Adu and Singh (1998) argue that, because of increasingly competitive global business environment, boom technological developments that have shortened product life cycles and the difficulties to achieve sustainable performance raises the need for market focus through customer orientation.

Definitely, considering the CO as an important factor that affect performance, for SMEs should be a crucial objective, and furthermore, part of the vision. Indeed, Appiah-Adu and Singh (1998) suggested, especially for SMEs, that CO is a significant determinant of success.
Grissemann et al. (2013) stated that regardless that marketing researches have considered the relationship between CO and performance into SMEs and large businesses (Narver and Slater, 1990; Jaworski and Kolhi, 1993), to date there has been scant research addressing the influence of CO in the tourism industry as whole (Sin et al., 2005; Zhou et al., 2007; Wang et al., 2012). Thus, researches that have been working on the relationship of CO-business performance (e.g. Grissemann et al., 2013; Tajeddini, 2010; Tajeddini and Trueman, 2012) in tourism industry were focused only to the hotel industry.

Consequently, the second specific objective of the thesis is:

To examine the influence of customer orientation on tourism's SMEs performance

To have a substantial improvement in performance, businesses must be customer oriented and innovative on their services (Orfila-Sintes and Mattsson, 2009).Thus, since continues innovation has impact upon long-term profitability, and to respond to the customer needs and wants, the importance of customer orientation and SME performance relationship mediated by innovation should be considered (Chen, 2011; Ottenbacher and Harrington, 2007).

Appiah-Adu and Singh (1998) findings suggest that a combination involving CO and innovativeness affects positively new product success that, in turn enhances sales growth. Furthermore, Grissemann et al. (2013) concluded that there is a positive relationship between customer orientation and business performance, but this link is partially mediated by innovation behavior. However, Grissemann et al. (2013) argue that while there is evidence that CO and innovation behavior are beneficial for business performance, the literature has only begun to scratch the surface regarding the interplay between these factors.

Base on the above discussions, this study contribute to the literature, by investigating the following relationships, which constitute also the third objective of the thesis:

Investigating the influence of the mediation role of innovativeness and innovation behavior on the CO-SMEs performance relationship

Businesses that offer a differentiated product are more successful than those who do not, but this effect is enhanced if there are developed human capitals. Insufficient human resources are a barrier to the performance of SMEs (Garengo et al., 2005). Additionally, businesses are increasingly recognizing the potentials of their people as a source of competitive advantage (Pfeffer, 1994). To this, creating competitive advantage through human resources (HR) requires careful attention to the practices (hiring and training) that best promote these assets (Sheehan, 2013).

The active and close contact of the service providers with customers is one of the key characteristics of services industries (Lovelock, 2001), and particularly in the tourism industries (Grissemann et al., 2013). In this line, the need to hire employees with required skills and training them for improving the skills, that raise the intrinsic motivation of the employees toward customers' needs and wants, is required. Thus, considering the importance of the SMEs to focus on the customer needs and wants, the HR hiring and training practices play a crucial role.

Even though, several empirical studies have been addressing the relationship between HR practices with SMEs performance, this relationship remains under-researched (Messersmith and Guthrie, 2010; Razouk, 2011; Verreynne et al., 2011). Although a focus upon the HR practices–performance relationship in the context of SMEs is emerging, such investigations are challenging, given the high incidence of informal HR management (see e.g. Cardon and Stevens, 2004). Therefore, since tourism industry is mainly comprised by SMEs, studying HR practices-performance relationship will be a challenge.
The forth specific research objective of the thesis is the following:

To examine the influence of human resources hiring and training practices on SMEs performance

Considering the HR practices separately, as significant factor that affects SMEs performance is important but not sufficient. Furthermore, theoretically we suggest considering the joint effects of HR practices with other important factors such as innovativeness, innovation behavior and CO. This interaction of HR hiring and training practices with those factors, it is assumed to significantly enhance SMEs performance.
Indeed, while several studies addresses the direct effects of HR hiring and training practices on business performance (Sheehan, 2013; Delery and Doty, 1996; Guthrie, 2001; Huselid, 1995; Wright et al., 2003), there is a significant lack of studies considering the indirect effects of HR hiring and training practices on SMEs performance, mediated by innovativeness, innovation behavior and CO. Therefore, another significant academic contribution of the thesis is to address the following specific research objective:

To examine the influence of the mediation role of innovativeness, innovation behavior and CO on the relationship between HR hiring and training practices with SMEs performance

By addressing these five objectives, this doctoral thesis will provide information to a better understanding about the SMEs performance management.

As was argued above, this study will address issues related to the influences of factors that affect performance management on tourism SMEs in Albania. Consequently, this study intends to evaluate the performance of tourism SMEs and specifically those that contribute to the tourism.

1.3 Theoretical background

Performance is a broad concept and should be viewed holistically (Phillips and Louvieris, 2005). As such, performance should not be treated in isolation, but related to other theories and approaches and contributing to the accurate process of finding factors affecting SMEs performance. Thus, to justify the selection of the most significant factors from SMEs environment that affect their performance and to reach the objectives of this study, we incorporated and referred to the theoretical frameworks such as stakeholder theory, resource based view and market orientation. These three theories interlink with the concept of performance since stakeholder theory, resource-based view and market orientation, aim to deal with important factors of SMEs environment that affect performance.

1.3.1 Stakeholder theory

The importance of stakeholder theory took shape only after Freeman's book (1984). Mitchell et al. (1997) argue that the key questions that stakeholder theory tends to address are; "who (or what) are the stakeholders of the firm? And to whom (or what) do managers pay attention?" Freeman's wide definition and most accepted on stakeholder theory is; "A stakeholder in an organization is any group or individual who can affect or is affected by

the achievement of the organization's objectives" (1984, p. 46). Donaldson and Preston (1995) offer another definition for stakeholders as "persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity".

Freeman's (1984) "stakeholder map," considers stakeholders as; government, political groups, customers, customer advocate groups, employees, shareholders, financial community, activist groups, unions, trade associations, competitors, and suppliers.

Campbell and Yeung (1991) argue that firms should make policy decisions about which groups they should attempt to satisfy.

Within the framework of strategic management's principles, in order to be successful, businesses should address the interests of all stakeholders groups (Chakravarthy, 1986; Clarkson, 1995; Donaldson and Preston, 1995). Nevertheless, addressing all diverse interests of different stakeholders may be too difficult, because there are conflicting stakeholders' interests (Greenley and Foxall, 1996) and the scarcity of resources (Amit and Schocmaker, 1993; Barney, 1991; Grant, 1995), even more for the SMEs.

Within the marketing literature, customer satisfaction must be primary objective of the businesses (Anderson, 1982). Greenley and Foxall (1996) stated that most CEOs in the sample claim that top priority is given to satisfying consumers.

However, some other studies go beyond and offer the order of stakeholder's priority. Greenley and Foxall (1996) claimed that customers, competitors and shareholders, employees, and unions are a useful ranking for stakeholder's priority. Harrison and St. John (1994) argue that customers, competitors, and employees are the key stakeholders, whereas Kotter and Heskett (1992) suggest consumers, shareholders, and employees.

After addressing the problem of stakeholder's interest priority, we need to argue if this theoretical approach deals with business's performance. Donaldson and Preston (1995) concluded that there is a general assumption in the literature that assumes that businesses that take in consideration the stakeholders' principles perform better than businesses that do not. However, a correlation of businesses with stakeholder orientation and performance has not been empirically investigated (Donaldson and Preston, 1995).

Customers and employers are two important stakeholders that can affect business's performance. Additionally, except the fact that customer and employers are stakeholders, they play an important role as factors that can affect business's performance as well. Consequently, through this study we assume that businesses that consider customer needs and wants through being customer oriented in their objectives (Grissemann et al., 2013; Wang et al., 2012) and employees through implementing human resources practices (Huselid, 1995;Sheehan, 2013; Delery and Doty, 1996; Guthrie, 2001; Huselid, 1995; Wright et al., 2003)perform better than they that do not. Hence, this theoretical approach guides us to consider customer orientation and human resources practices as significant factors that influence SMEs performance.

1.3.2 Resource based view

The internal view of a business in order to gain competitive advantage is seen to be based on the business' resources. Therefore, representative of this internal perspective research stream is the resource-based view (RBV) (Penrose 1959; Wernerfelt, 1984), which constitute one of the most important theoretical approaches to the strategic management field. While stakeholder theory focuses on environment by considering the stakeholders which are affected and affect business' objectives on the other hand, the resource-based view (RBV) is more specific, viewing business internally.

One of the earliest papers about the resource-based view (RBV) was that of Wernerfelt (1984), who considered the firm's resources rather than their products. However, Wernerfelt (1984) paper was too abstract in its nature.

RBV treats the importance of inside resources and their effect on business' success and competitive advantages (Barney, 1991;Wernerfelt, 1984). Although some earlier studies had identified business' resources as important (e.g., Penrose, 1959) the RBV did not begin to take shape until the 1980s. During this decade, frameworks that focused externally, such as Porter's (1980)five-force model, dominated the view of the firm. However, RBV gradually began to redirect attention inside of organizations (Hoskisson et al., 1999).

Within strategic management field, the RBV is one of the most widely known and accepted theoretical perspectives (Powell, 2001; Priem and Butler, 2001). Thus, the RBV has become a dominant theory among academic journals and textbooks.

Another important contribution to the RBV is the work of King and Zeithaml (2001), who argued that firm performance is dependent on how well managers build and manage their organizations focusing on resources that are valuable, rare, inimitable, and lack substituted. Barney's (1991) conceptual model shows that if a business have, valuable, rare, inimitable, and non-substitutable resources will gain sustained competitive advantage and sustained performance.

Resources, which are the basic units of analysis for the resource-based view, can be defined as those assets that are tied semi-permanently to the firm (Wernerfelt, 1984). They include financial, human, physical, technological, commercial, and organizational assets used by firms to produce and deliver products and services to its customers (Barney, 1991). Resources can be divided as tangible (financial or physical) and intangible (i.e. employee's knowledge, experiences and skills, firm reputation, brand name, organizational procedures).

However, among those resources, Barney (1991) argued that human resources constitute without a doubt one of the most important internal resource. Additionally, human resources (HR) play an important role on business performance (Barney and Wright, 1998).

Barney and Wright (1998) argue that the ultimate quest should be for the HRs functions to provide the firm with resources that provide value, rareness, and cannot be easily imitated by other organizations. These encourage SMEs to develop their employees who are skilled and motivated to deliver high quality products and services. This requires that managers should take in consideration systems of HR practices that support this aim (Barney and Wright, 1998).

Within this framework, resource based view guides us to consider the human resources practices as an internal resource that affect business performance. Thus, as it can be seen, both stakeholder theory and resource based view suggest to consider human resources as imperative factor that affect business performance.

More behaviorally oriented research streams, especially evolutionary economics (Nelson and Winter, 1982), have studied innovation activities and performance not only in terms of organizational structure or industry characteristics but also in terms of resources and capabilities (Dosi, 1988).

A growing number of literature that embraces the resource-based view of the firm (e.g., Brown and Eisenhardt, 1995; Henderson and Cockburn, 1994) is offering new insights to innovation management. The presence of different organizational resources and capabilities positively affects the outcome of the firm's capacity to innovate. Thus, organizational resources (tangible and intangible) combined and transformed by capabilities can produce innovation which in turn will be a resource to improve the performance. For example, the businessesthat have sufficient financial resources can expand a firm's capacity to support its innovative activities (Lee et al., 2001; Delcanto and Gonzalez, 1999), whereas the lack of financial funds may limit firm level innovation (Teece and Pisano, 1994; Baysinger and Hoskisson, 1989).

According to the resource-based view (RBV) of the firm (Barney, 1991), innovation within the business is a socially complex and imperfectly imitable resource that generates competitive advantage and better performance (Barney, 1986; Menguc and Auh, 2006). The resource-based view (Wernerfelt, 1984) helps to explain how firms derive competitive advantages by channeling resources into the development of new products, processes, and so forth. Under the influence of RBV, recent literature highlights the dynamic capabilities of the organization that have the power to originate innovative (Camison et al., 2012). Innovation is a means for changing an organization, whether as a response to changes that occurs in its internal or external environment or as a preemptive move taken to influence an environment (Hult et al., 2004). Innovation has been understood from the resource-based view, as a capability that is a source of innovative performance (Camison et al., 2012)

Finally, resource based view, suggest us to take in consideration human resources and innovation as two important resources that affect firm's success or performance.

1.3.3 Market orientation

Businesses that increase their market orientation (MO) will improve their market performance and positively affect profitability (Narver and Slater, 1990).

Since 1990s, MO has received attention in the marketing literature (e.g., Kohli and Jaworski, 1990; Narver and Slater, 1990; Slater and Narver, 1994), and has continued to attract the attention of other researchers (Liao et al., 2011). Narver and Slater (1990, pp. 20–21) define market orientation as "the business culture that most effectively and efficiently creates superior value for customers." In this line, Deshpande´ et al. (1993) considered that MO is the businesses culture that continuously creates superior value for customers.

Referring to this definition about MO it seems that the customer is a critical external environmental factor in developing a market orientation (Tajedinni, 2010). Therefore, the need to consider and develop a customer-focused strategy should be a crucial objective to the businesses.

Indeed, Narver and Slater (1990) have measured MO through three behavioral components, customer orientation, competitor orientation and inter-functional co-ordination.

Several researches have considered the customer orientation as the focal measure of the MO. Thus, Liao et al. (2011) considered the MO an approach that provide a customer oriented focus or reshaping an organization's culture for developing superior value for customers and to absorb market knowledge from its customers. Furthermore, Cravens and Guilding (2000) stated that MO is the approach that encourages and creates into the businesses the focus on customer value.

Within nowadays uncertain and dynamic environment and fierce competitiveness, the need to create values for customers that are rare and difficult to imitate (Narver et al., 2000), it can be a sustainable source of competitive advantage which allow firms to outperform their less market-oriented competitors (Liao et al., 2011).

Most of the researches on the MO approach have addressed the relationship between MO and business performance (see e.g., Diamantopoulos and Hart, 1993; Day, 1994; Chang et al., 1999; Sin et al., 2005; Panigyrakis and Theodoridis, 2007).

MO is significantly considered even in the service sector, wherein the tourism sector is part of it (see e.g. Esteban et al., 2002). Due to the unique characteristics of services, focusing on the customer needs and wants is more critical than other sectors. Thus, considering the customer orientation within SMEs' tourism sector constitutes and important issue to be addressed.
Finally, market orientation approach guides us to select CO as one of the most important factors that affect the business performance.

1.4 Research context and methods

Apart that business performance concept has reached an important attention among both practitioners and academics (Pilkington and Liston-Heyes, 1998), considering and empirically investigating the factors that affect it, is a challenge. This came as a consequence that firm's performance is a complex, multidimensional and dynamic phenomenon (Moultrie et al., 2006). In this regard, researchers attempt to understand the business performance dynamics because by doing so may help to improve it (Moultrie et al., 2006).

There are certain factors within the external and internal business environment that affect performance. Furthermore, the ability to analyze the impact of all these factors on business performance at the same time is almost impossible.
In this line, the study has considered the theoretical approaches such as stakeholder theory (Greenley and Foxall, 1996; Kotter and Heskett, 1992), resource based view ((Barney, 1991; Barney and Wright, 1998; Barney, 1986; Menguc and Auh, 2006) and market orientation (Narver and Slater, 1990) to select innovation, customer orientation and HR practices as significant factor affecting SMEs performance.

However, investigating the individual effects of innovation, customer orientation and HR practices on SMEs performance, is necessary but not sufficient. In this regard, Hennig-Thurau (2004) states that, "because of the intangibility and heterogeneity characteristics of

service industries, customers often rely on the behavior of service employees when judging the quality of a service." On the other side, Tajeddini and Trueman (2012) stated that "if employees and managers are innovative and open to new ideas in meeting customer needs they are more likely to enhance business performance in the hotel industry." Thus, the need to examine the interaction of three factor on business performance is justified.

Finally, through chapters 3, 4 and 5, the study empirically investigates the interactive effects of innovation, CO and HR practices on SMEs performance.

Tourism industry is composed by a wide range of activities in a variety of economy sectors. However, WTTC (2013) shows that accommodation, tourism agencies and restaurants comprise most significant contributors on tourism development in a country. As a result, hotels, restaurants and tourism agencies in Albania will constitute the target group of our study.

With regard to the information about the target group (tourism SMEs), the source will be the National Institute of Statistics (INSTAT) and Ministry of Economic Development, Tourism, Trade and Entrepreneurship (MEDTTE).

This study employs triangulation of research methods (i.e. quantitative and qualitative methods) to achieve a higher level of validity.

The E-mail survey and face-to-face techniques are used to fulfill the questionnaire. By using these two techniques, online survey and face to face, we gathered 221 questionnaires. Out of the 221, 25 questionnaires were from the online survey and 194 from face-to-face technique.

To test the hypothesis of the study we utilized the Structural Equation Modeling (SEM), which is a statistical methodology for non-experimental researches (Bentler, 1980) (see Chapters 3, 4 and 5). SEM considers the explorative (CFA) and hypothesis testing (full SEM) approach into the studies (Byrne, 2010).

The SPSS and AMOS software are used to implement the statistical techniques in framework of SEM.

1.5 Anticipated contribution

The focus of this study is theoretical and practical oriented on tourism SMEs management. Addressing the relationships between innovation, human resources practices, customer orientation and their interplay effects on performance, undoubtedly contribute to the actual and future researches on the strategic management field. To this, some of the intended contributions of this study are in terms of theoretical and practical/managerial.

Literature that measure innovation in terms innovativeness (see e.g. Hult et al., 2004; Grissemann et al., 2013; Tajeddini, 2010; Tajeddini and Trueman, 2012) and innovation behavior (Orfila-Sintes, 2009; Grissemann et al., 2013) has only begun to scratch the surface. To this, an operationalization of the vague term of innovation is a contribution of our study to the literature.

Regardless the studies that have found a relationship between innovativeness and performance, on the other side, other studies have failed to find a significant relationship between innovativeness and firm performance (e.g., Chandler et al., 2000; Terziovski, 2010; Grissemann et al., 2013). In this line, the lack of sufficient empirical results to support the positive relationship between innovativeness and SMEs performance reinforces the need for additional research (Tsai et al., 2013). Additionally, studies about innovativeness are still in its infancy, and, additionally, are needed to investigate the link between innovativeness and other constructs on business performance (Tajeddini (2010).

Orfila-Sintes and Mattsson (2009) argue that a few studies have attempted to investigate the innovation behavior in the hospitality sector. To this, considering this relationship through our study constitute a contribution.

Although numerous studies have documented the positive effect of CO on business performance, few have examined this topic in the hospitality industry (Yilmaz et al., 2005).

Besides the fact that, among scholars it is agreed that customer orientation directly affects financial performance, customer retention, and reputation (Grissemann et al., 2013; Tajeddini, 2010, 2011; Tajeddini and Trueman, 2012), there is a paucity of CO-related empirical research based on SMEs, and furthermore, to tourism industry as a whole. Additionally, researches that have been working on the relationship of CO-business performance (e.g. Grissemann et al., 2013; Tajeddini, 2010, 2011; Tajeddini and Trueman, 2012) in tourism industry were focused only to the hotel industry. As a result, our study intends to address these limitations.
Scant research addresses the innovativeness and innovation behavior as mediators on the CO-performance.

Investigating the direct and indirect effects of HR practices on SMEs performance, undouble constitute another theoretical and practical contribution of this thesis.
Due to lack of studies that empirically investigate the relationships between HR hiring and training practices with CO, innovativeness and innovation behavior constitute a novelty in terms of theory.

Another important contribution is that the target group was not only hotel industry, which is the most used in previous researches addressing the above relationships (see e.g. Grissemann et al., 2013; Tajeddini, 2010; Tajeddini and Trueman, 2012; Orfila-Sintes, 2009). To this, through this study, the most representatives industries of the tourism sector such as hotels, restaurants and tourism agencies are considered in framework of the target group. In this regard, the applicability of our results is not limited to only one industry, but to the tourism sector as a whole.

In terms of practical implications, this study aim to analyze empirically the effects of customer orientation, innovation, and human resources practices on tourism SMEs performance. Indeed, investigating the issues of how SMEs achieve high performance has significant implications for SME owners/managers (Welsch et al., 2013).In this framework, decision-makers on management level will have a value-added for their daily

management and a clear view on what to pay more attention referring to their business' environment.

As a result, concluding about the most important factors that influence the businesses performance, constitute a contribution in the context of strategic management of SMEs. In this line, with managers being more specific about the factors effecting performance, inevitably, business development plans will be more concrete and increased probability for the success.

Besides the fact that the focus of this study is on the firm's strategic management, the results have implications for regional economic development, as well. SMEs generate societal growth in terms of revenues and new jobs and as a result the well-being of people living in the area.

To this, it is suggested that policy-makers help SMEs to develop the business practices, which increase firms' survival chances and their ability to grow (Smallbone and North, 1995). Reynolds et al. (1993) argued that governments should invest more time and resources in encouraging the survival and growth.

As a conclusion, this study is relevant not only at a micro level, i.e. firm, level, but also for the macro level, i.e. regional and national.

1.6 Outline of the thesis

To achieve the objectives of this thesis, we have designed six chapters. Briefly, the content of the remaining chapters are as follows.

Following the introduction, Chapter 2 (see Figure 1.1) focuses on analyzing the Albanian's tourism and the role of SMEs. Through this, chapter, we first investigate the historical dimension of tourism in Albania and analyze the economic contribution of the tourism sector to the Albanian economy in terms of GDP, employment etc. This part justifies the importance of the study for the case of the Albanian tourism SMEs. Additionally, in this chapter, it is investigated the role of the SMEs into tourism sector and their major concerns. Finally, this chapter ends with arguments on the need to empirically

investigate the relationships of innovation, customer orientation and HR practices with tourism SMEs performance in Albania.

Chapter 3 starts by addressing the core topics of the doctoral thesis, as it is the "Innovation and its effects on SMEs performance." At the beginning of the chapter, an introduction to the innovation concept is provided. A literature review is undertaken in order to explain the innovativeness and innovation behavior and their relationship with tourism SMEs performance.
It is investigated the mediation role of the innovation behavior on the innovativeness-SMEs performance relationship. Then, it is continued with a description to the methodology used.
Discussion of the results is presented at the end of the chapter. Here we outline the descriptive and casual inferences posited into the hypothesized model. This chapter ends with conclusions in terms of theoretical and managerial implications.

The structure of the chapter 4 is in line with the previous chapter, but the addressed topic here is "The direct and indirect relationships between customer orientation and SMEs performance." Through a literature review, an introduction to the CO concept and its relationship with tourism SMEs performance is presented.
Furthermore, the mediation role of the innovativeness and innovation behavior on the CO-SMEs performance relationship is investigated. Then the methodology used is described.
The discussions and results are presented, and the chapter ends with conclusions in terms of theoretical and managerial implications.

Chapter 5 addresses the issue of "the direct and indirect relationship of Human resources practices and SMEs performance." Through a literature review the HR hiring and training practices concepts and their relationships with tourism SMEs performance are introduced. Furthermore, the mediation role of the innovativeness, innovation behavior and CO on the HR practices-performance relationship are statistically investigated. Then the methodology used is presented.

The discussions and results are shown, and the chapter ends with conclusions in terms of theoretical and managerial implications.

Through the chapter 6, we summarize the main discussions and results, the theoretical and managerial implications of the doctoral thesis, and the limitations and suggestions for the future researches described in the chapters 2, 3, 4, 5.

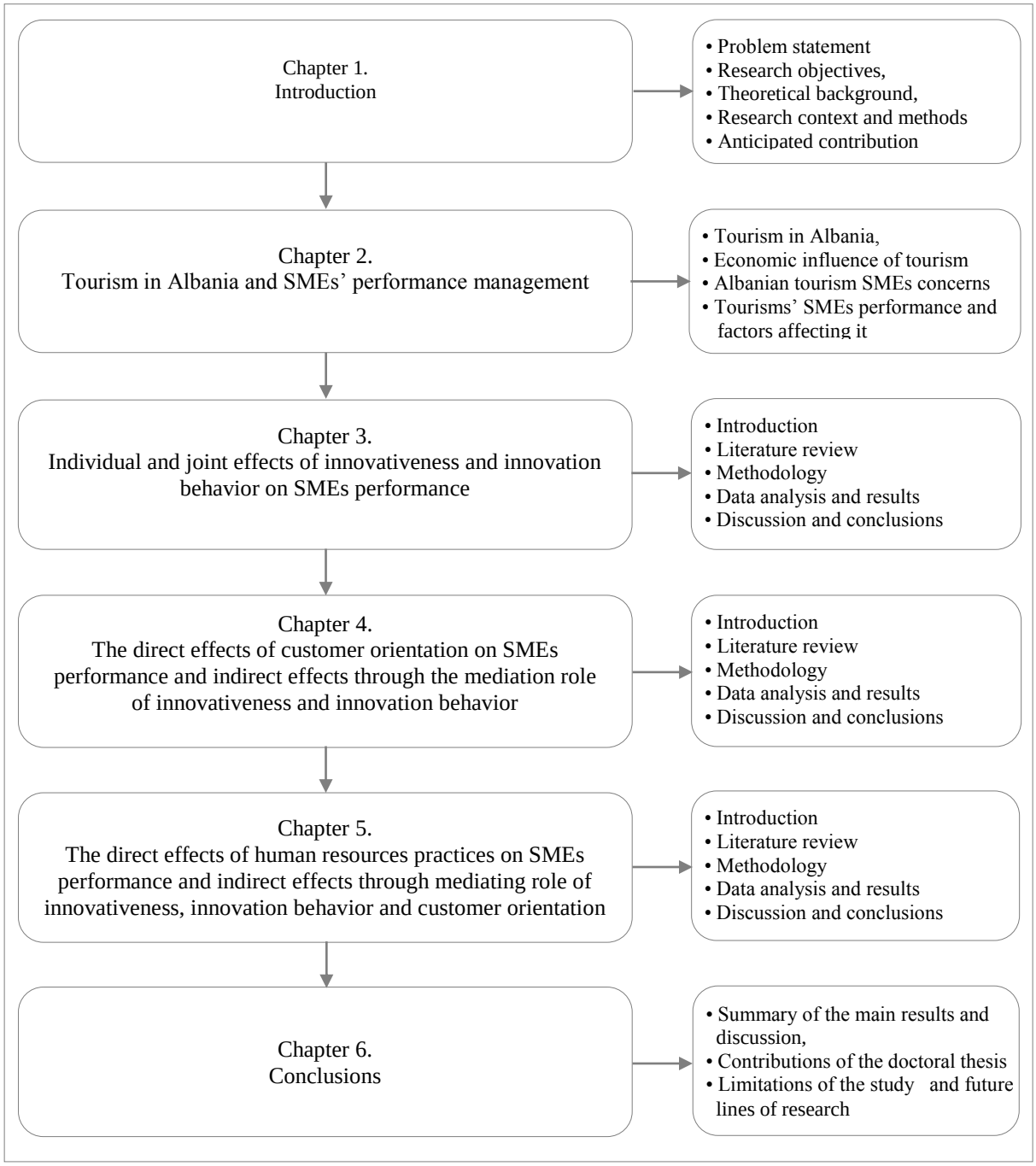


Figure 1.1.Structure of the thesis

Chapter 2

Tourism in Albania and SMEs' performance management

2. Tourism in Albania and SMEs' performance management

2.1 Economic influence of tourism - world perspective

Even amid shrinking household and business budgets, spending on travel are continuing, although the structure is changing. While the frequency, distance, and length of international trips tend to be shorter, the number of international travelers has increased, indicating that travel is increasingly seen as necessity rather than a luxury.

Over the decades, tourism has experienced continuing growth and deepening diversification to become one of the fastest growing economic sectors in the world (UNWTO, 2012). Tourism is the world's largest industry and makes a major contribution to the economies of developed and developing countries (Jones and Haven-Tang, 2005). Thus, tourism is becoming more and more as one of the most influential sectors to the local, regional and national development.

The developed countries are facing persistent low economic growth, in the meantime the growth of developing countries is starting to decelerate. However, the world continues to become more interconnected and globalized, encouraging the traveling and tourism activities. In this regard, it is notable that the tourism sector has continued to grow over these past years (WEF, 2015) regardless the crises of the last few years.

According to UNWTO (2015) international tourist arrivals reached a record 1.13 billion in 2014, with a growing of 51 million more than in 2013. Additionally, tourism sector accounts for 9.5% of global GDP, a total of US$ 7 trillion, and 5.4% of world exports (WTTC, 2015).

Taking into account wider impacts, tourism sector continues to play a key role as a driver of growth and job creation. Thus, growing at 4% in 2014 and providing 266 million jobs, directly and indirectly (WEF, 2015). This means that the industry now accounts for 1 in 11 jobs on the planet, a number that could even rise to one in 10 jobs by 2022 (WTTC, 2015). These figures reinforce the actual and growing importance of tourism as a tool that drives economic development as well as enhancing the quality of life of visitors and host communities.

2.2 History of tourism in Albania

Tourism in Albania is showing more and more that it is one of the sectors with the greatest potential to develop the country's economy. Tourism represents one of the most significant alternatives to the overall development of the country's socio-economic development, especially in unfavorable economic situations. Indeed, during the world economic crises, several sectors of the economy experienced recession except the tourism sector, wherein since 2008, the number of international visitors has increased year-by-year.

Apart that tourism in Albania is a young sector, if we go back on time, Edith Durham (1909), a British anthropologist, on her book titled "High Albania and its customs" mentioned for the first time the tourism dimension of Albania. Through her travel to the Balkan she wrote about the Albanians' mountains beauty and its hospitality.

Moving on time, in pre-second world war days, King Zog had plans for Albania to "be converted into another of Europe's playgrounds" (Hall, 1984). Nevertheless, due to geo-political instability developments on that period (1928-1939), this project-idea in framework of the tourism did not take place.

Due to complete isolation in every dimension, political, social, and economic in the years 1945–1990, reflected an almost total lack of tourism development. Tourism has neither warranted recording in official statistical handbooks nor merited attention in party leaders' speeches (Hall, 1984), and of course, there was no tourism law. Thus, the tourism sector was never an issue for that period.

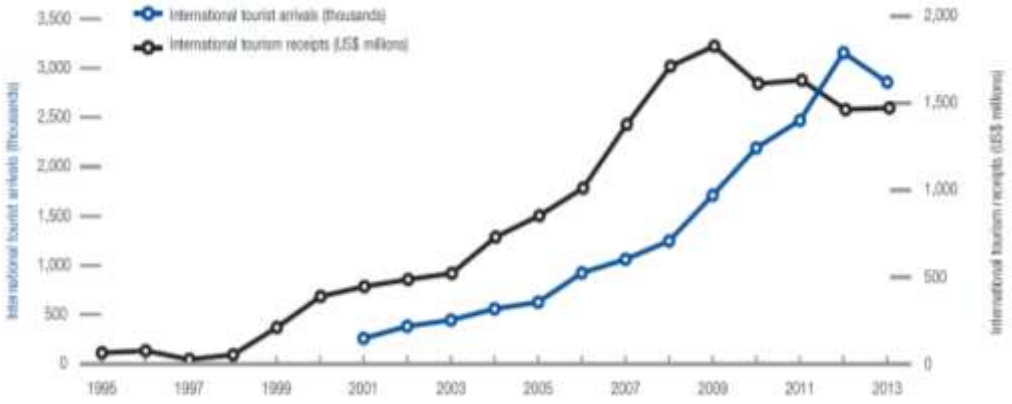
The only and well-known tourism organization during the communism time was Albaturist. Albaturist represents the state monopoly machinery covering all tourist activities-accommodation, catering, transport, foreign exchange shopping, foreign language guides, and external franchises (Hall, 1984). Empirical examination has revealed that over 3,000 bed spaces were potentially available in high-grade Albturist hotels. The average annual foreign tourist intake probably totaled no more than 2,500 (Hall, 1984). Five international airlines connected Albania with the outside world totaling eleven flights into Rinas airport every two weeks.

Later, during the ‘90s, numerous socio-economic-political problems prevented the development of tourism. From the time of communist regime, a number of problems and significant obstacles to tourism development were inherited.

Firstly, the image of Albania as a tourism destination was damaged, due to the total isolation for over 45 years Albania was almost not known by other countries, even from neighbors. Lack of cultural, history, socio-economic exchanges etc., influenced to the non-significant internationals visitor arrivals. Secondly, because of the principles of the communism system, such as the state was the only owner of any property, during the ‘90s the problems of the property appeared. Frequently the true owners of the land plots cannot be easily identified, facing in the absence of a credible legal registration of the lands and territories by the respective municipalities. This situation has prevented the foreign investors to invest in the sector. The property issue is still one of the biggest obstacles that prevent the sector from large investments. Lastly, due to the damaged image, property issues, political and socio-economic instability, tourism was not a priority for the economic development.

Only during the last decade, tourism has become increasingly one of the sectors with the impact on the domestic economy. After 2001, Albania registered a considerable number of internationals visitors. Thus, as it is shown in the Figure 2.1, the international tourist arrivals and internationals tourist receipts, did emerge and had a considerable economic effect after the 2000s. Specifically, according to the WEF (2015), international tourist arrivals in 2013 reached the number of 2.8 million, and internationals tourist receipts US$ 1.4 billion. These figures highlight an increase in the importance of tourism country’s development.

Figure 2.1International tourist's arrival and receipts in Albania



Source: WEF, 2013

In fact, since the tourism had a significant growth and its effects on socio-economic terms during the last decade, the sector has become more and more a priority to the governments. However, tourism remains as one underdeveloped economic sector in Albania.

The tourism sector, seen from nowadays perspective can experience significant development. However, the cooperation between several stakeholders to foster its development is needed. Thus, central and local governments cooperating with communities and businesses will encourage the development.

The government shall develop legal frameworks, such as the regulation of movement, visa and construction of adequate infrastructure in the country such as airports, roads etc.

The private sector should be responsible for accommodation infrastructure, food, providing a high quality standard of the services and to focus on customers' needs and wants.

The communities should provide hospitality to the visitors.

2.3 The influence of the tourism sector to the Albania economic development

According to WTTC (2015) tourism's contribution in economy is comprised by direct contributions such as accommodation, transportation, entertainment, attractions etc., indirect contributions such as travel and tourism investment spending, government 'collective' spending, purchases from suppliers etc., and induced contribution such as food and beverage, recreation, clothing. However, in general tourism contribution to the economy is comprised by direct and total contributions (WTTC, 2015).

WTTC (2015) points out the direct contribution of travel and tourism to GDP in 2014 was 5.9% (ALL[1] 82.3bn). This is forecasted to fall by 2.1% (ALL 80.6bn) in 2015.
This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). However, it also includes, the activities of the restaurant and leisure industries directly supported.
The direct contribution of travel and tourism to GDP is expected to grow to 6.2% of GDP (ALL120.4bn) by 2025.

The total contribution of travel and tourism to GDP was 21.0% of GDP (ALL291.6bn) in 2014 and is expected to fall to 20.1% of GDP (ALL285.6bn) in 2015. However, it is forecast to rise to 21.8% of GDP (ALL424.4bn) by 2025.
These figures show the significance of travel and tourism to the Albanian's economy.
However, as the Figure 2.2 shows, tourism contribution in terms of GDP and employment in relative terms is significant even when we consider the direct competitors such Italy, Montenegro, Greece, Croatia, Cyprus, Bulgaria, Turkey, Czech Republic, Bosnia-Herzegovina, and the average of the Europe and World.

[1] Albanian LEK (ALL) is the official Albanian currency, and all values are in constant 2014 prices and exchange rates

Figure 2.2Direct (left) and total (right) contribution of travel and tourism to GDP

Travel & Tourism's Direct Contribution to GDP	2014 % share
17 Croatia	12.5
23 Montenegro	9.5
36 Greece	7.0
37 Cyprus	7.0
44 **Albania**	5.9
63 Turkey	4.7
73 Italy	4.1
82 Bulgaria	3.7
Europe	3.4
World	3.1
122 Czech Republic	2.6
125 Bosnia-Herzegovina	2.5

Travel & Tourism's Total Contribution to GDP	2014 % share
19 Croatia	28.3
31 Cyprus	21.3
33 **Albania**	21.0
34 Montenegro	20.0
41 Greece	17.3
60 Bulgaria	13.1
67 Turkey	12.0
84 Italy	10.1
World	9.8
96 Bosnia-Herzegovina	9.3
Europe	9.2
113 Czech Republic	8.0

Source: World Travel and Tourism Council (WTTC), 2015.

It should be noted that the rank of Albania compared to other countries in the list, does not mean that the Albanian tourism is more developed than others. These figures shows the respective importance of the tourism at these countries.

However, in relative terms of direct and total contribution of the Albanian tourism to the GDP are more than the listed countries, considering their respective tourism. For example, if we refer to the left Figure 2.2, we see Albania ranking better than Turkey. This means that in relative terms, the direct contribution of Albanian's travel and tourism to the Albanian GDP is more than direct contribution of the Turkey's travel and tourism for the Turkey's GDP. Through this figure, we may argue that the travel and tourism for Albania should be a priority sector to be developed since the direct contribution to the GDP is comparable with developed countries such as Italy, Bulgaria etc.

In this line, referring to the figure 2.2, direct and total contribution of travel and tourism to the Albanian GDP, is above the average of world and Europe, constituting a significant incentive for Albanian tourism policy makers.

Regarding the employment contribution, this sector generated 50,500 jobs directly in 2014 (5.3% of total employment) and this is forecasted to remain the same in 2015 at 50,500 (5.1% of total employment). These figures include employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). It also

includes, for example, the activities of the restaurant and leisure industries directly supported by tourists. By 2025, travel and tourism will account for 62,000 jobs directly, an increase of 2.2% over the next ten years.

The direct and total contribution of travel and tourism to the employment relatively compared with its direct competitors, Europe and world average is shown in the Figure 2.3.

Figure 2.3Direct (left) and total (right) contribution of travel and tourism to employment

Travel & Tourism's Direct Contribution to Employment	2014 % share
15 Croatia	13.6
24 Greece	9.4
26 Montenegro	8.6
30 Cyprus	7.7
51 **Albania**	5.1
60 Czech Republic	4.9
61 Italy	4.8
World	3.6
Europe	3.6
93 Bulgaria	3.4
106 Bosnia-Herzegovina	3.0
139 Turkey	2.2

Travel & Tourism's Total Contribution to Employment	2014 % share
17 Croatia	30.2
27 Cyprus	22.6
34 Greece	19.4
36 **Albania**	19.2
37 Montenegro	18.5
63 Bulgaria	12.1
69 Italy	11.4
74 Bosnia-Herzegovina	10.7
79 Czech Republic	10.0
World	9.4
Europe	9.0
107 Turkey	8.2

Source: World Travel and Tourism Council (WTTC), 2015

Again, in the Figure 2.3 Albania is well ranked compared to its direct competitors in relative terms. Thus, the direct contribution of travel and tourism to the employment is above the Czech Republic, Italy, world average, Europe average, Bosnia-Herzegovina and Turkey. For example, the rank show that in relative terms the direct contribution to the employment of Albanian travel and tourism is more important for the Albania than the direct contribution to the employment of Czech Republic travel and tourism.

Additionally, total contribution of the travel and tourism to the employment in relative terms is improved. Thus, Albania is ranked 36 out of 184 countries around the world by reinforcing the significance of the tourism for Albanian economy, generating a significant number of new jobs.

Another important dimension to be considered within the tourism sector is the money spent by visitors, which is a key component of the direct contribution of travel and tourism. Referring to the MEDTTE (2014), the average daily expenditure of a tourist varies 76-81 Euro/day. International visitors spent 82 Euro/day with an average duration of 5 days, while domestic visitors spend 48 Euro/day.

According to the WTTC (2015), in 2014, Albania generated ALL191.5bn in visitor exports. In 2015, this is expected to fall by 2.8%, and the country is expected to attract 3,526,000 international tourist arrivals. By 2025, international tourist arrivals are forecast to total 5,217,000, generating expenditure of ALL273.1bn, an increase of 3.9%.

Even though, tourism is an important sector for Albanian socio-economic development, it remains underdeveloped. One reason is related to the lack of serious and sustainable initiatives to develop the sector. Large investments or projects by governments are not sufficient, yet. Indeed, only the spontaneous initiatives, and mostly by private sector, are seen. Additionally, the lack of a clear governments' vision to develop the sector, constitute another important reason.

However, during the last years tourism sector has gained an increased focus. Thus, referring to WTTC (2015) the travel and tourism is expected to have attracted capital investment of ALL19.6bn in 2014. This is expected to rise by 1.6% in 2015.

2.4 Albanian's tourism SMEs concerns and their performance management

As it was argued within previous sections of this chapter, though tourism sector is a crucial contributor to the Albanian economic development, the concerns that this sector is facing are several.

The first concern consists on tourism's sector lifespan. Referring to the WTTC (2015), a considerable number of international tourists have started to visit Albania only by 2000s, meaning that tourism industry started to take shape during this period.

The reference on the international visitor arrivals to define the tourism importance for a country's economic development is because this figure shows a significant dimension, the

injection of the foreign currency on the domestic economy, and thus, contributing directly to the GDP. As a result, the Albanian tourism could be defined as a young sector.

Apart this figure, to define the tourism's sector lifespan we refer to the SMEs longevity. Considering some of the descriptive analysis of our data gathered within the sample (see Table 2.1), shows that the average age of the tourism SMEs is 9 years, determining the short tourism's sector lifespan.

Secondly, the tourism output or product is a complex mixture of goods and services (Gilbert 1990). Therefore it is required a special attention and sufficient experience on producing and offering process. The lack of necessary experience brings inevitable problems at the tourism SMEs management. Regarding this, during the interviews for qualitative data gathering, the SMEs managers did not consider as significant the need to have structured prices for their services, plans for increasing customer satisfaction, being aware for importance of innovation, having objectives for diversifying their services in order to attract more tourists etc.

The experience needed to address effectively these issues, is close related to the experience of tourism SMEs' manager level. Studies that investigate these issues for the Albanian tourism SMEs are missing. In this line, WEF (2015) in their annual report, for the "Hotel price" index, Albania was not ranked because of missing data.

Considering the information gathered from the sample, apart the short SMEs' average lifespan, 75 % of the total SMEs managers are less than 39 years old (Table 2.1). This, dominant young age, despite several advantages shows a lack of necessary experience for the SMEs management, even more to address issues related to the complexity of the tourism's product.

Thirdly, the nature of tourism's product is seasonal, causing seasonal activities of businesses (Jolliffe and Farnsworth, 2003). In particular, seasonality affects the number of tourists to a region and therefore can threaten the viability of businesses.

Additionally, seasonality in tourism has a profound impact on the management of human resources (Jolliffe and Farnsworth, 2003). Thus, the fact that tourism businesses do not provide employment within a full year imposes to the manager a negligence of taking in consideration human resources practices such as selection and training, arguing as

ineffective practices. In this line, several managers consider the human resources practices as a not necessary cost.

2.5 Factors affecting Albanian tourism SME performance

Beyond the sector's concerns, the goal of this study is to address issues related directly to the tourism SMEs management, specifically their performance. Nevertheless, the sector's concerns are directly transferred to the SMEs performance management.

Furthermore, referring to the INSTAT (2013), all the tourism businesses in Albania are SMEs, regarding the criterion of number of employees. In this line, by considering the sector's concerns we directly investigate SMEs concerns.

Although short tourism's sector lifespan, complexity of the product and seasonality nature of the activities are close related to the SMEs performance, the need to go deeply and investigate factors that affect tourism SMEs performance is needed. Thus, this study aim to deeply investigate the effects of innovation, customer orientation and human resources practices on tourism SMEs performance management (see chapters 3, 4 and 5).

2.5.1 Defining performance concept and its measures

Performance is a focal phenomenon in management researches and furthermore, one of the most predominant dependent variable in the strategic management literature (Eisenhardt and Zbaracki, 1992; Schendel and Hofer, 1979; Moultrie et al., 2006). Additionally, performance concept has reached an important attention among both practitioners and academics (Pilkington and Liston-Heyes, 1998).

Although, firm's performance is a complex, multidimensional and dynamic phenomenon (Moultrie et al., 2006), improving it continually has been one of the central issues of management to organizational success (Neely, 1999). In this regard, researchers attempt to understand the business performance dynamics because by doing so may help to improve it (Moultrie et al., 2006).

Besides the accepted importance of the performance phenomenon, there is no universal accepted definition among researchers. As a result, to answer the question, "what do we

mean by performance and its measure?" it is useful to refer to the definitions that have been used in the literature (Bourne et al., 2003).

One of the most wide accepted definition about business performance is that of Pfeffer and Salancik (1978: 11, 34) who stated that performance as a concept it can be characterized as the "firm's ability to create acceptable outcomes and actions." Furthermore, regarding "performance measures" we will consider the definition of the Neely et al. (1995) who stated, "Performance measures can be defined as a metric used to quantify the efficiency and/or effectiveness of an action." Thus, each acceptable outcome or action that represents the success of the organization will be considered as performance measure/indicator. Furthermore, we must find and consider those indicators that represent the efficiency and/or effectiveness of business performance.

Throughout history, performance measures have been used to assess the success of organizations (Kenerly and Neely, 2003). Indeed, performance measurement has its roots in early accounting systems (Bourne et al. 2003). Since middle ages, the measurement of performance has been based on financial criteria (Bruns, 1998) or accounting based such as standard costing, variance analysis, flexible budgets, return on investment and other key management ratios (Bourne et al., 2003).

At the beginning of twentieth century, the way that businesses operated and managed changed. This made a different perspective on business performance and further separated the functions of the owner and management level. Thus, measurement of performance such as Return on Investment (ROI) was seen as an effective and appropriate way for performance measure. As a result, after measures of ROI were applied, the owners could monitor the performance that managers were achieving (Johnson, 1983). Since that time, the most used approach to measure performance was based on financial terms such as ROI, ROA, standard costing, variance analysis, flexible budgets and other key management ratios (Kennerley and Neely, 2003; Bourne et al., 2003).

During the 80s, businesses were facing rapid environmental changes such as more demanding customers and markets that were more competitive (Kennerley and Neely, 2003). Consequently, different researches suggest that traditional financial performance measures are historical in nature (Dixon et al., 1990), provide little indication of future

performance, encourage short-term decision making (Hayes and Abernathy, 1980; Kaplan, 1986), are internally rather than externally focused, with little regard for competitors or customers (Kaplan and Norton, 1992; Neely et al., 1995) and lack strategic focus (Skinner, 1974).

As a result, was clear that the traditional performance measures were no longer appropriate to measure the business performance as a whole in a competitive modern market (Johnson and Kaplan, 1987). These drawbacks on accounting measures, fostered many organizations to consider differently the performance measurement (Kenerly and Neely, 2003).

Through the attempts to overcome the limitations of conventional performance measurement, it is aimed to identify the measures that are broader in focus and include qualitative measures (Phillips and Louvieris, 2005). Additionally, Keegan et al. (1989) proposed that performance must be measured in terms that balance the internal and external measures and financial and non-financial measures.

The literature review by Ardishvili et al. (1998) and Delmar (1997) found possible indicators of performance that include profits, sales, assets, employment, market share and physical output. As it was argued above, existing literature frequently divides business performance measures into financial performance, which includes factors such as revenues (sales), profit, or stock prices, and non-financial performance measures such as reputation, loyalty, or customer orientation (Gupta and Zeitham, 2006; Grissemann et al., 2013).

Chen et al. (2009) states financial performance refers to the measures, of how well the business uses its assets to generate revenues. On the other hand, non-financial performance is a long-term operational objective that emphasizes the importance of increasing customer loyalty, attracting new customers, and enhancing the image and reputation of a business (Blazevic and Lievens, 2004; Chen et al., 2009).

However, researchers (e.g., Chakravarthy, 1986) have found a relationship between non-financial performance and financial performance. Thus, Chen et al. (2009) states that businesses that plan strategically to attain superior financial performance are likely to also achieve non-financial performance. For example, businesses that aim to have superior ROI, ROA, profit, sales, simultaneously will achieve other non-financial terms such as high customer loyalty and a positive image and reputation, and as a result, increase its

capability to attract new customers than organizations that do not (Chen et al., 2009). Even the inverse could be true, because the more added value on the products/services from business, the more sales and profits will perform.

The current dynamic environment of markets fosters businesses to better operationalize performance in terms of financial, non-financial, internally and externally oriented. Additionally, besides the issue of financial and non-financial measures that have been suggested to operationalize business performance, prior researches have tended to focus on variables for which information has been easy to gather (Cooper, 1995).

Applied to tourism SMEs context, business performance relates to how well (e.g., hotels) achieve non-financial as well as financial goals (Liao et al., 2010). The most used variables for operationalization of the performance for tourism businesses are the financial measures such as profits and sales (see Grissemann et al., 2013; Wang et al., 2012; Chen et al., 2009; Tajeddini et al., 2013; Avlonitis et al., 2001; Blazevic and Lievens, 2004) and the non-financial measures such as customer loyalty or retention and customer value (see Grissemann et al., 2013; Wang et al., 2012; Chen et al., 2009; Tajeddini et al., 2013; Avlonitis et al., 2001; Blazevic and Lievens, 2004).

Thus, on the one hand considering the financial and internally oriented measures such as profits and sales, and on the other hand the non-financial and externally oriented measures such as customer loyalty or retention and customer value-added, will exceed the drawbacks mentioned above and will represent a better operationalization of business performance.

As result, within our study the operationalization of the performance will be in financial measures (profits and sales) and non-financial measures (customer loyalty or retention and customer value).

Considering the performance in terms of financial (sales and profitability) and non-financial terms (customer loyalty or retention and customer value) is appropriate and justified regarding the effects of predictors proposed in our study on these performance' measures. Thus, it is naturally to suppose that the more innovative (Grissemann et al., 2013; Tsai and Yang, 2013; Tajeddini, 2010; Tajeddini and Trueman, 2012; Orfila-Sintes

and Mattsson, 2009; Chen et al., 2009), customer oriented (Tajeddini et al., 2013; Pikkemaat and Peters, 2005; Pikkemaat, 2008) and implementing the human resources practices (Sheehan, 2013; Chang et al., 2011), the better the businesses will perform in terms of financial (sales and profitability) and non-financial (customer loyalty and customer value) terms.

The need for considering more wide-accepted and representative measures for tourism's SMEs performance within this study is required. This is an important request when the study, as our study do, will target different industries of tourism sector, such as accommodation, tourism agencies and restaurants. Indeed, SME's performance models view all SMEs as a single, homogenous group, neglecting the apparent variations among them (Bolton, 1971). Furthermore, the aim to generalize the results of the study within the entire sector of the tourism, fosters the need to target different industries such as accommodation, restaurants, tourism agencies etc., and consequently will avoid the heterogeneity of tourism sector.

2.5.2 The relationships between innovation, customer orientation and HR resources practices with SMEs performance

When we aim to identify the most important factors of business environment that affect performance, certainly the number is very large. Thus, the business environmental factors that can potentially affect performance might be human resources, customers, competitors, innovation, shareholders, governments, etc. These factors are part of external and internal business environment. Furthermore, the ability to analyze the impact of all these factors on business performance at the same time is almost impossible. Therefore, there is a need for the selection of the most significant factors.

In this line, the study have to consider the theoretical approaches in the management field, which guide us in the selection of the most important factors. Thus, stakeholder theory, resource based view and market orientation are theoretical approaches that analyze factors or stakeholders from the internal and external of business environment, that are important for their success.

Considering the theoretical approaches such as stakeholder theory, resource based view and market orientation, we are more specific and accurate in the selection of the most important factors in the business environment, which significantly affect performance.

In the framework of stakeholder theory (see section 1.3.1) Greenley and Foxall (1996) claim that customers, competitors and shareholders, employees, and unions are a useful ranking for stakeholders priority. Additionally, Harrison and St. John (1994) argue that customers, employees and competitors are the key stakeholders, whereas Kotter and Heskett (1992) suggest consumers, employees and shareholders. However, it is clear that customers and human resources are the two most important factors within the business environment.

Resource based view (see section 1.3.2), as one of the most famous theoretical approach within the strategic management field, trait the importance of the human resources as the focal factor that affect business success (Barney, 1991; Barney and Wright, 1998). Furthermore, RBV consider the innovation as a significant factor that generates competitive advantage and better performance (Barney, 1986; Menguc and Auh, 2006). The resource-based view (Wernerfelt, 1984) helps to explain how firms derive competitive advantages by channeling resources into the development of new products, processes, and so forth.

Finally, market orientation approach (see section 1.3.3) considers three behavioral components such as customer orientation, competitor orientation and inter-functional co-ordination (Narver and Slater, 1990) as crucial factors that affect business performance (see e.g., Diamantopoulos and Hart, 1993; Day, 1994; Chang et al., 1999; Sin et al., 2005; Panigyrakis and Theodoridis, 2007). However, customer orientation is the core of the MO approach. In this line, customer orientation constitutes another crucial factor that effects business performance (see Narver and Slater, 1990; Liao et al., 2011).

By considering the above theoretical perspectives, we have selected innovation, customer orientation and human resources, as the most significant factors that influence SMEs

performance. Furthermore, in order to achieve the objectives of this study, we will investigate the influence of interactions (mediation roles) between these factors on the SMEs performance (see chapter 3, 4, 5).

Sandvik and Sandvik (2003) notes that tourism industry is more likely to react directly to the attributes of products because of firms' close relation and directly selling to customers who are very thoroughly engaged in the products. Nevertheless, inclination to innovate in tourism businesses is related to several reasons (Hjalager, 2010). Thus, seasonal factor is crucial for lower susceptibility to the innovation and further the level of innovation (e.g., internet) used in the lodging sector is highly dependent on the size of businesses (Vadell and Orfila-Sintes, 2008). Other reasons are related to the managerial capacities (Enz and Siguaw, 2003; Kumar et al., 2008), team culture and knowledge sharing (Christensen, 2008; Hu et al., 2009), staff training and a consistent HR practice (Ottenbacher and Gnoth, 2005), which are crucial for the inclination to innovate. However, Hjalager (2010) argues that these reasons that stand behind the limited inclination to innovate on tourism enterprises, are only marginally and indirectly addressed into the tourism researches.

Regarding the Albanian tourism sector, the innovation concept is significantly under-researched. However, a study by GIZ, EDEP (2012) in the accommodation industry, found that this industry has no knowledge on Information and Communication Technology (ICT). Furthermore, according to the WEF (2015), in terms of "ICT Readiness" Albania is ranked 73rd (out of 141 countries).

Even that, the performance implications of innovation in SMEs have attracted considerable interest among academics and practitioners (Rosenbusch et al., 2011), empirical researches on this relationship have been showing controversial results and mixed findings (Rosenbusch et al, 2011). In this regard, the researches in tourism have not given the attention that innovation concept deserves (Fagerberg, 2005; Hall and Williams, 2008; Edquist et al., 2001; Hjalager, 2002; Van der Aa and Elfring, 2002). In addition, tourism has been a phenomenon characterized by immense innovation throughout history, innovation research in tourism is a young phenomenon (Hjalager, 2010).

Baregheh et al. (2009) argue that innovation is a multidisciplinary concept and different disciplines view innovation differently. Despite several measures of innovation (radical, incremental etc.), current studies in the tourism sector measure innovation in terms of innovation behavior (e.g., Orfila-Sintes et al., 2005; Agarwal et al., 2003; Grissemann et al., 2013) and innovativeness (e.g., Hurley and Hult, 1998; Tajeddini, 2010; Grissemann et al., 2013). Even in our study, the innovation will be operationalized in terms of innovation behavior and innovativeness. In this regard, we will empirically investigate the effects of innovation behavior and innovativeness on SMEs performance (see chapter 3).

Considering innovation as an important factor that increase the SMEs performance management, is necessary but not a sufficient factor. Tourism as a service industry, consider CO a very important dimension, because tourism is predominantly comprised by SMEs that are unable to obtain a low-cost advantage (Smeral, 1996). Customer orientation may be considered as the appropriate strategy to access the critical information about customer needs and wants (Salomo et al., 2003). In this line, entire the business should be aware of the importance of being customer oriented.

In regard to the Albanian tourism, studies that address the CO on SMEs are absent. However, according to the WEF (2015) Albania is ranked 79rd, in terms of "Tourist Service Infrastructure" which include the "Hotel rooms per 100 population", "Extension of business trips recommended", "Presence of major car rental companies", "ATMs accepting Visa cards per million population". This overall indicator for the Albanian tourism should be deeply investigated in terms of "how tourism SMEs focus on the customer wants and needs?"

The more of the awareness on customer preferences, the more is the probability to construct financially profitable (Dawes, 2000). SMEs that focus on customers' needs tend to be more vigilant on customer's preferences and will have an improved performance. Thus, an argument is that, if a business aims to reduce risk and avoid the potential failure of a new product, it must know its customers.

Consequently, empirically investigate the effects of CO on tourism SMEs performance

Human resources constitute one of the most important assets that a tourist destination should take into account for development. Thus, referring to the WEF (2015), Albania is ranked 56s (out of 141 countries) in terms of "qualification of the labor force" and "labor market." Additionally, tourism education providers and professional trainings are mostly vocational schools and universities (MEDTTE, 2014).

In contrast to the above approach, in the tourism businesses prevails still the traditional philosophy of employees' management, treating employees as a cost rather than asset, and provide only limited training (Chang et al., 2011). WEF (2015) points out that Albania is ranked 32nd regarding the "Extent of staff training" index and 67th regarding the "Hiring and firing practices" index.

Abeysekera (2006) found that in small hotels, managers did not take a proactive role in providing training to employees. Nevertheless, because of that the tourism is mostly services-based the needs for customer service skills largely determine the quality of employee-customer interactions (Chang et al., 2011).

Indeed, there have been several empirical studies addressing the effects of HR practices on business performance, but this relationship still remains under-researched (Messersmith and Guthrie, 2010; Razouk, 2011; Verreynne et al., 2011). Within our study, the human resources practices will be measured in terms of selecting/recruiting and training (see Wright et al., 2003). Thus, we will empirically investigate the effects of hiring and training practices on SMEs performance (see chapter 5).

After the selection of the most important factors affecting business performance, with reference to the theoretical approaches, and analyzing their direct effects on business performance. An important theoretical and practical contribution would be to analyze their interaction effects. Considering the direct effects of innovation, customer orientation, and human resources practices on business performance is necessary but not sufficient. This comes as a consequence of the fact, that all three factors are part of the business environment and additionally are interdependent. For example, the more a business aims to be customer oriented, the more it needs to be innovative, in order to reach the dynamic needs and wants of the customers. On the other hand, in order to be customer orientated

and innovative, human resources play a crucial role, and they should be well selected and trained.

While being customer driven alone is not sufficient to achieve competitive success, but also considering innovation will lead to increased performance (Han et al., 1998). Additionally, when a business is innovative in its products, services and meeting customer needs, customers will be more likely to repeat their purchase and thus increase customer retention/loyalty (Anderson et al., 1994). Theoharakis and Hooley (2008) suggested that while courteous customer service helps to keep customers in the short-terms, the innovation (new products and services) helps to keep them in the long-terms.

Moreover, in order for innovation to take place into the business, human resources play a focal role. Team culture and knowledge sharing (Christensen, 2008; Hu et al., 2009), staff training and a consistent HR-practices (Ottenbacher and Gnoth, 2005), are significant for the inclination to innovate.

Establishing and maintaining a degree of CO is not an easy task and it requires the involvement of human resources, financials, and other organizational resources. Hennig-Thurau (2004) states that, "because of the intangibility and heterogeneity characteristics of service industries, customers often rely on the behavior of service employees when judging the quality of a service." Thus, CO in service firms is directly related to employee performance, perceptions of quality and service environment, leading to enhanced customer satisfaction and as a consequence enhanced business performance (Dowling and Pfeffer, 1975; Tajedinni et al., 2013). In this line, the SMEs managers are forced to consider and implement the best practices on recruiting and training processes, in order to be customer oriented.

Nowadays customers are more and more searching for novel services. As a result, this requires businesses to be innovative, customer oriented, and recruiting best employees and training them. This constitutes a crucial approach of the business for improving the performance of the management. Tajeddini and Trueman (2012) stated that "if employees and managers are innovative and open to new ideas in meeting customer needs they are more likely to enhance business performance in the hotel industry." Thus, within this

statement we emphasize the importance of the three factors (employee, innovation and customer orientation), affecting the business performance.

Finally, apart the direct effects of innovativeness, innovation behavior, customer orientation and HR selecting and training practices on SMEs performance, this study will empirically investigate the indirect effects, as well.

More specifically, through chapter 3, the investigation of the mediation role of the innovation behavior on the innovativeness-performance relationship will take place. In chapter 4, we will investigate the mediation role of the innovativeness and innovation behavior on the CO-performance relationship. Lastly, the mediation role of the innovativeness, innovation behavior and CO on the HR selecting-performance relationship and HR training-performance relationship, are investigated in chapter 5.

Chapter 3

Individual and joint effects of innovativeness and innovation behavior on SMEs performance

3. Individual and joint effects of innovativeness and innovation behavior on SMEs performance

3.1 Introduction

Innovation as a phenomenon, is described and emphasized by Schumpeter (1942) as "creative destruction" that is essential for business growth. Since Schumpeter's (1934) innovation theory, who states that the creation of new knowledge or new combinations of existing knowledge are transformed into innovations, this concept took an importance role for firm growth. Even before Schumpeter's "creative destruction" approach, the term innovation has not been used extensively, was perceived as important (Lorenzi et al., 1912; Veblen, 1899; Schumpeter, 1934).
Due to fierce competition, globalization, and technology advancements in recent years, the need to innovate is considered imperative (Tajeddini and Trueman, 2008).

Historically, the innovation concept has been considered more in manufacturing industries (Dosi, 1988). Nevertheless, the emerging service economy in general, and the upcoming software boom of the 1980s in particular, affected the increasing consideration of this concept within intangible product (Miles, 2003; OECD, 2005). For example, Baregheh et al. (2009) argue that organizational innovation can be performed not only at product level but also in services industries.
Recently applying innovation to service sectors has increased. As a result, recent researches in tourism are now reaching a significant level, which is comparable with studies in other economic sectors (Hjalager, 2010). This increased attention must be welcomed, as innovation research represents a meaningful and valuable way for understanding the dynamics of the economic sector, and getting deeper insights will be helpful for the industry and policy makers alike (Hjalager, 2010).

Nevertheless, as Chen et al. (2009) states, within a modern economy, where consumer preferences rapidly change, emergence of multiple consumer segments with different tastes, values, patterns, businesses seek to deliver services and products in a cost-effective

way, adding value to customers, and improving service delivery methods in order to increase profitability.

In tourism, innovation must be considered a very important concept because of its dynamic nature, which is consistent to the Schumpeter's conceptualization of innovation, the "creative destruction".

As the service sector, tourism is a changing and dynamic industry. Thus, it will need to be adjusted to the new customers' demands, adequately reacting to competitors' innovations and taking advantage of the new technological developments available in the market place (Camison, 2000; Huybers and Bennett, 2000; Okumus and Hemmington, 1998).

Prior to review innovation on tourism SMEs, the study has to address the questions: What do we mean by innovation? Which is the most accepted integrative and cross-disciplinary definition of innovation? Indeed, this is an important issue, because innovation is a multidisciplinary concept.

Baregheh et al. (2009) pointed out that innovation is a multidisciplinary concept and different disciplines view innovation differently. In fact, there is a considerable disparity in definitions of innovation. Thus, Thompson (1965, p. 2) states: "Innovation is the generation, acceptance and implementation of new ideas, processes products or services". This definition considers that innovation happens at tangible and intangible products.

Bessant et al. (2005, p. 1366) emphasizes that, "Innovation represents the core renewal process in any organization. Unless it changes what it offers the world and the way in which it creates and delivers those offerings it risks its survival and growth prospects."

Johannessen et al. (2001) considered and expressed innovation in simpler way: "innovation represents and is generally characterized by everything that differs from business as usual or which represents a discontinuance of previous practice in some sense for the innovating firm".

Several definitions consider innovation as a phenomenon that intends to encourage changes in terms of newness, for improving organizations welfare.

Nevertheless, our study will consider the integrative and cross-disciplinary definition of innovation for organizations, as pointed out by Baregheh et al. (2009, p. 1334) "innovation is the multi-stage process whereby organizations transform ideas into new/improved

products, service or processes, in order to advance, compete and differentiate themselves successfully in their marketplace."

This definition of innovation considers the importance of the existing innovative ideas (organization culture), and furthermore, transforming them into new products/services or processes with the focus of improving their performance or to be successful.

Due to the important role that SMEs play for economic and technological development, innovation in the context of smaller firms has received much interest in literature (Acs and Audretsch, 1988). Indeed, SMEs compared to bigger businesses are more flexible and adjustable to the environment. As a result, smaller businesses can be adjusted within the changing environmental faster than bigger businesses, due to their nimbleness, missing hierarchies, and quick decision-making (Nooteboom, 1994; Vossen, 1998). Although SMEs face considerable scant resources, they are often successful innovators (Rosenbusch, 2011). All of these attributes help SMEs successfully compete with well-established bigger businesses, which have much larger resource than SMEs. In addition, Rosenbusch (2011) states that smaller firms by offering highly innovative products and services, can avoid price competition and, create new demand, and consequently, facilitate firm growth.

Notwithstanding, innovation is not always a positive determinant factor for small firms performance. By utilizing their scant resources for innovation purposes can overstrain their possibilities (Acs and Audretsch, 1988; Nooteboom, 1994; Vossen, 1998). Additionally, innovation implies increased uncertainty and risks (Eisenhardt and Martin, 2000; Knight, 1921) and consumes substantial resources (Li and Atuahene-Gima, 2001; Van de Ven, 1986; Eisenhardt and Martin, 2000; Nooteboom, 1994). Smaller firms often lack the necessary organizational capability (e.g., experience) to innovate, consequently they face higher risks to fail. As a result, these considerations suggest that the overall impact of innovation on the performance of a SME is an aggregate effect resulting from both positive and negative effects.

Even though, the performance implications of innovation in SMEs have attracted considerable interest among academics and practitioners (Rosenbusch et al., 2011),

empirical researches on this relationship have been showing controversial results and mixed findings (Rosenbusch et al., 2011). Thus, Birley and Westhead (1990) and Heunks (1998) concluded that innovation does not influence firm performance, or find negative performance implications of innovation (e.g., McGee et al., 1995; Vermeulen et al., 2005). Meanwhile, DeCarolis and Deeds (1999), Guo et al. (2005) and Li and Atuahene-Gima (2001) reports positive effects.

As a conclusion, the controversial level of tourism businesses inclination to innovate, suggestions of the literature in tourism for further and deeper analysis in the tourism industry and the aggregate effects on SMEs performance, urge us for additional investigation.

3.2 Literature review

Innovation is a complex and wide concept. Thus, in order to better understand and study this concept, the study should operationalize it.

Estimating the scale of innovation in tourism is problematic (Camison and Monfort-Mir, 2011; Hertog et al., 2011; Krizaj et al., 2014; Orfila-Sintes et al., 2005). This reflects significant unresolved differences of opinion on how it should be measured and on the factors that influence its form in various sectors, locations and over time (e.g. Arta and Acob, 2003; Carlisle et al., 2013; Hjalager and Flagestad, 2012; Sorensen, 2007; Hall, 2009). As a result, recent reviews of the literature on innovation in tourism, have all highlighted the need for more theorizing and empirical research on almost all aspects of the phenomenon (e.g. Hall and Williams, 2008; Tejada and Moreno, 2013; Williams and Shaw, 2011).

However, innovation may be understood in different ways. Baregheh et al. (2009) state that innovation is a broad, dynamic and multidisciplinary concept.Therefore, different authors perceive differently the concept of innovation. Several studies tackle innovation in terms of technological/technical innovation and organizational/administrative innovation (Daft, 1978; OECD, 1997, 2005; Cohen and Levinthal, 1990; Orfila-Sintes et al., 2005; Abernathy and Utterback, 1978; Van der Aa and Elfring, 2002).

Despite these measures of innovation, current studies in the tourism sector measure innovation in terms of innovation behavioral dimension (e.g., Orfila-Sintes et al., 2005; Agarwal et al., 2003; Grissemann et al., 2013) and innovativeness dimension (e.g., Hurley and Hult, 1998; Tajeddini, 2010; Grissemann et al., 2013). This operationalization of innovation is relevant. Considering innovation in terms of innovativeness and innovation behavioral is a topic of current years (see e.g. Grissemann et al., 2013, Tajeddini, 2010;Tajeddini and Trueman, 2012).

Innovativeness can be distinguished from innovation behavior as an organization's orientation towards innovation (e.g., Hurley and Hult, 1998; Tajeddini, 2010; Grissemann et al., 2013), whereas innovation behavior is the quantity of new products and services that the businesses actually introduces (e.g., Orfila-Sintes et al., 2005; Agarwal et al., 2003; Grissemann et al., 2013).

As can be seen, the innovativeness is related to the organization's attitude and the innovation behavior is related to organization's behavior in terms of innovation. In this line, to distinguish between "attitude" and "behavior" we use the definitions of Ajzen and Fishbein (1977, p. 889) wherein, attitude refers to "an individual's evaluation of an entity in question," and behavior refers to "observable actions performed by the individual and recorded some way by the investigator." Consequently this study will consider the innovativeness the attitude, values and beliefs and being open-mind by individuals and or organization to innovate. Additionally, the behavior construct of innovation represents the action or the implementation performed by the individuals or organizations in order to attract customers by adding values, improve offers, and consequently being successful.

3.2.1 Innovativeness and SMEs performance

Research on innovativeness has steadily expanded since Hurley and Hult (1998) considered as one of the most important determinants of competitive advantage and performance (Tsai et al., 2013). Innovativeness is shown as an important strategic orientation for businesses to achieve long-term success (Noble et al., 2002), significant effect on venture performance (e.g. Baum, 1995; Rauch and Frese, 2000; Utsch and Rauch, 2000) as well as growth (Brännback, 1999).

Going back on time, we find researches that do not clearly distinguish innovativeness and innovation, or at least they consider the same (see e.g. Hjalager, 2010; Roehrich, 2004). However, Tsai and Yang (2013) suggests that innovativeness and innovation are conceptually distinct (Menguc and Auh, 2006; Tajeddini et al., 2006) because "a highly innovative product does not automatically imply highly innovative firms" (Garcia and Calantone, 2002, p. 117).

Nevertheless, considering the need of an initial phase of innovation in terms of orientation to innovate, the culture (values and beliefs) to innovate, and ideas to innovate, before they practically do, forced researches to make this distinction. Thus, Zaltman et al. (1973), Hurley and Hult (1988) and Hult et al. (2003) suggest that the initiation process of innovation into the models of market orientation is innovativeness which is the notion of openness to new ideas as an aspect of a firm's culture (values and beliefs) toward innovation. Consequently, they consider innovativeness as a "first step or phase" before the businesses practically innovates. In this line, Van de Ven (1986) considers innovativeness as the management of the organization's cultural attention in order to recognize the need for new ideas and actions within the organization. Grissemann et al. (2013), studying the hotel industry, considered innovativeness as an "attitudinal dimension" of innovation.

The term innovativeness generally refers to a business' orientation towards innovation as the force that drives its strategy, learning, and functional interaction (Siguaw et al., 2006). Chen et al. (2009) consider innovativeness as the innovation orientation.

This study will consider innovativeness as the attitude, values and beliefs and being open-mind by individuals and or businesses to innovate.

Within tourism SMEs context, innovativeness can take various forms, such as developing appropriate strategies, encouraging employees to come up with creative ideas, or simply being open toward the change (Tajeddini, 2010). Because environments evolve, tourism SMEs should adopt innovations over time and the most important innovations are those that allow them to achieve some sort of competitive advantage, thereby contributing to its performance.

There are relevant and comprehensive studies that empirically show the influence of innovativeness on SMEs performance (see e.g. Grissemann et al., 2013; Tsai and Yang, 2013; Tajeddini, 2010; Tajeddini and Trueman, 2012). Hult et al. (2004) in their empirical findings confirm innovativeness as an important determinant of business performance, regardless of the market turbulence in which the firm operates. Consequently, they suggest that managers are advised to improve the innovativeness of their businesses in their efforts to attain superior business performance.

Tsai and Yang (2013) suggest that innovativeness is a crucial factor to enhance business performance in highly turbulent and highly competitive markets. Tajeddini and Trueman (2012) concluded that if managers and employees are innovative or open to new ideas they are more likely to enhance business performance in tourism sector.

Even though several studies have found a positive relationship between innovativeness and performance, other studies have failed to find a significant effect on this relationship (see e.g., Chandler et al., 2000; Terziovski, 2010; Grissemann et al., 2013). Thus, Grissemann et al. (2013) concluded that innovativeness has no direct effects on business performance. Nevertheless, Tsai and Yang (2013) argue, even that innovativeness enhances business performance, the empirical researches have not yet achieved a consensus on that. Studies in innovativeness-business performance relationship are still in its infancy (Tajeddini, 2010).

The innovativeness construct of innovation in tourism SMEs, was tackled only within the hotel industry (see e.g. Tajeddini, 2010; Grissemann et al., 2013; Tajeddini and Trueman, 2012). Thus, Tajeddini (2010) in his study assessing the effect of innovativeness and customer orientation on hotels performance, suggest that it would be useful to replicate such studies to a new sample and furthermore, for a developing country and different industries.

In this line, the lack of sufficient empirical results to support the positive relationship between innovativeness and SMEs performance reinforces the need to replicate such studies to a new sample for a developing country and to different industries. This discussion leads us to the following hypothesis:

H1.*Innovativeness has a positive effect on SMEs' performance*

3.2.2 Innovativeness and innovation behavior

In the framework of the innovativeness and innovation behavior, it is important for SMEs managers to be aware and confident about innovation. Thus, they should consider two phases of innovation in their business.

First, the managers should be aware of the idea that innovation will positively affect performance, regardless how, where and when will take place. Thus, if the managerial level will be convinced that implementing ICT technologies will increase service qualities and as a result will improve customer satisfaction, they will be more motivated to act on this kind of innovation. For example, in accommodation sector the online booking, or check-in/out system.

It is necessary but not sufficient condition that only managerial level must be aware and convinced about innovation, but even employees because through them innovation will take place. As Grissemann et al. (2013) noted, when management level has a positive attitude towards innovation, and when employees are rewarded for having creative ideas, innovation is more likely.

Secondly, it is necessary that after being open-mind to innovate, creating the appropriate culture and environment to innovate, as innovativeness predict, the implementation phase of innovation, as innovation behavior predicts, is an undisputed issue.

Grissemann et al. (2013) argued that, a certain degree of innovativeness is necessary to encourage innovation behavior. Thus, we suppose that the higher is the attitude, culture and being open-mind to innovate the more the innovation will take place in the SME.

Rosenbusch (2011) argue that SMEs that face scarce-resources, innovativeness might be essential to attract and bind various forms of resources such as high-quality employees, recurring revenue from customers, financial resources from investors, and as a result, innovativeness might be an effective response for SMEs to overcome the constraints related with smallness. Additionally, Rosenbusch (2011) considers that SMEs with a strong orientation toward innovation are more capable to create innovative capabilities and innovative offerings. Thus, as Hage (1980) suggests, a combination of a positive attitude

of the organization toward change combined with specialist knowledge facilitates innovation.

Therefore, based on these arguments we propose that:

H2.I*nnovativeness has a positive effect on innovation behavior*

3.2.3 Innovation behavior and SMEs performance

While innovativeness is defined as a set of values, beliefs and attitudes (see e.g. Tajeddini, 2010; Tajeddini and Trueman, 2012; Hult et al., 2004; Grissemann et al., 2013) the innovation behavior is defined as practical implementation of innovation (see e.g. Orfila-Sintes et al., 2005, 2009; Agarwal et al., 2003; Grissemann et al., 2013). Additionally, while innovativeness represent the first phase of innovation, the innovation behavior represents a continuing phases of implementation of innovation. As a result, innovativeness reinforces innovation behaviors and stimulates innovative behaviors that may yield new products, services, or processes (Hurley and Hult, 1998).

Damanpour and Wischnevsky (2006) distinguished the innovation behavior as the development and use of new product or service or method of operation. Innovation behavior is understood as the extent to which innovations are actually implemented within various areas of a business (Orfila-Sintes et al., 2005). Kleysen and Street (2001, p. 285) defined innovation behavior as ". . . all individual actions directed at the generation, introduction and or application of beneficial novelty at any organizational level." Additionally, innovation behavior also tracks whether an individual adopts innovations before others.

Within tourism SMEs context, innovation behavior includes a wide range of factors such as establishing efficient registration and check-in/out systems, choosing outstanding architectural designs, or providing memorable experiences (Gilmore and Pine, 2002).

Orfila-Sintes and Mattsson (2009) argue that SMEs must consider the appropriate factors that successfully promote service innovations behaviors, and furthermore, those types of innovations that cause efficiency, improving the service provided by better adapting it to

customer demands. As the Orfila-Sintes et al. (2005) and Grissemann et al. (2013) work, this study refers to the innovation behavior as the number innovations that are practically implemented within various areas of the tourism SMEs and are internally and externally oriented with their effects.

To understand better the innovation behavior concept, a considerable number of researches (Hall, 2009; Hjalager, 2010; OECD, 2005; Ottenbacher and Gnoth, 2005; Weiermair, 2006; Mei et al., 2012) have tackled innovation within five categories: product or service innovation, process innovation, organizational/managerial innovation, management innovations and institutional innovations. Thus, these categories/types of innovation represent the specific innovative behaviors that might be implemented within the SMEs.

Apart that innovation may be encountered in different types, the literature in tourism finds innovation as a very important determinant that affect business performance. Grissemann et al. (2013) stated that a considerable number of authors have investigated the effects of innovation behavior. Thus, Ottenbacher and Gnoth (2005), Chadee and Mattsson (1996), Storey and Easingwood (1998) concluded that innovation behavior in terms of new products and services increase the financial performance and reputation of a hotel. Ottenbacher et al. (2006) identified a positive link between innovation behavior and hotels performance in terms of reputation.

Nowadays customers are more and more searching for novel services. Orfila-Sintes and Mattsson (2009) concluded that in aggregated innovation in the hotel industry has significantly improved performance. Additionally, Grissemann et al. (2013) concluded that innovation behavior enhances financial performance, customer retention, increase efficiency, and reinforces the competitiveness position. To this, it is suggested that in businesses and destinations to constantly innovative through new services and find solutions, in order to gain the customers loyalty (tourists).

Orfila-Sintes and Mattsson (2009) argue that a few studies have attempted to investigate the innovation behavior in the hospitality sector. Furthermore, this concept was elaborated only in hotel industry (see e.g. Grissemann et al., 2013; Orfila-Sintes and Mattsson, 2009).

Thus, considering innovation behavior within more broad industries of tourism such as hotels, tourism agencies and restaurants will provide more representative results for tourism as a whole. This argument is in the framework of the need to better generalize the results of the study. Consequently, extending the study of innovation in a more representative target group will bring new insight for innovation studies in tourism.
Based on the above arguments we propose this hypothesis:

H3.I*nnovation behavior has a positive effect on SMEs performance*

While there are several studies elaborating the effects of innovativeness on innovation behavior (e.g. Snyder and Kendzierski, 1982; Grissemann et al., 2013; Matsuo, 2006) and the effects of innovation behavior on business performance (e.g., Chadee and Mattsson, 1996; Storey and Easingwood, 1998; Ottenbacher and Gnoth, 2005; Ottenbacher et al., 2006;Chen et al., 2009; Grissemann et al., 2013), on the other hand, there is a lack of studies investigating the effects of innovativeness on business performance mediated by innovation behavior.
While Matsuo (2006) noted that a creative work environment encourages innovation behavior in businesses, Chen et al. (2009) concluded that businesses should practically implement innovation to the service delivery because improves their ability to develop different kinds of customer service and plays a critical role in facilitating superior business performance.
Hence, we argue that only having a positive attitude toward innovation will not boost profits or keep customers, but businesses should go further and consider the need to implement innovation in order to enhance performance. Consequently, by injecting the attitudinal dimension of innovation to the managers and employees, it is expected to foster the innovation implementation that in turn will affect business performance.
Businesses should create a positive climate toward the innovativeness, to encourage employees to think outside the box and accepting their new creative ideas, in order to come up with new products/services and as result, achieving profit and sales goals. In this line, Tajeddini (2010) suggests that innovativeness should be "institutionalized as a policy, value belief and unwritten rule" in order to have a higher performance outcome.

Grissemann et al. (2013)found a positive effect of innovativeness on financial performance and this effect was mediated by innovation behavior.

Thus, according to the above discussions we propose the following hypothesis.

H4.*The effect of innovativeness on SMEs performance is mediated by innovation behavior*

3.3 Methodology

3.3.1 Data collection and sample

WTTC (2013) shows that hotels, guesthouse, tourism agencies and restaurants significantly contribute on tourism development. As a result, hotels, restaurants and tourism agencies in Albanian's tourism will constitute the target group of this study. Furthermore, this target group will be stratified regarding the SMEs' criterion. Thus, as defined by EU Commission[2] (2005), SMEs are all those enterprises that have fewer than 250 employees. As a result, those who meet this criterion will be the target group of this study.

With regard to the data source of the sample, we referred to the national Institute of Statistics (INSTAT) and Ministry of Economic Development, Tourism, Trade and Entrepreneurship (MEDTTE). These are two most important sources, which provide data and information about our target group. Referring to the INSTAT (2013) within tourism sector operate 946 hotels, 813 tourism agencies and 16 879 food and beverage services constituting 16.7% of total enterprises that operate in Albanian territory. As a result, considering a number of around 656 hotels, restaurants and tourism agencies (comprising 3.8% of the total population) will be a reasonable target group of the study. Indeed, as regard to the appropriate number of the sample, there is no a strict rule.

[2] Commission ofEuropean Union

In economy and more specifically within tourism sector, the quantitative methods are used (Decrop, 1999). Nevertheless, despite quantitative methods being dominant in the field of tourism they have their own limitations, such as their inability to deal with vital problems facing tourism scholars (Al-Masroori, 2006).

Qualitative methods are more flexible and they deal with the problems more deeply. In this line, we utilized the triangulation of research methods on data gathering as it is common used in tourism.

In order to gather the data and information through a convenient manner, the source will be the SMEs' senior managers or the owners (e.g., Grissemann et al., 2013; Chang et al., 2011). Indeed, the managers serve as key-informants because of their superior access to information about most aspects of a SMEs' activities (Sandvik and Sandvik, 2003). Even that at the initial the manager may be prejudged, this approach is strongly supported within literature (e.g., Grissemann et al., 2013; Chang et al., 2011; Huselid and Becker, 2000; Chan, 2008; Shalley et al., 2009, Covin and Slevin, 1989; Smart and Conant, 1994). Huselid and Becker (2000) suggested that in many cases single respondents are the best, than multi respondents.

Another important issue is the self-reported data that our study utilized. Gathering the data by using self-report technique, usually it is criticized because of its non-reliability and even more regarding the performance data. Nevertheless, this technique is strongly supported in the literature as well (see e.g. Tajeddini and Trueman, 2012; Hooley et al., 2000, Kirca et al., 2005; Knight, 2000; Chan, 2008; Shalley et al., 2009). Knight (2000) suggested that the majority of earlier studies have adopted self-reported measures to gather business performance data, which have proven to be reliable.

The reason for using the self-report performance data is that we could not access the objective performance data of the privately held firms and because of the positive correlation between perceived performance measures and objective performance measures (Lau and Ngo, 2001; Menguc and Auh, 2006; Tsai and Yang, 2013). Furthermore, according to Chan (2008), self-reported data are not inherently flawed and concerns, especially given the complex nature of the interaction effects (Shalley et al., 2009), as in our analyses.

Concerning the questionnaire, in order to have less ambiguous questions, first step we followed was to have a preliminary test with academics (see e.g. Wang et al., 2012). In addition, to assess the clarity and understandability of the measures we made a pre-test of the questionnaire with the SMEs managers (see e.g. Tsai and Yang, 2013). Thus, we developed certain open or informal interviews with 6 senior managers or owners of SMEs, part of target group. Their responses, comments and suggestions helped to refine the questionnaire and render it more suitable and to provide content validity (Thomas, 2014). As a result, we came up with a six-page questionnaire composed by 6 sections about SMEs' general information, performance, innovation, customer orientation and human resources practices.

After defining the final questionnaire, the next phase was to delivering it. To this, the data collection was conducted in 12 districts of Albania; Tirana, Shkoder, Lezhe, Diber, Kukes, Durres, Elbasan, Fier, Korçe, Vlore, Gjirokaster and Berat. By delivering to the all districts of Albania, the results of the study will be more representative for entire country. A number of 656 SMEs (hotels, restaurants and tourism agencies) in those 12 districts constituted the target group. Thus, 656 questionnaires were delivered by e-mail (online survey technique) and in person to the managers and or owners (face-to-face technique) of each SME in January 2014 (see e.g. Tajeddini and Truemean, 2012; Tsai and Yang, 2013; Thomas, 2014; Grissemann et al., 2013; Chang et al., 2011).

In order to have a reasonable response rate, we sent a personalized cover letter, a promise of feedback about the study and an emphasis on confidentiality (see e.g. Moultrie et al., 2006; Tajeddini and Truemean, 2012; Tsai and Yang, 2013).

Referring to the literature, by using the email survey technique, the response rate is not significantly high. Thus, in average the response rate by using this technique is roughly 7% to 19% (see e.g. Thomas, 2014; Chen et al., 2009; Grissemann et al., 2013; Tsai and Yang 2013). For example, Grissemann et al. (2013) on their study by using the e-mail survey technique to deliver the questionnaires to the sample, had a 7.9% response rate. In addition to this, Tsai and Yang, (2013) by using the same data gathering technique had an 18.7% response rate. In this framework, we had a preliminary response rate of 2.7%.

In order to increase the response rate of this technique, after 2 week the first request made, we sent a follow-up email to the SMEs that hesitated to respond (see e.g. Chen et. al, 2009;

Moultrie et al., 2006; Tajeddini and Truemean, 2012; Tsai and Yang, 2013). Thus, by using this we pretended to raise the response rate at the reasonable level. For example, Chen et al., (2009) after delivering the questionnaires, they followed up by e-mail. This boosted the final response rate from 8% to 25%. Tajeddini and Truemean, (2012) by using this technique they raised the response rate to 32%.

As a result, after the followed up by e-mail, we raised the response rate only by 1.5%. Thus, the final response rate through the email survey was 3.8%.

Considering that e-mail survey did not provide an acceptable response rate, we used the face-to-face interviews with the managers and or owners of SMEs, part of the target group. Referring to the literature, face-to-face survey has a high response rate, roughly 95%. Thus, Thornberry (1987) in his study reached a 96% response rate. Mulry-Liggan (1983) reported a similar result 95%. Thus, by using face-to-face interviews, we expected to have back and fulfilled an acceptable number of questionnaires. To this, in order to reach a reasonable number of questionnaire fulfilled, we delivered 200 questionnaires to the managers and or owners of the SMEs, part of the target group and the number of questionnaires answered was 194 wherein 6 refused to answer, constituting 97% of response rate.

Finally, by using these two techniques, online survey and face-to-face, we gathered reasonable number of answers. To this, 221 was the total number of answers, wherein 25 answers were from the online survey and 194 from face-to-face technique. By using these two techniques, the response rate raised from 4.1% to 33.6% of the target group. Notwithstanding to this, referring to the Roscoe's (1975) rule of thumb, a sample size between 30 and 500 is sufficient. Furthermore, Thomas (2014) states that to estimate the variability in the population, confidence level and level of accuracy required suggests a minimum sample size of 200. This would provide sufficient data to undertake both scale validation and refinement.

3.3.2 Variables and measures

The observed variables are based on subjective approach (e.g. Greenley and Foxall, 1996). The justification for the subjective measure, as Foreman-Peck et al. (2006) argues, is the

lack of the data that many SMEs are willing or obliged to put in the public domain. Additionally, previous researches have noted that objective measures, certified by a third party, are impossible to obtain at the business unit level, and subjective measures can correlate to objective measures (Sin et al., 2005; Tajeddini, 2010; Tajeddini and Trueman, 2012).

All the items that we used to operationalize the unobserved variables in this study are grounded from the existing literature.

Performance measurement as the outcome variable will be operationalized in financial and non-financial terms. Thus, considering the financial measures (profitability) three items were used based on Chen et al. (2009) study.

In addition, the existing literature (Avlonitis et al., 2001; Tajeddini and Trueman, 2012) also suggests to consider other non-financial performance measures such as customer loyalty or retention. Considering the service based nature of the tourism, it reasonable to operationalize the performance in terms of customer loyalty/retention (see e.g. Chen et al., 2009; Wang et al., 2012; Tajeddini et al., 2013; Avlonitis et al., 2001; Blazevic et al., 2004; Grissemann et al., 2013). Therefore, we considered two items from Chen et al. (2009), one item from Wang et al. (2012), one item from Hooley et al. (2000) and Kirca et al. (2005).

Innovativeness will be measured by using a seven items based on Hurley and Hult (1998) and two items from Tsai and Yang (2013).

To measure the innovation behavior, we will refer to the Johannessen et al. (2001) work by using seven items, and the author developed two other items during the discussion with the target group.

All the observed variables of the three unobserved variables (performance, innovativeness and innovation behavior) are rated using a five-point Likert scale with 1 being “strongly disagree” to 5 being “strongly agree.”

3.3.3 Data screening

Within the framework of the data analysis, the missing data is the most pervasive problem (Tabachnick and Fidell, 2006). This problem appear when we face with equipment failure or malfunction, respondents became recalcitrant, absence on the day of data collection, failure to answer certain items in the questionnaire, refusal to answer sensitive items related to one's age and/or income etc., (Tabachnick and Fidell, 2006; Byrne, 2010). However, because missing data can seriously bias and impede the generalizability of findings, they should be addressed, regardless the reason of their missing (Byrne, 2010). Furthermore, the extent of generalizability of findings can be biased depends on both the amount and pattern of missing values (Byrne, 2010).

After we addressed the issue of amount of missing data, wherein 8 cases were deleted, and our valid sample for further analyses, it is reduced to the 211 cases, we handle the pattern of missing data. Concerns related to the pattern of missing data are now widely considered (Rubin, 1976; Allison, 1987; Little and Rubin, 1987).

Additionally, missing data are a problem for factor analysis (Field, 2009). Thus, the need to substitute the missing data is an important step before the further analyses are taken.

Rubin (1976) and Little and Rubin (1987) distinguished between three primary patterns of missing data, MCAR, MAR, NMAR. The pattern of missing data defines the reliability and generalizability of the findings. In this regard, we have to look for methods that deal with this issue.

Since our study is based on statistical methodology of structural equation models (SEM), wherein models are based on the premise that the covariance matrix follows a wishart distribution (Jöreskog, 1969; Brown, 1994), completed data are required for the probability density.

In Structural Equation Modeling (SEM), the most widely used criterion for addressing the missing data issue are estimates of maximum likelihood (ML) algorithm. In addition, considering the advantages of ML estimates over the indirect estimates (listwise and pairwise deletion, and single imputation) in terms of reducing bias of the results, the capability to test hypotheses and to yield standard error estimates, our study considered the ML estimates to address the data missing issue. Further, the ML estimates are theoretically based, wherein indirect estimates are not (Byrne, 2010).

Finally, since our study will use the AMOS program for further steps of data analyses, which do not provide the older indirect methods described earlier, constitute an important reason to consider the ML estimates that are integrated within the AMOS.

Currently, there appear to be two dominant ML estimates; the full information maximum likelihood (FIML) estimation and expectation maximization (EM) estimation (Enders, 2001). Within this study, the EM estimation is employed.

Before dealing with EM estimates to impute the missing values, we have to assume that the missing data are MCAR. To this, to define that the missing values are MCAR, we have to look after the significance EM means, which must be bigger than 0.05. Thus, the results revealed that the Sig.=0,249 which means that our missing values are MCAR.

Additionally, our data should not have a critical number of missing values, usually no more than 2%. Indeed, within our data, only 0.5% was missing values.

Finally, we used the EM method to estimate the missing values.

3.3.4 General structural equation modeling

Structural Equation Modeling (SEM) has become a popular methodology for non-experimental researches (Bentler, 1980). SEM is a statistical methodology that considers the explorative (CFA) and hypothesis testing (full SEM) approach into the studies (Byrne, 2010). Thus, as Byrne (2010) argued, SEM considers two important aspects; First, the causal processes under study that are represented by a series of structural (i.e., regression) equations, and these structural relations can be modeled pictorially to enable a clearer conceptualization of the theory under study; Second, hypothesized model then can be tested statistically in a simultaneous analysis in order to define the model is adequate to (goodness-of-fit) the data. If goodness-of-fit is adequate, we may then continue with further analysis, on testing postulated casual relations of latent variables. If goodness-of-fit is inadequate, the postulated relations of the hypothesized model are rejected and we cannot continue with further analysis.

We decided to use the SEM methodology in this study because there are several advantages over the other statistical methodologies (i.e. regression). Thus, Byrne (2010) identified four advantages that SEM has: *Firstly*, SEM mostly is a confirmatory rather

than an exploratory approach to the data analysis (although aspects of explorative are addressed through CFA). *Secondly*, in contrast to the other traditional multivariate procedures (e.g., those rooted in regression, or the general linear model) SEM provides explicit estimates of the measurement error variance parameters. By ignoring errors may lead to serious inaccuracies results especially when the errors are sizeable. *Thirdly*, by using SEM in data analyses, it is possible to incorporate both unobserved (i.e., latent) and observed variables. *Finally*, another advantages for SEM methodology is the modeling of multivariate relations, or estimating point and/or interval indirect effects.

3.4 Data analysis and results

3.4.1 Measurement model

Within the framework of the social science studies, the most known statistical procedure for investigating relations between sets of observed and unobserved variables is factor analysis (Byrne, 2010). Factor analysis contains two basic types; exploratory factor analysis (EFA) and confirmatory factor analysis (CFA). Both these types are explorative in their nature, meaning that they aim to investigate the structure of a set of observed variables that highly load onto factors of which they are indicators and exhibit small loadings on factors that are measured by differing sets of observed variables (Byrne, 2010).

Within our study, prior to hypothesis testing, EFA and CFA were employed to evaluate the econometric and psychometric properties (Lukas et al., 2001), ensure reliability (Kim and Mueller, 1978), convergent validity (Fornell and Larcker, 1981) and discriminant validity (Bagozzi and Phillips, 1982; Joreskog, 1971; Gerbing and Anderson, 1992). These procedures are implemented by using SPSS and AMOS software.

In framework of the EFA procedure, a PCA method was conducted on 25 items, performance (7 items), innovativeness (8 items) and innovation behavior (10 items) measurements with orthogonal rotation (varimax) and eigenvalues with criteria of 1.0 (Kaiser, 1960).

Four out of eight items of the performance construct (i.e., Item 13 and Item 14, Item 15 and Item 16), four out of eight items of innovativeness construct (i.e., Item 19, Item 22, Item 23 and Item 24) and five out of 10 items of innovation behavior construct (i.e., Item 25, Item 27, Item 28, Item 29 and Item 33) were deleted. These items are deleted for further analyses because during the data reduction (PCA) analysis, they were not respectively measuring the same common underlying dimension as they were supposed to measure and predicted in the previous literature.

After deletion of those items, Cronbach's α values for performance (0.79), innovativeness (0.72) and for innovation behavior (0.77), reveal the high reliability of the constructs. As the Table 3.1 shows, alpha coefficients of all three constructs (unobserved variables) exceed the value of 0.70, as recommended by Nunnally (1978). As a result, the reliability of the measurements is achieved.

The Kaiser–Meyer–Olkin measure verified the sampling adequacy for the analysis, KMO = 0.74, and all KMO values for individual items were > 0.65, which is well above the acceptable limit of 0.5 (Kaiser, 1974). Bartlett's test of sphericity $\chi^2(15)$ =960, 76, df=105, $p < .001$, indicated that correlations between items were sufficiently large for PCA. An initial analysis was run to obtain eigenvalues. Three component had eigenvalues over Kaiser's criterion of 1 (see Table 3.1) and explained 52.4% of the total variance, respectively 26.1% in innovation behavior, 13% in performance, and 12% in innovativeness all exceeding 10% (Falk and Miller, 1992).

By using the EFA with PCA method, we facilitated the procedure for CFA, because now we know which items are measuring what they had to measure as predicted in the previous literature. Furthermore, through EFA, we extracted some important descriptive information also, such as mean, standard deviation, explained variance, Cronbach's α values etc.

Table 3.1Construct measurements.

	Mean	SD	FL	EV
Performance (α=0.79) (based on Chen et al., 2009)				13%
Q. 11; We have achieved profit objectives	3,63	,959	,881	
Q. 12; We have achieved sales objectives	3,65	,892	,789	
Q. 10; We have been profitable	4,13	,643	,595	
Innovativeness (α=0.72) (based on Hurley and Hult, 1998; Tsai and Yang, 2013)				12%
Q18; New ideas are quickly accepted in our company	3,81	,863	,767	
Q20; Our enterprise promotes the need for development and utilization of new resources	3,94	,861	,608	
Q17; Our enterprise is open to new ideas	4,35	,676	,589	
Q21; Innovation, based on research results, is readily accepted in our organization	3,46	,940	,552	
Innovation Behavior (α=0.77) (Based on Johannessen et al., 2001)				26.1%
Q30; We are aware for environmental quality management	4,56	,889	,814	
Q34; We continuously aim to create connections with other stakeholders that provide to us innovative opportunity (associations, other tourism enterprises such as hotel-Tourism agency, etc.)	3,98	1,064	,725	
Q31; We have implemented security systems in our enterprise	4,18	1,074	,704	
Q26; We have implemented Information and communication technologies	4,23	,921	,514	
Q32; Our business provide entertainment, animation and leisure activities	3,84	1,186	,448	

Note: SD, standard deviation; FL, factor loadings; EV, explained variance.

As a result, EFA served as a preliminary analysis of our data before we create the path diagram or the initial hypothesized model and to measure it through CFA. Thus, a CFA using covariance matrices and the maximum likelihood estimation procedure in AMOS 21.0.0 software were modeled for the scales. Based on the Rotated Component Matrix, which is adopted into the Table 3.1, we built the path diagram for the hypothesized model as shown in the Figure 3.1. In this line, in framework of SEM,the CFA procedure was implemented to validate a Likert-type 5-point scale (1 “strongly disagree” to 5 “strongly agree”).

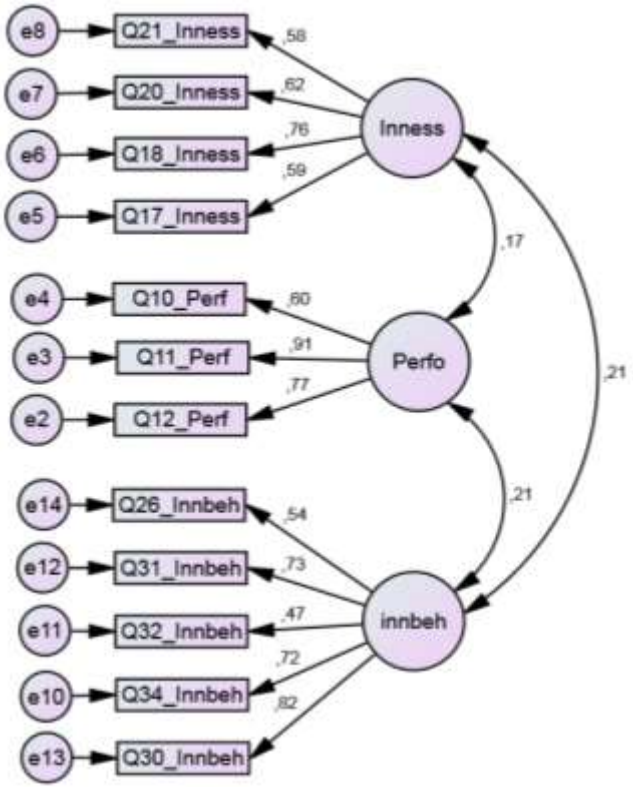


Figure 3.1The initial hypothesized model[3]

The results show that the model is over-identified, wherein the number of estimable parameters is 27 and number of data points is 78 resulting with 51 degree of freedom (df). Thus, we met a necessary but not sufficient criterion of SEM (Byrne, 2010) to continue with goodness-of-fit statistics analysis and probably the re-specification of the model through modifying the indices (MI).

As shown in the Table 3.2, estimations of the initial hypothesized model resulted in an overall χ^2 value of 116,762with 51 degrees of freedom and a probability value of .000.

[3] Note: Inness, innovativeness; Perfo, performance; Innbeh, innovation behavior

Table 3.2Notes for model.

	Initial model
Number of data points:	78
Number of estimable parameters	27
DF (Degrees of freedom)	51
χ^2 (Chi-square)	116,762
P (Probability level)	.000

In order to define if the hypothesized model fit to the data, it is crucial to consider the goodness-of-fit indices. Indeed, there are several indices of goodness-of-fit. However, we referred to the Hooper et al. (2008) suggestions to select the most important indices. Thus, they suggested the Chi-Square statistic (χ^2), its degree of freedom (DF) and p-value (P), CFI, RMSEA.

Regarding the results of the goodness-of-fit statistics for the initial model, Chi-Square (χ^2) resulted 116,762. The P-value of the χ^2, it is suggested to be bigger than 0.05 (Hooper et al., 2008). However, as shown in the Table 3.2, the P value is less than 0.05 (P=0.000) indicating that the hypothesized model do not fit very well to the data. As regard to the CMIN/DF, in order to have a good-fitting model, Tabachnick and Fidell (2006) suggested CMIN/DF that fall into the interval 1-2, and this value in our results is 2.289, indicating that the hypothesized model do not fit well the data. However, both these indices are considered subjective.

The comparative fit index (CFI) (Bentler, 1990) is assumed to range between 0.0 and 1.0 with values greater than 0.95indicating a good fit. Thus, referring to our model's results CFI is 0.91, which means a poor fit of the model.

The last and probably most important indicator for the fitting model is RMSEA (Steiger and Lind, 1980) and its associated confidence interval. Values of RMSEA ranging from 0.08 to 0.10 indicate mediocre fit, those greater than 0.10 indicate poor fit, and RMSEA values less than 0.05 indicate good fit (Byrne, 2010). Referring to our results, RMSEA is 0.078 indicating a poor fit of the model to the data.

Apart that the goodness-of-fit indices are showing a poor fit of the hypothesized model to the data, we can improve it through the re-specification based on modification indices (MI). Indeed, structural equation modeling most often requires the re-specification of the measurement model (Anderson and Gerbing, 1988).

Before we continue with the re-specification of the model based on the goodness-of-fit statistics analysis, it is significant to consider in advance the SEM assumptions fulfillment. Thus, Wang and Ahmed (2004) suggested four assumptions such as reasonable sample size (at least 200 cases), the scales of the observed variables are continuous, the hypothesized model is valid, and the distribution of the observed variables is multivariate normal.

The sample size is reached because in our study there are 211 cases, exceeding the required threshold. The scales of the observed variables are continuous. The hypothesized model is valid because it was developed from theories and previous empirical findings.

Regarding the multivariate normal distribution of the observed variables and validity of hypothesized model, we referred to the rule of thumb suggested by West et al. (1995) to define the normality of the data. Thus, we investigated the univariate skewness which must be less than 2 in absolute value, and univariate kurtosis less than 7 in absolute value (univariate skewness < 2, univariate kurtosis < 7). In our data, the univariate skewness of each item is < 1.551 in absolute value, except the item 30 (2.7). The univariate kurtosis of each variable is < 1.9 in absolute value, except the item 30 (7.78). As a result, we have to delete the item 30 in order to reach the normality assumption (as shown in the Figure 3.2).

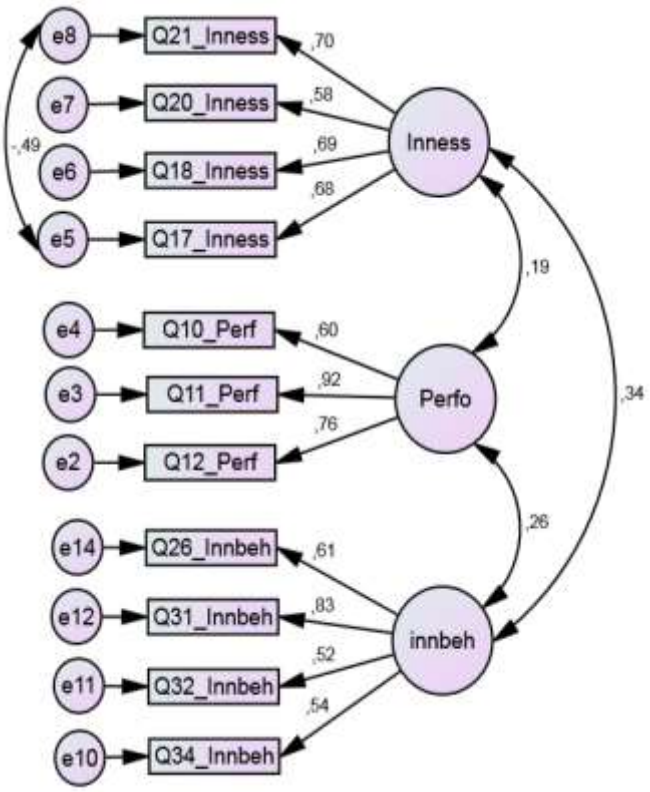


Figure 3.2The alternative (final) hypothesized model

Having Fulfilled the SEM assumptions and modifying the indices, it resulted with the best-hypothesized model that fitted to the data (see Figure 3.2). Thus, re-specified or the alternative model shows a very good fit to the data (χ^2=58.769; df=40; p=0.028; CMIN/DF=1.46; CFI=0.968, RMSEA=0.047). Since we cannot improve further the model through MI, we can conclude that this alternative model is the final hypothesized model that best fit to the data.

3.4.1.1 Convergent validity, discriminant validity and common method variation

SEM methodology considers very important convergent validity (Fornell and Larcker, 1981) and discriminant validity (Bagozzi and Phillips, 1982; Joreskog, 1971; Gerbing and Anderson, 1992). These two tests are significant in order to have credible an accurate generalization of findings of the study.

Convergent validity measures the correlation between observed variables used to measure the same construct. Convergent validity is achieved when each indicator's estimated pattern coefficient on its posited underlying construct factor is significant (Anderson and Gerbing, 1988). In addition, Jöreskog and Sörbom (1996) suggested the factor loadings >0.45 are accepted. As shown in the Table 3.3, all items loadings ranging from 0.51 to 0.91, exceeding the threshold 0.45, are significant at the 0.001 level, indicating convergent validity.

Apart the significance of the factor loadings, to define the convergent validity, we considered the composite reliability (CR) to define the convergent validity (Fornell and Larcker, 1981). Thus, CR was calculated for three constructs using the procedures suggested by Fornell and Larcker (1981). The CR for performance is 0.81, innovativeness 0.75 and for innovation behavior 0.72, all exceeding 0.6 threshold, suggested by Bagozzi and Yi (1988). Finally, we concluded that the convergent validity is achieved.

Table 3.3Standardized Regression Weights.

			FA	P
Q12_Perf	<---	Perfo	0,761	***
Q11_Perf	<---	Perfo	0,916	***
Q10_Perf	<---	Perfo	0,601	***
Q17_Inness	<---	Inness	,685	***
Q18_Inness	<---	Inness	,686	***
Q20_Inness	<---	Inness	,582	***
Q21_Inness	<---	Inness	,697	***
Q31_Innbeh	<---	innbeh	,825	***
Q26_Innbeh	<---	innbeh	,607	***
Q32_Innbeh	<---	innbeh	,516	***
Q34_Innbeh	<---	innbeh	,539	***

Note: FA, factor loading; ***, p<0.001.

Through discriminant validity we investigate if an observed variable does not correlate with other observed variable from which it is supposed to be different (between two constructs). We followed the Joreskog (1971) and Bagozzi and Phillips (1982) procedures for the discriminant validity. This procedure considers the difference between chi-squares (χ^2) values obtained from the constrained correlation (fixed to 1) and unconstrained correlation (freely estimated) between factors (Joreskog, 1971). In addition, this test was performed for one pair of constructs at a time, rather than as a simultaneous test to the model as a whole (Anderson and Gerbing, 1988)."A significantly lower χ^2 value for the model in which the trait correlations are not constrained to unity would indicate that the traits are not perfectly correlated and that discriminant validity is achieved" (Bagozzi and Phillips, 1982, p. 476). As shown in the Table 3.4, all pair models with constrained correlations performed a significantly higher chi-square compared to the unconstrained pair's models. Thus, all combinations resulted in higher critical value ($\Delta\chi^2$>3.84 at the p<0.0001 significance level), indicating that the factors are not perfectly correlated and that discriminant validity is achieved (Anderson and Gerbing, 1988).

Table 3.4Correlations fixed to 1 and freely estimated between pair's constructs.

Pairs	Correlation fixed to 1	Correlation estimated freely
Perfo⇔ Inness	Chi-square = 159,032	Chi-square = 11,946
	P=0.000	P=0.450
Perfo ⇔ Innbeh	Chi-square = 172,117	Chi-square = 25,744
	P=0.000	P=0.018
Inness ⇔ Innbeh	Chi-square = 153,333	Chi-square = 26,912
	P=0.000	P=0.081

Since we gathered the data based on the self-reported measures a common method bias may occur due to influences such as ambiguity, self-desirability or leading to some inflated estimates of hypothesized relationships and misleading interpretations of findings (Podsakoff et al., 2003). In this regard, we used the Harman's one-factor test for the possibility of common method bias (Konrad and Linnehan, 1995; McFarlin and Sweeney,

1992). To determine the number of factors, all variables were entered into an un-rotated factor analysis (Podsakoff and Organ, 1986) with eigenvalues greater than 1.0. After this followed procedure, three factors resulted with eigenvalues greater than 1.0, accounting for 60% of the total variance and the factor 1 accounting for 28.6% of this variance. Since a single factor did not emerged and factor 1 did not explained most of the variance, common method bias is unlikely to be a concern (Liu et al., 2002; Tajeddini, 2010).

3.4.2 Hypothesis analysis and results

The study applies structural equation modeling to establish causal relationships between factors and to test the hypotheses using AMOS 21.0.0. This statistical methodology translates the theoretical construction into a mathematical model (Jöreskog and Sörbom, 1996a) and provides estimation and evaluation of the model empirically. The maximum-likelihood-estimation is used to examine the hypothesized relationships among innovativeness, innovation behavior and performance.

After the EFA and CFA on the initial hypothesized model and re-specification of the model, several items of performance, innovativeness and innovation behavior were dropped, due to reliability analysis, meeting the required assumptions, convergent validity analysis and discriminant validity analysis. This procedure allowed selection of three items for performance, four items for innovativeness and four items for innovation behavior (see Figure 3.3). Indeed, the performance factor, referred to the previous literature was measured in terms of profitability, customer loyalty/retention and customer value, but after this procedure only the items of profitability remained.

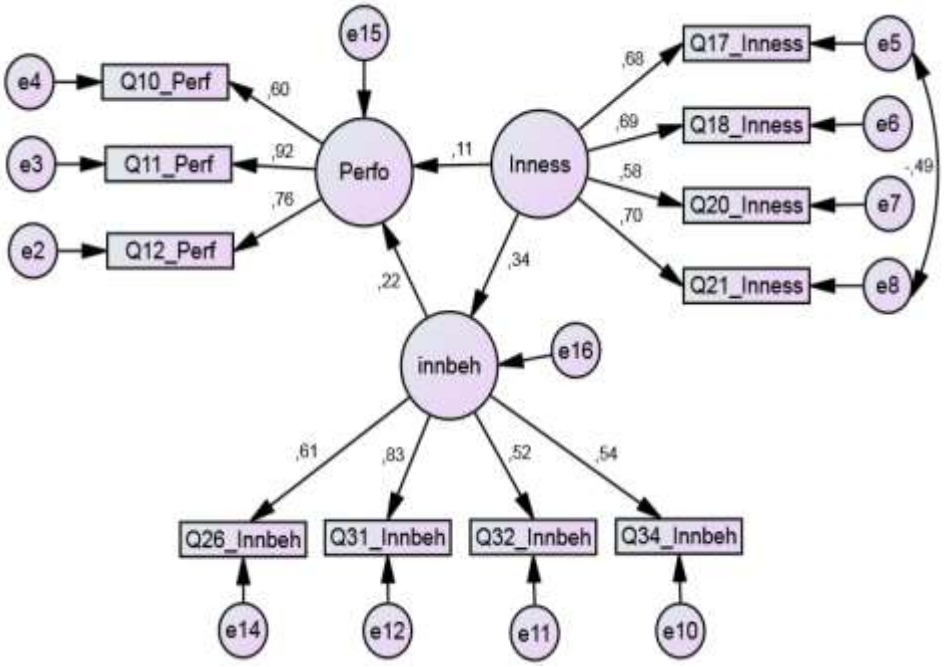


Figure 3.3The hypothesized full structural equation model

The final model resulted in a good fit to the data, with χ^2= 58.769; df= 40; p= 0.028; CMIN/DF= 1.46; CFI= 0.96, RMSEA= 0.047.

Table 3.5 shows the results of the hypothesis testing, with parameter coefficient (estimates), t-values, and the goodness-of-fit statistics.

Table 3.5Hypotheses and standardized structural estimates of the model

Path		Coefficient	t-value	P
Inness ➔ Perfo	H1	0,093	1,269ns	0,204
Inness ➔ Innbeh	H2	0,426	3,388**	***
Innbeh ➔ Perfo	H3	0,150	2,323**	0,020

Goodness-of-fit statistics: χ^2= 58.769; df=40; p= 0.028; CMIN/DF= 1.46; CFI= 0.96, RMSEA= 0.047)

Note: ***P < 0.001 (two-tailed test); **P < 0.05 (two-tailed test); ns, not supported.

The H1 considers the effects of innovativeness on performance. Since all the items of customer loyalty/retention were dropped due to above analysis, performance is measured

only in terms of profit and sales growth. Thus, the hypothesis is adjusted as follow; "I*nnovativeness has a positive effect on SMEs performance."* In contrary to our expectation, innovativeness is not significantly effecting the performance (Coefficient= 0.093; t-value= 1.269; ns). Thus, this hypothesis is rejected.

With regard to H2, we hypothesized that "I*nnovativeness has a positive effect on innovation behavior."* The results reported in the Table 3.5, indicate that innovativeness has a significant positive effect on innovation behavior (Coefficient= 0.426; t-value= 3.388; p< 0.001).

The H3 investigate the effect of innovation behavior on performance. As in the case of H2, performance is measured only in terms profit growth and sales growth. Thus, the H3 is "I*nnovation behavior has a positive effect on SMEs performance. "*Results shows that innovation behavior has a significant positive effect on performance (Coefficient= 0.150; t-value= 2.323; p< 0.05).

To test the mediation effects proposed in H4, we followed the recommendations of Preacher and Hayes (2008) and conducted a detailed multiple mediation analysis. Suggested bootstrap method is employed.

Table 3.6Results of the multiple mediator test.

Hypothesis (Indirect effects)		Direct β with mediator	Indirect β	**Mediation type observed**
Inness ➔ Innbeh ➔ Perfo	**(H4)**	0.111ns	0.076**	**Indirect only mediation**

Note: **P < 0.05 (Bootstrap, two-tailed significance); ns, not significant.

Finally, through the H4 we examined the indirect effect of innovativeness on performance through the mediation role of innovation behavior. Thus, the hypothesis that we proposed was "*The effect of innovativeness on SMEs performance is mediated by innovation behavior."* As in the Table 3.6 is shown, results confirm that innovation behavior is a significant mediator (indirect only) on the innovativeness-SMEs performance.

3.5 Discussions and conclusions

This study addresses the effects of innovation in terms of innovativeness and innovation behavior on tourism SMEs' performance. Specifically, the goal of this research was to investigate the extent to which innovativeness and innovation behavior affects performance.

The results show that there is a significant effect of innovativeness on innovation behavior. Thus, the representatives (managers and/or owners) of tourism's SMEs believe that if their staff is opened and has a positive attitude toward the innovation, the implemented innovation in practice within SME will increase. This result is in line with the findings of Grissemann et al. (2013), Atuahene-Gima (1996) and De Jong et al. (2003) who concluded that the more the employees and managers are open-minded toward the innovation, the more the innovation will take place into the SME.

Nevertheless, measuring innovation in terms of innovativeness and innovation behavior, means that innovation is separated into two stages, firstly the attitude toward innovation, and secondly, the implementation of the innovation. Considering innovativeness as an early stage of innovation will cause a skeptical attitude to its development and implementation on the SME (Tajeddini, 2010). As a result, it is important to consider the innovativeness as a policy, value, belief and an unwritten rule (Tajeddini, 2010).

Finally, it is suggested that managers identify and value new ideas to encourage employees to think out of the box and share their creativity and novel ideas (Tajeddini, 2010), thus, creating an environment that encourages practical implementation of innovation.

The empirical findings of this study show that the effect of innovation on SMEs performance is dependent on the dimension we measure it. Rosenbuch et al. (2011) found that innovation and performance relationship is context dependent. As the results show, while innovativeness is not significantly affecting SMEs performance, innovation behavior does.

The open-mind and/or a positive attitude to innovate within SME it is expected to affect the performance. However, in contrast to our initial thoughts, innovativeness is not

significantly affecting performance. This result is in contrast to the conclusions of Hult et al. (2004), Tsai and Yang (2013), Tajeddini (2010), and Tajeddini and Trueman (2012) who concluded that innovativeness has a significant and positive impact on performance in the hospitality industry.

By referring to the qualitative data, the rejection of this hypothesis is related to the reason that tourism as a young industry and not well organized, the experience is not an advantage of SMEs in Albania. Consequently, since the managers of the SMEs are mostly dealing with vulnerable issues, do not consider the attitude to innovate as an important factor that affects performance.

Additionally, from the qualitative data analysis it emerges that managers are not capable to split the concept of innovativeness and innovation behavior. They stated that it impossible that values and beliefs on innovation may affect performance.

Regarding innovation behavior, results show that is significantly affecting performance. In dynamic industry (as tourism is) customers search more for new products and services. This implies that SMEs in tourism need to be adjusted to this environment through innovative products and services. In this line, tourism SMEs will better perform in terms of reaching the profit and sales goals, and satisfying the customers. This conclusion is in line with the findings of Grissemann et al. (2013), Orfila-Sintes and Matsson (2009) and Rosendbuch et al. (2011).

While innovativeness does not affects SMEs performance directly, its significant effects are indirect, through the mediation role of innovation behavior. This result is in line with Grissemann et al. (2013) study, who found a positive link between innovativeness and business performance, wherein this link was mediated by innovation behavior. Consequently, SMEs managers or owners should consider both, innovativeness and innovation behavior and their interplay, as important factors that will increase the SMEs performance.

3.5.1 Theoretical and managerial implications

The literature that measure innovation in terms of innovativeness (see e.g. Hult et al., 2004; Grissemann et al., 2013; Tajeddini, 2010; Tajeddini and Trueman, 2012) and innovation behavior (see e.g. Orfila-Sintes and Mattsson, 2009; Grissemann et al., 2013) has only begun to scratch the surface. Therefore, an operationalization of the vague term of innovation is a contribution to the literature.

Furthermore, this study in contrast to previous empirical findings, found that SMEs' managers/owners do not consider innovativeness as a significant factor that affects performance. Indeed, this conclusion is an important theoretical contribution, and an important incentive for further researches.

While the innovativeness is not a significant factor affecting SMEs performance, its indirect effects on SMEs performance, with mediation of innovation behavior, is significant. This conclusion constitutes an important theoretical contribution.

Since we collected the data across Albania, which is a developing country, the results may be generalized and applied for other developing countries. It could be conclude that in contrast to the developed countries such as Switzerland (see Tajeddini, 2010; Tajeddini and Trueman, 2012) in developing countries such as Albania, managers do not consider innovativeness as an important factor that affect financial performance. Nevertheless, further researches are advised to be undertaken.

Another important contribution of this study is that the target group or the sample was not only on hotel industry, which is the most used in previous researches about innovation (see e.g. Grissemann et al., 2013; Tajeddini, 2010; Tajeddini and Trueman, 2012; Orfila-Sintes and Mattsson, 2009), but into the most representatives businesses of the tourism sector. In this regard, the applicability of our results is not limited to only one industry (hotels, restaurants etc.), but to the tourism sector as a whole.

The practical implications on managing SMEs, this research found that the more managers/owners will be open-mind towards innovation, accepting new ideas, encouraging new resources for innovation and transforming the study's results into the innovation, the more innovation into the SMEs will take place. Thus, innovativeness is an attitude for allowing the business to achieve sustainable competitive advantage. In this

line, SMEs managers/owners must consider innovativeness as an integral part of their strategy. However, to encourage the innovativeness environment, SMEs managers have to consider the values and beliefs of employees.

Tourism as a service industry is vulnerable to changes, and as a result, innovation seems inevitable (Tajeddini, 2010). Thus, in order to achieve sustainable competitive advantages, tourism SMEs need to be adjusted to this dynamic environment, wherein innovation plays a key role in this dimension. The results of the study show that the more tourism's SMEs innovate in terms of ICT, cooperation (associations, networks etc.), the more their financial performance will increase. Thus, managers are advised to implement the ICT, to innovate in terms of providing animation and leisure, and to cooperate through associations or networks in order to achieve their profits and sales goals.

Chapter 4

The direct effects of customer orientation on SMEs performance and indirect effects through the mediation role of innovativeness and innovation behavior

4. The direct effects of customer orientation on SMEs performance and indirect effects through the mediation role of innovativeness and innovation behavior

4.1 Introduction

Nowadays fierce competitive business environment raises the need for a continuous emphasis on delivering superior quality products and services to customers (Day and Wensley, 1988). Appiah-Adu and Singh (1998) argue that, because of increasingly competitive global business environment, boom technological developments that have shortened product life cycles and the difficulties to achieve sustainable performance raises the need for market focus through customer orientation. Furthermore, within an increased competitive environment, all organizations are facing the challenges of identifying critical factors that determine customer satisfaction (McDougall and Levesque, 1994).

Appiah-Adu and Singh (1998) consider the CO as a business philosophy or policy statement, which intends to fulfill customer needs. For example, some Chinese organizations emphasize a long-term approach to build customer relationships or "Guanxi," reflecting a continuous improvement philosophy (Ambler et al., 1999; Ho Voon, 2006). Additionally, Drucker (1954) asserted that satisfying customers is the most representative approach of firm's purpose. Levitt (1960) as well argued that business definition should be based on customer needs.

Establishing and maintaining a degree of CO is not an easy task and it requires the involvement of financial, human and other organizational resources. Compared to the large businesses, SMEs have limited resources for CO, on the other hand they have higher capabilities to adjust their focus to the customer needs that change continuously. Findings of Liu (1996) showed that the larger an organization, the more difficult it is to be customer oriented. Since SMEs have more flexibility, CO might be a vital determinant of success compared to the large businesses.

Moller and Anttila (1987) argued that owner-managers of SMEs tend to view the role of marketing from a narrow operative perspective that is close to sales management. Despite this, it has been noted that the basic marketing concepts, such as customer orientation,

targeting, segmentation, positioning, and seeking for competitive advantage is applied to SMEs as well as to large businesses (Hogarth-Scott et al., 1996).

By considering the complexity of changing organizational cultures, Slater and Narver (1994) argued that it is essential that SMEs determine whether the environmental conditions are appropriate to match customer needs.

Appiah-Adu and Singh (1998) consider CO as a concept of comprising customer understanding and customer satisfaction focus. Indeed, if SMEs understand and prioritize the customers' needs, potentially have more probabilities to satisfy customers and as a result to achieve superior performance than competitors.

Within the service industry, CO is directly related to the perceptions of quality and service environment, leading to enhanced customer satisfaction, and enhanced business performance (Dowling and Pfeffer, 1975). Service businesses are seen as more naturally customer-relationship oriented because the interaction involved in service encounters creates a favorable setting to develop customer relationships. Thus, any organization that needs to maximize long-term performance must build and maintain mutually beneficial relationships with buyers (Narver and Slater, 1990). The major argument is that, if a business aims to reduce risks and avoid the potential failure of a new product, it must know its customers. Thus, the customer orientation approach should encourage firms to address questions such as; who are their costumers? Do they follow changes on customers' needs? Do their needs fit with business objectives? Etc.

Customer orientation it could be considered as the appropriate strategy to access the critical information about customer needs and wants (Salomo et al., 2003). In this line, the whole organization must be aware of the importance of being customer oriented. The higher the awareness on customer preferences, the higher is the probability to construct financially profitable offerings (Dawes, 2000). Thus, CO should have a favorable impact on financial business performance (Deshpandé et al., 1993).

Theoharakis and Hooley (2008) assessed the effect of CO on the business performance and found that a customer focus helps to detect product differentiations that are potentially

more efficient. In this line, SMEs through this differentiation on their product/services will provide value added to their customers. Brännback (1999) argues that CO is the core of business success, the meaning and importance of which has to be injected in the business culture. Appiah-Adu and Singh (1998) suggest, especially for SMEs, that CO is a crucial determinant of success.

Ottenbacher and Harrington (2007) found that successful innovation is customer driven. Jones (1996), Johns and Mattsson (2003) and Preissl (2000), considering the importance of customers in the service industries, pointed out that the active participation of customers in the innovation processes that happen in the organization, is a necessary condition for success.

To understand how CO influences the SMEs performance, it is essential to investigate innovation as a mediator. Several scholars (Narver and Slater, 1990; Deshpandé et al., 1993; Slater and Narver, 1994) have investigated how customer orientation and innovation together influence business performance. Other studies have emphasized the importance of indirect effects of CO on business performance, wherein the innovation was the mediator (Grissemann et al., 2013; Sandvik and Sandvik, 2003; Han et al., 1998). Therefore, while being customer driven alone is not sufficient to achieve competitive success, but considering innovation as well, will lead to increased performance (Han et al., 1998). Additionally, when a business meets customer needs through innovative products and services, customers will be more likely to repeat their purchase from the same business, and thus, increase customer retention/loyalty (Anderson et al., 1994). Theoharakis and Hooley (2008) suggested that while courteous customer service helps to keep customers in the short-terms, the innovation (new products and services) help to keep them in the long-terms.

In relationship with CO variable, innovation is operationalized (see chapter 3) in terms of innovativeness, referring to the management's attitude to innovate (e.g., Hurley and Hult, 1998; Tajeddini, 2010; Grissemann et al., 2013) and behavioral dimension, referring to the number of innovations implemented (e.g., Orfila-Sintes et al., 2005; Agarwal et al., 2003; Grissemann et al., 2013). To this, we considered innovativeness and innovation behavior, as mediators on the CO-SMEs performance relationship.

4.2 Literature review

4.2.1 Customer orientation and SMEs performance

Customer orientation (CO) has been an important factor in the conventional marketing management practice (Kotler, 2003) as well as in the service industries (Vargoand Lusch, 2004). A branch of research in the marketing literature has been oriented in customer-focused business (Shapiro, 1988).

Existing literature (e.g. Deshpandé et al., 1993; Jaworski and Kolhi, 1993) considers CO the central issue of market orientation (MO), because is frequently the major goal of businesses. Thus, a market focus represents the efforts of the businesses to meet customer needs and wants (Appiah-Adu and Singh, 1998). Narver and Slater (1990) conclude that a sustainable MO must be the foundation for business competitive advantages strategy. Additionally, they argue that business that increase market orientation will improve its market performance. Nevertheless, as Appiah-Adu and Singh (1998) for the purposes of this study, we choose to use the term customer orientation (CO) to describe organization-wide emphasis on evaluating and addressing customer needs and wants.

There are certain definitions about CO (Shapiro, 1988; Kohli and Jaworski, 1990; Ruekert, 1992; Deshpande et al., 1993; Appiah-Adu and Singh, 1998). Shapiro (1988) considers CO as the information gathered about customers and formulating strategies and tactics to satisfy market needs. Ruekert (1992, p. 228) defines this orientation as the "degree to which the organization obtains and uses information from customers, develops a strategy which will meet customer needs, and implements that strategy by being responsive to customers' needs and wants." Narver and Slater (1990, p. 20) define the CO as "the organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers."

Some other scholars (e.g. Goff et al., 1997; Saxe and Barton, 1982) have conceptualized CO as a behavioral construct. Thus, Brown et al. (1991) define CO "a tendency or predisposition to meet customer needs".

Overall, CO may be understood as the measure of the extent to which decisions and activities into the business are customer based. Appiah-Adu and Singh (1998) consider the CO as an "integral component of a general, underlying organizational culture and, thus, attention to information about customers' needs should be considered alongside the basic set of values and beliefs that are likely to reinforce such a customer focus and permeate the firm".

One of the most accepted definition about CO is that of Deshpandé et al. (1993, p. 27), who define CO as "the set of beliefs that puts the customer's interest first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise".

However, in this study we define the CO as the set of internal beliefs and values (SMEs' culture) that focus on gathering the necessary information about customers' needs and developing strategies with specific focus on creating of superior value for customers.

Tourisms as a service industry, considers CO a very important dimension, because mostly is predominantly comprised by SMEs that are unable to obtain a low-cost advantage (Smeral, 1996).

Appiah-Adu and Singh (1998) concluded that CO was significantly and positively related to business performance across a range of SMEs. Pelham and Wilson's (1996) concluded that SMEs performance has a positive link with CO. Deshpande et al.(1993) in their empirical investigation about Japanese businesses concluded that CO was positively associated with performance. Tajeddini and Trueman (2013) in their study concluded that customer orientation positively influences performance in terms of efficiency and effectiveness. Merlo et al. (2006), noted that customer oriented service is a key factor that significantly influences performance.

Therefore, it is suggested that, to maintain a competitive position through focusing on differentiation strategies (Pikkemaat and Peters, 2005; Pikkemaat, 2008), offering new services, and providing quality standards that meet the expectations of their customers (Weiermair and Fuchs, 1999), SMEs should be customer oriented.

Previous studies in tourism researches identified a positive link between customer orientation and performance (Grissemann et al., 2013; Wang et al., 2012). Although numerous studies have documented the positive effect of customer orientation on business performance, few have examined this topic in the hospitality industry (Yilmaz et al., 2005).

Regardless the fact that marketing researches have considered the relationship between CO and performance in SMEs and large businesses(Narver and Slater, 1990; Jaworski and Kolhi, 1993) to date there has been scant research that has addressed the influence of CO in the tourism industry as whole (Sin et al., 2005; Zhou et al., 2007; Wang et al., 2012). Furthermore, researches that have been working on the relationship of CO-business performance (e.g. Grissemann et al., 2013; Tajeddini, 2010, 2011; Tajeddini and Trueman, 2012) in tourism industry were focused only into the hotel industry.

Thus, in order to have results that are more representative in tourism sector, it is needed to consider not only accommodation but also other sectors of tourism such as travel agencies and restaurants.

Based on the above discussion the following hypothesis is proposed:

H5.*Customer orientation has a positive effect on SMEs performance*

4.2.2 The effects of customer orientation on innovativeness and innovation behavior

Customer focus and innovation interrelationship is a current topic (see e.g. Grissemann et al., 2013) which is highly applicable in tourism, and thus, deserves more attention.

Stamboulis and Skayannis (2003) claimed that customer orientation is a crucial approach in contemporary innovativeness in tourism.

When it is required to transform the customer needs into innovative products and services, it is important that the management level have positive attitudes towards innovation. Thus, CO may be considered completed only if the SMEs provide the required added value that makes customers repeat or to be loyal in their services consumption. In this line, Hult et al. (2004, p. 431) state "... market orientation is incomplete if practitioners do not understand

the *modus operandi* that gives rise to creating superior customer value." Additionally, existing literature (e.g. Deshpandé et al., 1993; Jaworski and Kolhi, 1993) considers CO the core of market orientation because providing superior customer value is frequently a major goal of businesses. Grissemann et al. (2013) argue that, to provide customer value, a hotel has to constantly respond to changing customer wants and needs by being innovative.

CO affects positively the business's innovativeness because continuously induce disposition to meet customer needs and emphasizes better use of information (Atuahene-Gima, 1996; Kirca et al., 2005). Furthermore, if the businesses need to be more competitive in long terms, they must create an innovative culture, in order to become faster responders of continuously changing customer needs and wants.

In his empirical study, Tajeddini (2010) analyzed the relationship between CO and innovativeness in the hospitality industry. He found no direct link, but he suggested for more research on it. This conclusion is convergent with the work of Tajeddini and Trueman (2008) who found no significant relationship between CO and innovativeness in small-sized service retailers. The argument considered by Tajeddini (2010), Tajeddini and Trueman (2008) and some other scholars (e.g. Hagel and Singer, 1999; Matsuo, 2006) about this non-significant link, is that there are conflicting goals. As Hagel and Singer (1999) argued, innovativeness and customer relationship have different economic, cultural, and competitive imperatives, and thus, focusing on both, is not possible. In this regard, CO emphasizes the importance and focus to the customers, while innovativeness requires an employee centric perspective (Tajeddini, 2010).

In contrast to these conclusions, some previous research (e.g. Deshpande´ et al., 1993; Narver and Slater, 1990; Matsuo, 2006; Tajeddini et al., 2006; Tajeddini and Trueman, 2012; Grissemann et al., 2013) found that continuous innovation is implicit in each customer orientation. Matsuo (2006) found a link between CO and innovativeness revealing that CO enforces salespeople's capacity to solve problems. Thus, if sales persons have positive attitude to innovate they will mostly solve the customer's problems in terms of wants and needs. Tajeddini and Trueman (2012) reveal a positive relationship between CO and innovativeness, arguing that if employees focus on innovation, they are likely to pay more attention to customers as well as achieving profits by creating customer

satisfaction. Additionally, Grissemann et al. (2013), studying the hotels industry in the Alpine regions of Austria, Germany, Italy, Switzerland, and Liechtenstein, concluded that CO affects a hotel's innovativeness. They argued that, if the management level considers as its core objectives the need for customer satisfaction and developing superior value, mostly would increase its openness to new products and services.

As it can be seen, there are controversial results regarding the CO effects on innovativeness.

Nevertheless, these controversial results assume that the relationship between CO and innovation has often been uneasy (Berthon et al., 2004), forcing for further investigation. Tajeddini (2010) argue that, considering the importance and contribution of CO and innovativeness into the SMEs management, it is suggested that further researches should investigate the nature of this relationship.

To maximize long-term success, businesses have to create and maintain relationships with their customers (Narver and Slater, 1990; Sin et al., 2005; Wanget al., 2012). Thus, businesses not only should have a positive attitude toward the innovation but they should practically provide to the costumers (Theoharakis and Hooley, 2008). Additionally, Theoharakis and Hooley (2008) suggest that while positive attitudes on customer services helps to keep customers in the short-term, it is the new service that helps to keep them in the long-term. Additionally, customer-oriented businesses are more likely to stimulate their customers to suggest new products (Lukas and Ferrell, 2000) and help to improve current products, as well (Sandvik and Sandvik, 2003).

Tajedinni (2012) concluded that, customers are more likely to be loyal and patronize the hotels that can respond to their needs in an innovative manner. Lukas and Ferrell (2000) found a positive link between market orientation (MO) and innovation behavior, considering the fact that CO is the core of the MO (Deshpandé et al., 1993; Jaworski and Kolhi, 1993).

Grissemann et al. (2013) found a strong link between CO and hotel's innovation behavior. They argue "in hospitality research, new products and services that meet the expectations of potential customers increase efficiency and help to strengthen a company's competitiveness". Therefore, the close interaction between service providers and

customers leads to an increase on innovation behavior that aims to adapt services to customers' needs."

The above discussion leads us to the following hypothesis:

H6.*Customer orientation has a positive effect (A) innovativeness (B) innovation behavior*

4.2.3 The mediation role of innovativeness and innovation behavior on CO-SMEs performance relationship

Grissemann et al. (2013) argue that customer orientation affects management's openness to new ideas and by doing so affects the firm's performance.

Indeed, customers in tourism industry are particularly price sensitive (e.g. Bowen and Shoemaker, 1998) and variety seeking (e.g. Berne et al., 2001; Feng, 2007). In order to attract more customers, and as a consequence to make them to spend more money and return, it is suggested that tourism SMEs need to be more innovative. Thus, being customer oriented will affect financial performance, customer retention, and reputation, but this effect is mediated by innovativeness (Grissemann et al., 2013).

Appiah-Adu and Singh, 1998) findings suggest that a combination involving CO and an innovation strategy has a positive impact upon new product success, which in turn enhances sales growth. Thus, since continues innovation has impact upon financial measures and is critical for long-term profitability, and furthermore, since innovation is in function of responding to the customer needs and wants, the importance of customer orientation and SME performance relationship mediated by innovation must take place (Chen, 2011; Ottenbacher and Harrington, 2007).

Considering the of CO-innovation behavior relationship on the SMEs activities, it represents an important issue, but is not sufficient. Therefore, as major businesses consider, the final objective is to reach successful level or to better perform. Thus, it is needed to consider not only the effects of CO on innovation behavior, but furthermore the effects of CO on SMEs performance mediated by innovation behavior. Consequently, a business being customer driven alone is not sufficient to achieve success, furthermore, should facilitate innovations that lead to increased performance (Han et al., 1998).

CO can create competitive advantage by generating product value that is rare, difficult to imitate and of superior quality that as consequence will occur increasing benefits to customers and decreasing costs (see e.g. Narver et al., 2000; Nwokah and Maclayton, 2006). In addition, to have an enhanced and substantial improvements in performance, hotels must be customer oriented and, furthermore, innovative with their services (Orfila-Sintes and Mattsson, 2009).Grissemann et al. (2013) concluded that there is a positive relationship between customer orientation and business performance, but this link is partially mediated by innovation behavior.

Grissemann et al. (2013) argue that while there is evidence that CO and innovation behavior are beneficial for business performance, the literature has only begun to scratch the surface regarding the interplay between these two factors.

The above discussion leads us to the following proposition:

H7. The effect of customer orientation on SMEs performance is mediated by (A) innovativeness (B) innovation behavior

4.3 Methodology

4.3.1 Data collection and sample

The tourism industry is composed by a wide range of activities. However, WTTC (2013) shows that accommodation industry such as hotels, guesthouse, tourism agencies and restaurants are significant contributors on tourism development in a country. In this regard, hotels, restaurants and tourism agencies, will constitute the target group of this study.

Regarding the information about the target group and the sample, we will refer to the national Institute of Statistics (INSTAT) and Ministry of Economic Development, Tourism, Trade and Entrepreneurship (MEDTTE).

This study exploited both, qualitative and quantitative methods. In this line, we exploited the triangulation of research methods on data gathering, by first using quantitative methods and then, in order to reinforce the results obtained from this method, we used qualitative methods.

The source of data collection will be the SMEs' senior managers or the owners (see e.g. Grissemann et al., 2013; Chang et al., 2011). The self-reported data it is considered as an accurate source.

A preliminary test of questionnaire with academics and representatives of the target group, is undertaken, in order to have less ambiguous questions and to assess the clarity and understandability of the measures.

The data collection was conducted in 12 districts of Albania; Tirana, Shkoder, Lezhe, Diber, Kukes, Durres, Elbasan, Fier, Korçe, Vlore, Gjirokaster and Berat.

To gather the data and to fill the questionnaires, we used two techniques, the email survey and face-to-face interviews. As a result, a number of 221 questionnaires are fulfilled, wherein 25 answers were from the online survey and 194 from face-to-face technique.

4.3.2 Variables and measures

The items that we used in this study are grounded from the existing literature. Thus, performance as the outcome variable will be operationalized in terms of financial and no-financial measures. Considering the financial measure (profitability), three items are based on Chen et al. (2009) work. In addition, the existing literature (Avlonitis et al., 2001; Tajeddini and Trueman, 2012) suggests that businesses should consider other non-financial performance measures such as customer loyalty and customer value(see e.g. Chen et al., 2009; Wang et al., 2012; Tajeddini et al., 2013; Avlonitis et al., 2001; Blazevic et al., 2004; Grissemann et al., 2013). To this, we considered two other items from Chen et al. (2009), one item from Wang et al. (2012) and one item from Hooley et al. (2000) and Kirca et al. (2005).

Innovativeness will be measured by using seven items based on Hurley and Hult (1998) and two items from Tsai and Yang (2013).

Seven items of innovation behavior measures were based on Johannessen et al. (2001) work and the author developed two other items during the discussions with the interested group.

Customer orientation variable will be measured by utilizing two items based on Wang et al. (2012), six items from Ashill et al. (2005), Berthon et al. (2004), Deshpandé et al. (1993) and Pelham (1999) and five items from Narver and Slater (1990) and Zhou et al. (2007).

All the observed variables are based on subjective measures (e.g. Greenley and Foxall, 1996).

All the observed variables (items) of the three unobserved variables (performance, CO, innovativeness and innovation behavior) are rated using a five-point Likert scale with 1 being "strongly disagree" to 5 being "strongly agree."

4.4 Data analysis and results

4.4.1 Measurement model

Before the procedures of the measurement model are undertaken, the missing data issue is very important to be addressed. Indeed, the missing data can seriously bias and impede the generalizability of findings. More specifically, the missing data are a problem for SEM (Jöreskog, 1969; Brown, 1994). Thus, the need to substitute the missing data is an important step, before other analyses are taken (for more see the section 3.3.3, chapter 3). In order to substitute the missing data, we have to use methods that convey to the SEM. In this line, we used the expectation maximization (EM) estimation (Enders, 2001) to substitute the missing data that in this study were no more than 0.5%.

We utilized the SEM methodology to analyze the hypothesized model and further to test the casual relationships. SEM considers the explorative (CFA) and hypothesis testing (full SEM) approach into the studies (Byrne, 2010).

In framework of the latent variables exploration, the most used statistical procedure is factor analysis (Byrne, 2010). There are two basic types of factor analyses: exploratory factor analysis (EFA) and confirmatory factor analysis (CFA). In this study both EFA and then CFA are employed. Generally, through EFA and CFA methods we aim to understand the structure of a set of observed variables that highly load onto factors of which they are indicators and exhibit small loadings on factors that are measured by differing sets of observed variables.

Exploratory factor analysis is the most used technique in the social sciences (Field, 2009). Through EFA we examined basic descriptive analyses (Panayides and So, 2005), such as standard deviation, explained variance, mean etc. Within the EFA, there are several methods to explore factors in our data such as Maximum Likelihood (ML), principal component analysis (PCA), principal factors analysis (principal axis factoring) and image covariance analysis (image factoring) etc., (Field, 2009). In addition, by using EFA, we are interested to validate the questionnaire, which means that we have to check the reliability of the constructs (Field, 2009).In our study, we used the Cronbach's alpha (α) measure to test for the reliability. Thus, a PCA method and reliability test was conducted.

In contrast to EFA, CFA is mostly used when the researcher has some prior knowledge of the underlying latent variable structure (Byrne, 2010). Thus, postulated relations between the observed measures and factors are based on previous knowledge of the theory and empirical research. Additionally, through the CFA we will determine the good fit of the hypothesized model to the data.

However, though the scales were grounded from the previous literature (O'Leary-Kelly and Vokurka, 1998) EFA and CFA were employed to evaluate the econometric and psychometric properties (Lukas et al., 2001) and ensure reliability (Kim and Mueller,

1978). As a result, in order to identify the constructs' underlying dimensions, a more parsimonious set of variables, scales reliability and scales validity, a series of tests on EFA and CFA was undertaken prior to hypothesis testing (see e.g. Tajeddini et al., 2013; Grissemann et al., 2013). These techniques are implemented by using SPSS and AMOS software.

In framework of the EFA, a PCA method was conducted on the 38 items of performance (7 items), innovativeness (8 items), innovation behavior (10 items) and CO (13) measurements with orthogonal rotation (varimax) and eigenvalues with criteria of 1.0 (Kaiser, 1960) (see Table 4.1).

Four out of seven items of performance construct (i.e., Item 13 and Item 14, Item 15 and Item 16) and five out of thirteen items of CO construct (i.e., Item 38, Item 40, Item 44, Item 45 and Item 46) are deleted for further analysis. Additionally, four out of eight items of innovativeness construct (i.e., Item 19, Item 22, Item 23, and Item 24) and Six out of 10 items of innovation behavior construct (i.e., Item 25, Item 27, Item 28, Item 29, Item 30, and Item 33), were deleted. We deleted those Items for further analyses because during the data reduction, with PCA method, they were not respectively measuring the same common underlying dimension as they were supposed to measure.

After deletion of those items, Cronbach's α values for performance (0.79), CO (0.78), innovativeness (0.72) and for innovation behavior (0.71), reveal the high reliability of the constructs. As the Table 4.1 shows, alpha coefficients of all three constructs (unobserved variables) exceed the 0.70 level as recommended by Nunnally (1978). As a result, the reliability of the measurements is achieved and we may argue that the measures are unidimensional.

Within the EFA analysis with PCA method, the Kaiser–Meyer–Olkin measure verified the sampling adequacy for the analysis, KMO = 0.79, and all KMO values for individual items were > 0.68, which is well above the acceptable limit of 0.5 (Kaiser, 1974). Bartlett's test of sphericity $\chi^2(15)=1122.075$, df=171, $p < .001$, indicated that correlations between items were sufficiently large for PCA. An initial analysis was run to obtain eigenvalues. Four component had eigenvalues over Kaiser's criterion of 1 (see Table 4.1) and explained 52.9% of the total variance, respectively 17.4% in CO, 12% in

innovativeness, 11.9% in innovation behavior, and 11.5% in performance, all exceeding 10% (Falk and Miller, 1992).

Table 4.1Construct measurements.

	Mean	SD	FL	EV
Performance (α=0.79) (based on Chen et al., 2009)				11.5%
Q. 11; We have achieved profit objectives	3,63	,959	,884	
Q. 12; We have achieved sales objectives	3,65	,892	,842	
Q. 10; We have been profitable	4,13	,643	,717	
Customer Orientation(α=0.78) (based on Wang et al., 2012; Deshpandé et al., 1993; Narver and Slater, 1990)				17.4%
Q 36; Satisfying our customers, and meeting their expectations, is the most important thing we do	4,62	,560	,683	
Q 42; Our business objectives are driven by customer satisfaction	4,43	,575	,665	
Q 35; Our activities are centered on satisfying our customers	4,72	,473	,658	
Q 37; We are fast to respond to changes in our customer's product or service needs	4,16	,730	,647	
Q 41; We handle customers' complaints well	4,51	,597	,599	
Q 47; We do whatever it takes to create value for our customers	4,48	,642	,564	
Q 43; The top management often emphasizes the need to be customer oriented	4,16	,721	,558	
Q 39; Our business views customers primarily as individual co-partners in the development of unique, customized, products and services	4,04	,811	,544	
Innovativeness (α=0.72) (based on Hurley and Hult, 1998; Tsai and Yang, 2013)				12%
Q18; New ideas are quickly accepted in our company	3,81	,863	,824	
Q20; Our enterprise promotes the need for development and utilization of new resources	3,94	,861	,714	
Q17; Our enterprise is open to new ideas	4,35	,676	,642	
Q21; Innovation, based on research results, is readily accepted in our organization	3,46	,940	,640	
Innovation Behavior (α=0.77) (based on Johannessen et al., 2001)				11.9%
Q31; We have implemented security systems in our enterprise	4,18	1,074	,797	
Q34; We continuously aim to create connections with other stakeholders that provide to us innovative opportunity (associations, other tourism enterprises such as hotel-Tourism agency, etc.)	3,98	1,064	,699	
Q26; We have implemented Information and communication technologies	4,23	,921	,670	
Q32; Our business provide entertainment, animation and leisure activities	3,84	1,186	,623	

Note: SD, standard deviation; FL, factor loading; EV, explained variance.

However, EFA served as a preliminary analysis of our data before we create and analyze the path diagram of the initial hypothesized model (Figure 4.1) through CFA. Thus, after EFA, a CFA using covariance matrices and the maximum likelihood estimation procedure in AMOS 21.0.0 software were modeled for the scales.

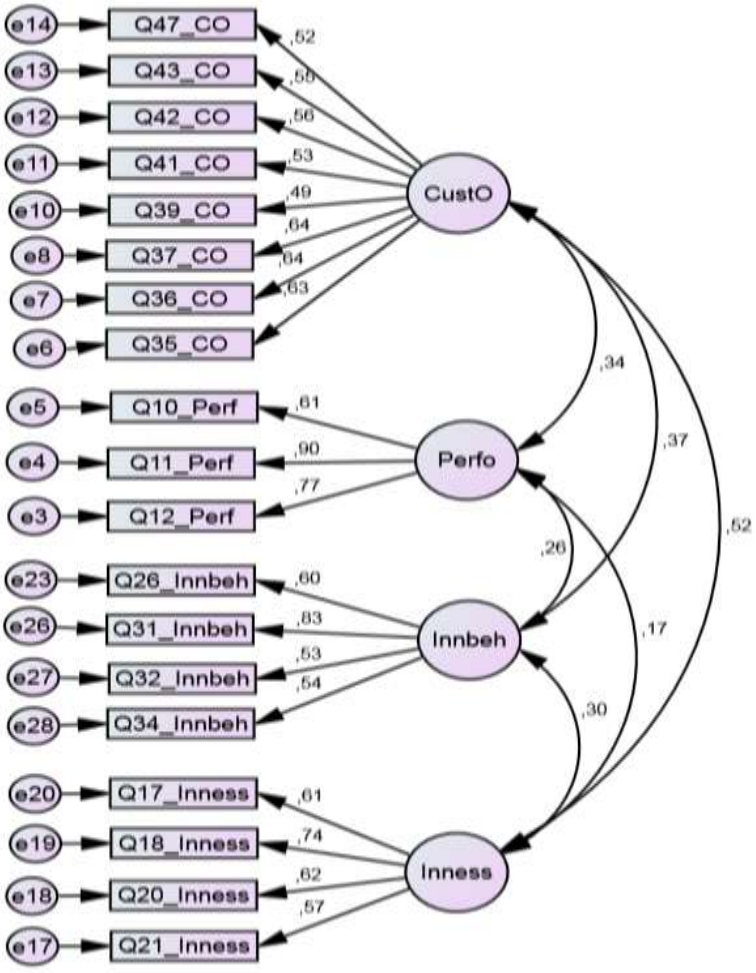


Figure 4.1The initial hypothesized model

To build the model shown in the Figure4.1, in AMOS output we selected the options such as minimization history, standardized estimates, residual moments, modification indices and test for normality and outliers (for more see Byrne, 2010).

After the hypothesized model and its path diagram was built based on the Rotated Component Matrix from EFA (PCA), we run the calculate estimates.

Very important is the analyses regarding the textual output AMOS. Thus, the most important we have to analyze in the AMOS output is the *notes for model*, which guide us if the hypothesized (structural model) is just-identified, over-identified or under-identified (Byrne, 2010). The results show that the model is over-identified, wherein the number of estimable parameters is 44 and number of data points is 190 resulting with 146 degree of freedom (df). Thus, we met the necessary but not sufficient criteria of SEM for further analyses of our data (Byrne, 2010) to continue with the re-specification of the model through modifying the indices (MI).

As shown in the Table 4.2, estimation of the initial hypothesized model resulted in an overall χ^2 value of 201.884with 146 degrees of freedom and a probability value of .002. Important is the notation in the output, that the minimum was achieved. For our hypothesized model (default) the minimum was achieved which means that AMOS successfully estimated all model parameters, thereby resulting in a convergent solution (for more see Byrne, 2010).

Table 4.2Notes for model.

	Initial model
Number of data points:	190
Number of estimable parameters	44
DF (Degrees of freedom)	146
χ^2 (Chi-square)	201.884
P (Probability level)	0.002

Before we continue with goodness-of-fit statistics analysis, it is important to consider if we met four assumptions of ML estimation (MLE)in framework of the SEM, as suggested by Wang and Ahmed (2004). They suggested four assumptions that need to be fulfilled in order to use the ML method:

1. Reasonable sample size (at least 200 cases);

2. The scale of the observed variables are continuous;
3. The hypothesized model is valid;
4. The distribution of the observed variables is multivariate normal.

As regard to the sample size, our study has 211 cases exceeding the required threshold and indicating a reasonable sample size, the scales of the observed variables are continuous, and the hypothesized model is valid because it was developed from theories and empirical findings.

As regard to the multivariate normal distribution of the observed variables and validity of hypothesized model, need for further trait. Thus, as rules of thumb suggested by West et al. (1995) to define the normality of the data, we investigate the univariate skewness which must be less than 2 in absolute value, and univariate kurtosis less than 7 in absolute value (univariate skewness < 2, univariate kurtosis < 7). In our data, the univariate skewness of each item is < 1.551 in absolute value. The univariate kurtosis of each variable is < 1.841 in absolute value. To this, we met the normality assumption.

There are several clusters of goodness-of-fit statistics that indicate the goodness-of-fit of the model to the data. However, Hooper et al. (2008) suggested that the goodness-of-fit statistics that are sensible to be included are Chi-Square statistic (χ^2) its degree of freedom (DF) and p-value (P), CFI, RMSEA. These goodness-of-fit statistics have been chosen over the other indices because they are the most insensitive to sample size, model misspecification and parameter estimates (Hooper et al., 2008).

Regarding the results of the goodness-of-fit statistics, specifically the P-value of the χ^2, it is assumed that the higher the P-value, the closer the fit between the hypothesized model and the data (Bollen, 1989). It is suggested the P-value should be bigger than 0.05 (Hooper et al., 2008). As it can see in the Table 4.2, the P value is less than 0.05 (P=0.002) indicating that the initial hypothesized model do not fit well to the data. As regard to the CMIN/DF, in order to have a good-fitting model, Tabachnick and Fidell (2006) suggested CMIN/DF must fall into the interval 1-2, and this value in our results is 1.383 indicating that the hypothesized model fit well the data. Nevertheless, these goodness-of-fit statistics are considered subjective.

To continue further with goodness-of-fit of the hypothesized model we refer to the comparative fit index (CFI) (Bentler, 1990). This statistic assumes that all latent variables are uncorrelated. Values for this indices range between 0.0 and 1.0 with values greater than 0.95 indicating good fit. Thus, referring to our model's results CFI is 0.94indicating a poor fit.

One of the most important indicators for the goodness-of-fit of the hypothesized model is RMSEA (Steiger and Lind, 1980). Recently RMSEA has become one of the most informative fit indices due to its sensitivity to the number of estimated parameters in the model. RMSEA considers the parsimony choosing the model with the lesser number of parameters. By analyzing the RMSEA, we answer to the question "How well would the model, with unknown but optimally chosen parameter values, fit the population covariance matrix if it were available?" (Browne and Cudeck, 1993, pp. 137–138).

As regard to the threshold of the RMSEA to indicate a good fit of the model, there are several suggestions, but we will refer to the Byrne (2010) suggestion. She stated that RMSEA values greater than 0.10 indicate poor fit, values ranging from 0.08 to 0.10 indicate mediocre fit, and RMSEA values less than 0.05 indicate good fit. Thus, referring to our model's results RMSEA is 0.043 indicating a good fit.

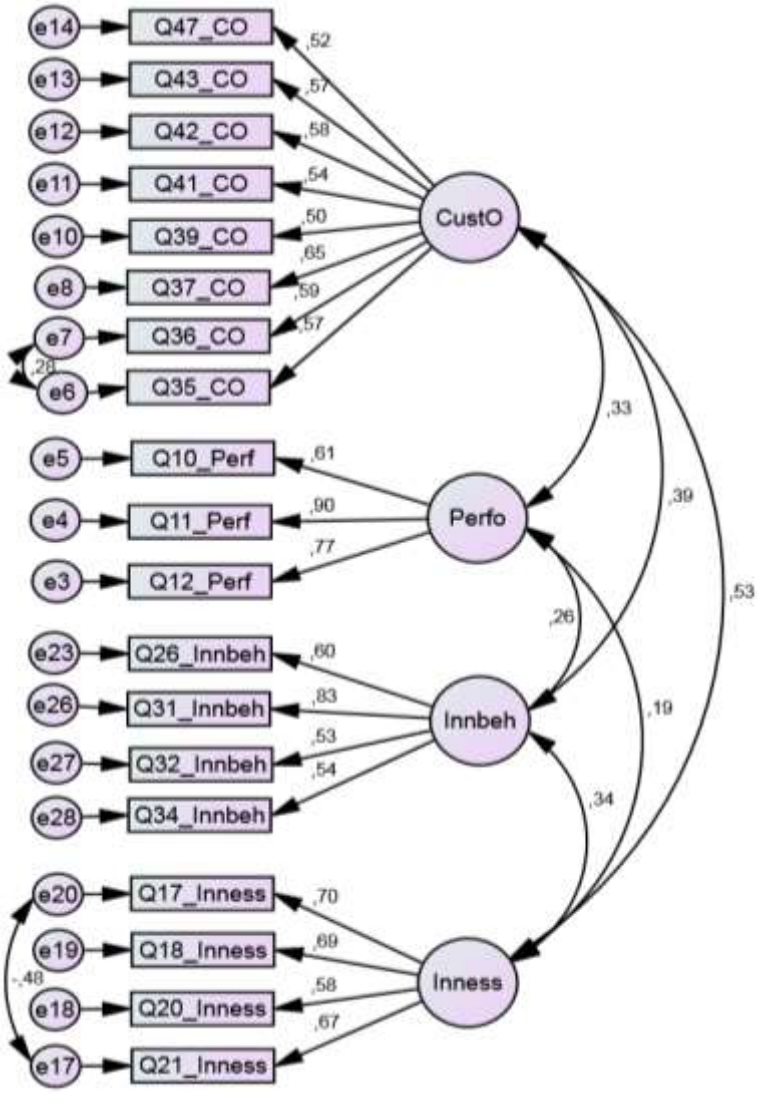


Figure 4.2 The final hypothesized model

After the re-specification of the model through the MI (Anderson and Gerbing, 1988), the final hypothesized model that best fit to the data is shown in the Figure 4.2.Finally, the re-specified or the final hypothesized model shows a very good fit to the data than the initial model (χ^2=172,073; df=144; p=0.055; CMIN/DF=1.195; CFI=0.972, RMSEA=0.03). Since we cannot improve further the model through MI, we concluded that this alternative model is the final hypothesized model that best fit to the data.

4.4.1.1 Unidimensionality, discriminant validity, convergent validity and common method variation

Since our study will base on SEM methodology, the unidimensionality (Nunnally, 1978) convergent validity (Fornell and Larcker, 1981) and discriminant validity issues (Bagozzi and Phillips, 1982; Joreskog, 1971; Gerbing and Anderson, 1992) are important. Furthermore, by using CFA we can address the unidimensionality, convergent and discriminant validity concern in order to have an accurate generalization of findings.

Unidimensionality is a prerequisite for reliability and validity analyses (Nunnally, 1978). A construct is unidimensional if its constituent items load significantly on one underlying latent variable. In CFA, specifying a measurement model that defines the relationship between each construct and its constituent items is a test of unidimensionality. Furthermore, a good fit of the measurement model to the data indicates that all items load significantly on one underlying latent variable. To this, regarding the above analysis of the goodness-of-fit of the model to the data and Figure 4.2 shows that unidimensionality condition is fulfilled. The scales are unidimensional and this procedure allows selection of three items for performance with reliability (α=0.79), four items for innovativeness with reliability (α=0.72), four items for innovation behavior with reliability (α=0.77), and eight items for CO (0.78), all exceeding the threshold of 0.7, which is the acceptable level recommended by Nunnally (1978).

Convergent validity measures the correlation between observed variables used to measure the same construct. To achieve the convergent validity, we followed the Jöreskog and Sörbom (1996) suggestion, wherein the significant factor loadings must be>0.45. As shown in the Table 4.3, all items loadings ranging from 0.49 to 0.903, exceeding the threshold of 0.45, are significant at the 0.001 level, indicating convergent validity. In addition, to define the convergent validity we considered the composite reliability (CR). The procedures suggested by Fornell and Larcker (1981) to calculate the coefficient of CR are employed. Thus, the CR for performance is 0.81, CO 0.78, innovativeness 0.75 and for innovation behavior 0.72, all exceeding 0.6, which is the acceptable level suggested by Bagozzi and Yi (1988). Finally, we concluded that the convergent validity is achieved.

Table 4.3Standardized Regression Weights.

			FL	C.R.
Q12_Perf	<---	Perfo	,771	***
Q11_Perf	<---	Perfo	,903	***
Q10_Perf	<---	Perfo	,607	***
Q35_CO	<---	CustO	,573	***
Q36_CO	<---	CustO	,587	***
Q37_CO	<---	CustO	,651	***
Q39_CO	<---	CustO	,497	***
Q41_CO	<---	CustO	,544	***
Q42_CO	<---	CustO	,577	***
Q43_CO	<---	CustO	,567	***
Q47_CO	<---	CustO	,517	***
Q21_Inness	<---	Inness	,673	***
Q20_Inness	<---	Inness	,585	***
Q18_Inness	<---	Inness	,689	***
Q17_Inness	<---	Inness	,702	***
Q26_Innbeh	<---	Innbeh	,597	***
Q31_Innbeh	<---	Innbeh	,826	***
Q32_Innbeh	<---	Innbeh	,526	***
Q34_Innbeh	<---	Innbeh	,540	***

Note: FL, factor loading; ***, $p<0.001$.

Apart the convergent validity, the discriminant validity it is important to have an accurate generalization of findings. Discriminant validity considers an observed variable does not correlate with other observed variable from which it is supposed to be different (between two constructs). To assess the discriminant validity we followed the Joreskog (1971), Bagozzi and Phillips (1982, p. 476), Anderson and Gerbing (1988) and Bagozzi and Phillips, (1982) suggestions.

As shown in the Table 4.4, all pair models with constrained correlations performed a significantly higher chi-square compared to the unconstrained pair's models. All combinations resulted in the higher critical value ($\Delta\chi^2$>3.84 at the p<0.0001 significance level), indicating that the factors are not perfectly correlated and that discriminant validity is achieved (Anderson and Gerbing, 1988).

Table 4.4Correlations fixed to 1 and freely estimated between pair's constructs

Pairs	Correlation fixed to 1	Correlation estimated freely
Perfo ⇔ CO	Chi-square = 152,182	Chi-square = 46,003
	P=0.000	P=0.310
Perfo ⇔ Inness	Chi-square = 106,822	Chi-square = 11,946
	P=0.000	P=0.450
Perfo ⇔ Innbeh	Chi-square = 172,117	Chi-square = 25,744
	P=0.000	P=0.018
CO ⇔ Inness	Chi-square = 171,495	Chi-square = 46,875
	P=0.000	P=0.638
CO ⇔ Innbeh	Chi-square = 173,407	Chi-square = 57,808
	P=0.000	P=0.269

Because our study is based on the self-reported measures, we used the Harman's one-factor test for the possibility of common method bias was (Konrad and Linnehan, 1995; McFarlin and Sweeney, 1992). After the Podsakoff and Organ (1986) procedure is followed, four factors resulted with eigenvalues greater than 1.0, accounting for 52.9% of the total variance and the factor 1 accounting for 25.1% of this variance. Since a single factor did not emerged and factor 1 did not explained most of the variance, common method bias is unlikely to be a concern (e.g. Liu et al., 2002; Tajeddini, 2010).

4.4.2 Hypothesis analysis and results

Due to the EFA and CFA on the initial hypothesized model and re-specification of the model, reliability analysis, meeting the required assumptions, convergent validity analysis

and discriminant validity analysis, several items of performance, CO, innovativeness and innovation behavior, were dropped. In this line, this procedure allowed selection of three items for performance, eight items for CO, four items for innovativeness and four items for innovation behavior (see Figure4.3).

The unobserved variable performance, referred to the previous literature was measured in terms of profitability, customer loyalty and customer value. However, after this procedure followed, only items of profitability were remained.

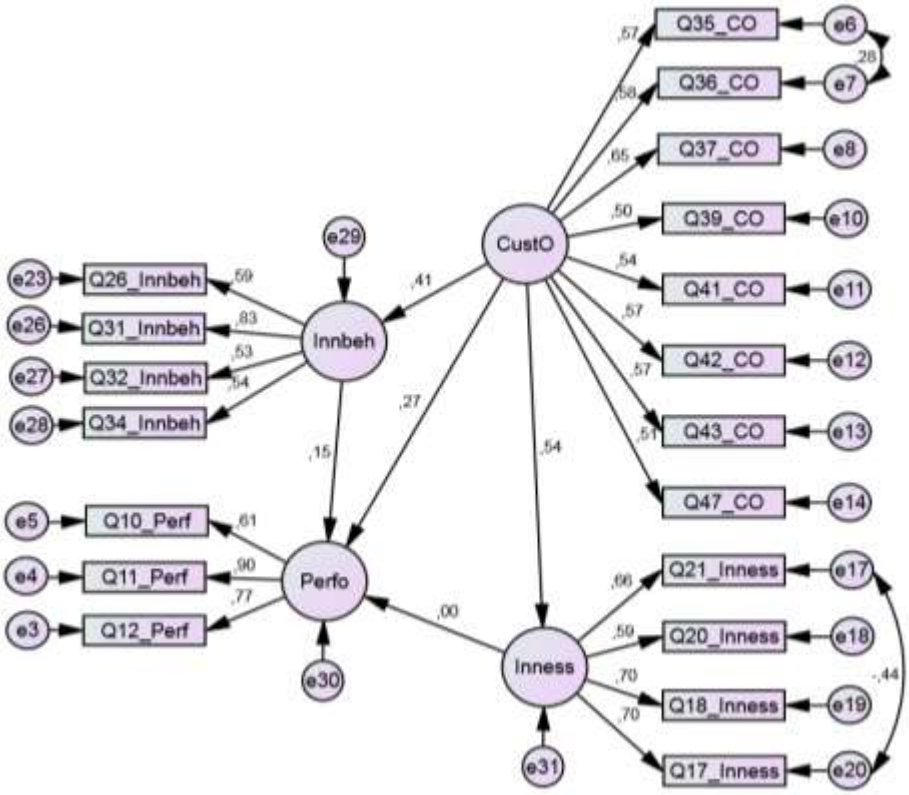


Figure 4.3The path diagram of the hypothesized full structural equation model

The final model resulted in a good fit to the data, with χ^2= 174,958; df= 145; p= 0.046; CMIN/DF= 1.207; CFI= 0.97, RMSEA= 0.031. Table 4.5 shows the results of the hypothesis testing, with parameter coefficient (estimates), t-values, and the goodness-of-fit statistics.

The study applies SEM methodology to establish causal relationships between factors and to test the hypotheses using AMOS 21.0.0. This statistical methodology translates the theoretical construction in to mathematical model (Jöreskog and Sörbom, 1996) and provides estimation and evaluation of the model empirically. The maximum-likelihood-estimation is used to examine the hypothesized relationships among CO, innovativeness, innovation behavior and performance.

With regard to H5, we have hypothesized that "*Customer orientation has a positive effect on SME performance."* The results reported in the Table 5, indicate that CO has a significant positive effect on performance (Coefficient =0,269; t-value =2.265; p< 0.05).
Through the H6A, we proposed, "C*ustomer orientation has a positive effect on SME innovativeness."* Results show that this relationship is supported. Thus, CO has a significant positive effect on innovativeness (Coefficient =0,541; t-value =4.704; p< 0.001). In this line, we conclude that the more SMEs inject the CO into their employees the more will create an innovation attitude or culture.
Through the H6B, we proposed, "C*ustomer orientation has a positive effect on innovation behavior."* On the Table 4.5, the results show that CO has a significant positive effect on innovation behavior (Coefficient =0,415; t-value =3.814; p< 0.001).

Table 4.5Hypotheses and standardized structural estimates of the model.

Path	Hypothesis	Coefficient	t-value	P
CustO ➔ Perfo	H5	0,269	2.265**	0.023
CustO ➔ Inness	H6A	0,541	4.704***	***
CustO ➔ Innbeh	H6B	0,415	3.814***	***

Goodness-of-fit statistics: χ^2= 174,958; df=145; p= 0.046; CMIN/DF= 1.207; CFI= 0.97, RMSEA= 0.031)
Note: ***P < 0.001 (two-tailed test); **P < 0.05 (two-tailed test).

To test the mediation effects proposed in H6a and H6b, we followed the recommendations of Preacher and Hayes (2008) and a detailed multiple mediation analysis is conducted. The suggested bootstrap method is employed.
As regard to the types of mediations, we referred to the suggestions of Zhao et al. (2010).

The H7A, investigate the mediation effect of innovativeness between CO and performance. Thus, the hypothesis that we proposed is "*The effect of customer orientation on SMEs performance is mediated by innovativeness."* As the Table 4.6 shows, after the mediation analysis was run it resulted that the innovativeness do not play the role of a mediator between CO and performance. To this, the H7A is rejected.

The H7B, investigate the mediation effect of innovation behavior between CO and performance. The hypothesis that we proposed was "*The effect of customer orientation on SMEs performance is mediated by innovation behavior."* Results show that the H7B is not supported. As a result, innovation behavior do not mediate the relationship between CO and performance.

Table 4.6Results of the multiple mediator test.

Hypothesis (Indirect effects)		Direct β with mediator	Indirect β	Mediation type observed
CustO ➔ Inness ➔ Perfo	(H7A)	0.283**	0.009ns	No Mediation
CustO ➔ Innbeh ➔ Perfo	(H7B)	0,253**	0,061ns	No Mediation

Note: **P < 0.05 (Bootstrap, two-tailed significance).

4.5 Discussion and conclusions

The goal of this chapter was to analyze the effects of CO on SMEs performance and the mediation role of innovation behavior and innovativeness on CO-SMEs performance relationship.

In this regard, the focus of this chapter was to address the question of how CO directly and with mediation of innovation behavior and innovativeness affects SMEs performance. The current literature has just started to scratch the surface regarding this question. Indeed, addressing such issues represent an important study because SMEs constitute a substantial part of national economic well-being, even more within tourism sector in Albania, wherein SMEs are nearly 100% of the sector.

The results of this study show that, the higher level of CO is associated with improved business performance in terms profit goal achievement, sales goal achievement. In this regard, in order to be successful, the SMEs' strategies and decision-making should focus on the needs of their customers, which subsequently lead to an improved performance. This conclusion is in line with previous studies (e.g. Appiah-Adu and Singh, 1998; Tajeddini et al., 2013; Tajeddini and Trueman, 2012; Tajeddini, 2010; Grissemann et al., 2013).

Considering the significance of CO on the SME management, will potentially lead to a better understanding of customers' wants and needs (Tajeddini, 2011). In this regard, the more CO is an SME, the more satisfied are customers, which will subsequently lead to a long-term relationship. As Drucker (1954) stated, in the field of business, it appears that the managers and/or owners should "put the customer's interest first" in order to develop a long-term profitable. As a result, SMEs should inject a culture of CO by emphasizing the creation of customer value as the vital organizational goal (Slater and Narver, 1995). Furthermore, Tajeddini et al. (2013) suggested that businesses should focus on CO, through which will be more competitive.

Especially the tourism SMEs, which are characterized by its service nature and close contacts with customers, being CO will ensure an engagement of customers in the service delivery process (Grissemann et al., 2013).

A sub-question of this chapter was to address the mediation role of innovativeness and innovation behavior between CO and performance. The results show that both innovativeness and innovation behavior are not mediators.

Thus, the indirect effects of CO on the SMEs performance, mediated by innovativeness, were not significant. This conclusion is in line with results of previous studies (e.g. Grissemann et al., 2013; Tajeddini and Trueman, 2012; Sandvik and Sandvik, 2003; Agarwal et al., 2003). Hagel and Singer (1999) stated that innovativeness and customer relationship building have very different economic, cultural, and competitive imperatives. Thus, innovativeness requires an employee that is more internally focused, while CO requires an employee that is externally focused or to the customer.

Nevertheless, in contrast to these conclusions, Tajeddini and Trueman, (2012) argued that innovativeness coupled with CO can provide businesses with a good competitive position in the market and are more likely to enhance business performance. Additionally, Appiah-Adu and Singh, (1998) suggested to the managers of SMEs, to combine CO with an emphasis on innovativeness because such combination may lead to a higher levels of new product success rates and achieve a sustainable competitive advantage in the marketplace.
Regarding the innovation behavior, this result is in contrast to the previous studies (e.g. Grissemann et al., 2013; Tajeddini and Trueman, 2012). Thus, Grissemann et al. (2013) concluded that innovation behavior partially mediates the effect of customer orientation on business performance. In this line, it is supposed that a customer oriented SME in combination with innovation behavior will improve performance, since continuous innovation has an impact on long-term profitability (Chen, 2011; Ottenbacher and Harrington, 2007). Nevertheless, our results do not consider innovation behavior as a mediator in the relationship between CO and performance.

4.5.1 Theoretical and managerial implications

The core objective of this chapter was to investigate the direct effects of CO on SMEs performance and indirect effects through the mediation role of innovativeness and innovation behavior.

The CO is a subjective variable and investigating its relationship with other variables is an important issue to be addressed because of its dynamic and depending nature. Tajeddini et al. (2013) argued that it is unclear whether CO-performance relationship on the hotel industry, would be similar for other service industries and cross-cultural. For example, Tajeddini and Trueman (2012) concluded that, within societies where individualism culture dominates, businesses are more CO oriented than collectives' societies. In this line, Furrer et al. (2004) argued that employees with individualistic attitude are externally focused, whereas those with collectivist attitude are internally focused. In this regard, our study is an important theoretical and practical contribution to Albania's SMEs managers to define the significance of CO on performance.

As our results show, CO is an important variable, and should be considered as a culture of the SMEs managing in order to potentially enhance the performance. Despite to this, creating and maintaining a culture of CO is not an easy task and it requires a considerable human, financial and other organizational resources. Given the complexity of changing business' environment, it is important to consider as a pre-requisite the adequate environmental wherein employees feel well motivated to consider the customer as part of the business' continuance.

Since we collected the data across Albania, which is a developing country, the results may be generalized and applied for other developing countries. We may conclude that as in developed countries such as Switzerland (see e.g.Tajeddini, 2010; Tajeddini and Trueman, 2012; Tajeddini et al., 2013) in developing countries such as Albania, managers of tourism SMEs consider CO as an important factor that affect performance. Nevertheless, further researches are advised to be undertaken.

Another important contribution of this study is that the target group was not only hotel industry, which is the most considered in previous researches about CO-performance relationship (see e.g. Grissemann et al., 2013; Tajeddini, 2010; Tajeddini and Trueman, 2012; Orfila-Sintes and Mattsson, 2009), but into the most representatives industries of the tourism sector such as hotels, restaurants and tourism agencies. In this regard, the applicability of our results is not limited to only one industry, but to the tourism sector as a whole.

The practical implications on managing SMEs, our research found that the more customer oriented are tourism SMEs the more they will achieve profit and sales goals.

Our empirical results suggest that tourism's SMEs managers/owners should focus at the customer satisfaction. This may be transformed into reality by setting to the employee's objectives the prioritization of customer satisfaction. Furthermore, it is suggested that SMEs' managerial level, should consider the customers complains and considering the customers as an important source of information. In this line, by getting information through customers, SMEs will be more flexible to the changing preferences of customers.

Finally, our study found significant the need to view customers primarily as individual co-partners in the development of unique, customized, products and services. In this framework, SMEs will be more capable to provide values for customers as well as generating profitability.

As regard to the mediation, results show that both, innovativeness and innovation behavior do not significantly mediate the relationship between CO and performance.

Indeed, innovativeness and CO impose to the SMEs and their employee different views. For example, employees that have a positive attitude towards innovation, are more engaged, and consume their time with the objectives to transform ideas into new products, new markets, new production processes etc., ideas that do not come as a consequence of customer needs. Since the tourism sector in Albania is too young, SMEs managers are more engaged with other basic issues of the SMEs management than the customer satisfaction, this could be due to the offer is much less than demand.

The rejection of the hypothesis about the mediation role of the innovation behavior between CO and performance relationship, was in contrast to the other studies (e.g. Grissemann et al., 2013; Tajeddini and Trueman, 2012). Thus, our target group does not consider as important the combination of CO with implementation of the innovation in terms of ICT, innovating into marketing, collaborations, products etc., as a tool that likely improve the performance. Finally, this confusing result is an intriguing opportunity for further researches.

Chapter 5

The direct effects of human resources practices on SMEs performance and indirect effects through mediating role of innovativeness, innovation behavior and customer orientation

5. The direct effects of human resources practices on SMEs performance and indirect effects through mediating role of innovativeness, innovation behavior and customer orientation

5.1 Introduction

The theoretical framework of resource-based view suggests that human resource can contribute to sustained competitive advantage through facilitating the development of competencies that are firm specific, produce complex social relationships, which are embedded in a firm's culture, and generate tacit organizational knowledge (Barney, 1992; Reed and De Fillippi, 1990). The RBV framework implies that human resources may be of even greater significance for smaller firms, since they often deal with fewer resources, in order to remain competitive (Sheehan, 2013).

Businesses that offer a differentiated product are more successful than those who do not, but this effect is enhanced if there is developed human capital. Businesses are increasingly recognizing the potentials of their people as a source of competitive advantage (Pfeffer, 1994). However, creating competitive advantage through human resources (HR) requires careful attention to the practices that best promote these assets (Sheehan, 2013). This approach in the mindset of businesses' executive decision-makers, has forced an increasing body of academic research attempting to reveal a relationship between HR practices and business performance.

Our study will focus on two specific HR practices such as hiring/selecting and training because they are considered vital in the tourism industry (Chang et al., 2011). Considering these two HR practices, constitutes a very important issue because low skill levels among employees and a high turnover rate characterize tourism industry (Hjalager, 2002; Yang and Wan, 2004).

In general, there are subjective approaches of hiring and training processes, because it is too difficult to identify the right person for the right position. Nevertheless, there are different approaches or philosophies that are leading owner-mangers of SMEs in nowadays tourism industry. Thus, Bobinski (2005) and Carbonara (1996) notes "Hire for attitude and train for skill" is the guiding philosophy of hospitality employee management.

Nevertheless, “Hire for attitude and train for skill” it is not supported as an effective philosophy among researches for HR management, yet. Thus, Tracey et al. (2007) concluded that both “general mental ability and conscientiousness are important predictors of front line restaurant employees’ job performance and thus a strict adherence to the “hire for attitude and train for skill” is not advisable”. Furthermore, Chang et al. (2011) argue that, although “hire for attitude and train for skill” has been a popular management philosophy, a better strategy might be “hire for skill and train for skill.”

As a result, not only the owner/managers of SMEs must consider hiring and training processes as a crucial approach, but furthermore, “hire for skill and train for skill” must be their leading philosophy.

However, a focus upon the HR practices-performance relationship debate, in the context of SMEs, is emerging. Such investigations are challenging, given the high incidence of informal HR management (see for example, Cardon and Stevens, 2004). In this regard, in the tourism businesses is still the traditional philosophy of employees’ management, treating employees as a cost rather than asset, and furthermore, provide only limited training (Chang et al., 2011). Abeysekera (2006) found that in small hotels, managers did not take a proactive role in providing training to employees.

There have been several empirical studies on the relationship between HR practices, innovation and entrepreneurial orientation with performance in SMEs. However, the relationship between HR practices and the performance of SMEs remains under-researched (see Messersmith and Guthrie, 2010; Razouk, 2011; Verreynne et al., 2011).

Attitudes and skills of employees play a key role and largely affect the innovation success in the tourism industry because of the simultaneity of production and consumption and the importance of human factors in the service delivery (Chang et al., 2011; Ottenbacher and Harrington, 2007). Additionally, Ottenbacher and Harrington (2007, p. 446) states, “Hospitality innovation success is strongly related to excellent HR management practices”. Chang et al (2011) found that two major HR management practices, hiring multi-skilled employees and training employees for multiple skills, enhanced innovation on tourism businesses. Chang et al. (2011) states that although there is support to the importance of HR practices in promoting innovation within tourism businesses, rigorous

and systematic investigation is lacking. However, they call for additional studies on this relationship. Furthermore, even though there are studies considering the relationship of HR management practices with tourism's businesses innovation (see e.g. Chang et al., 2011; Ottenbacher and Gnoth, 2005; Ottenbacher et al., 2006; Moosa and Panurach, 2008) and radical and incremental innovations (see e.g. Chang et al., 2011), there are no studies investigating the effects of HR practices on tourism's SMEs innovativeness and innovation behavior. In this context, our study considers as a current and important novelty to investigate the relationship between HR hiring and training practices with innovativeness and innovation behavior.

The active and close contact of the service providers with customers is one of the key characteristics of the service industry (Lovelock, 2001), and particularly in the tourism industry such as hotels industry (Grissemann et al., 2013). The need to hire employees with required skills and train for improving skills that raise their intrinsic motivation toward customers' needs and wants, is required. Considering the importance of SMEs to focus on the customer needs and wants, the HR practices plays a crucial role. In this framework, it is assumed that the more HR practices are implemented the more the SMEs will be customer oriented. There are no empirical researches addressing this assumption, which constitute a gap that our study intend to investigate.

As argued above, considering the HR practices separately, as a significant factor that affects SMEs performance, it is important but not sufficient. Furthermore, theoretically we suggest considering the joint effects of HR practices with other important factors such as innovation and customer orientation (CO). These interaction effects are supposed to significantly enhance SMEs performance. Therefore, we considered as important theoretical and practical implication, addressing the indirect effects of HR hiring and training practices on SMEs performance through the mediation role of innovativeness, innovation behavior and CO.

While several studies addresses the direct effects of HR hiring and training practices on business performance (Sheehan, 2013; Delery and Doty, 1996; Guthrie, 2001; Huselid, 1995; Wright et al., 2003), there is a significant lack of studies considering the indirect

effects of HR hiring and training practices on SMEs performance, mediated by innovativeness, innovation behavior and CO.

5.2 Literature review

5.2.1 The direct effects of HR hiring and training practices on SMEs performance

Studies that examine the relationship between HR management with business performance have grown in recent years. The seminal work on this area was by Huselid (1995), wherein he found the relationship between human resources practices and corporate turnover, profitability and market value.

Early research on the HR management-performance relationship suggested that the adoption of human resources "best practice" might have a universal positive effect on firm performance (Sheehan, 2013). Furthermore, there are studies that have demonstrated statistically significant relationships between measures of HR practices and firm profitability (Delery and Doty, 1996; Guthrie, 2001; Huselid, 1995). Wright et al. (2003) found relationships between HR hiring and training practices with organizational commitment in terms of financial performance measures. Delery and Doty (1996) also examined the relationship between HR practices and profitability and they found that, at overall, HR practices were positively related to profitability. Consequently, the more HR practices are implemented, the better the firm will perform (Becker and Gerhart, 1996).

When the executive managers approve good practices on selecting and training employees, they will face increased costs. Thus, we should find the type of connection between HR practices and performance (i.e. positive or negative).

Guthrie (2001) found the relationship between HR practices and turnover and firm productivity. He stated that this relationship was positive when firms implemented high-involvement HR practices, but negative when they did not.

The tourism in its nature is mostly services-based and the needs for customer service skills largely determine the quality of employee-customer interactions (Chang et al., 2011). Since tourism is mostly comprised by SMEs, which has limited resource even for training their employees, raises the need to strictly implement the staff hiring practices.

Additionally, Chang et al. (2011) argue that, because of the great number of tacit skills required in tourism industry, the necessary skills might be costly to acquire through either training or a learning-by-doing process. For example, in restaurants it is needed to have sufficient experiences on creating new food items by combining food ingredients (Ottenbacher and Harrington, 2007) or in tourism agencies to compose new and attractive tour packages. Furthermore, Chang et al. (2011) concluded that instead of spending for employees training and waiting to accumulate the needed tacit skills, tourism businesses can attract and hire skillful staff.

Sheehan (2013) concluded that, given the potentially high direct and indirect costs to SMEs associated with investments on HR, hiring practices are positively associated with performance. He argued that SMEs that utilize the hiring human resource practices have a higher rate of labor retention. Furthermore, Sheehan (2013) claim that it is recommended for SME owners to apply the hiring human resource practices at 90% or more of their employee's selection.

As result, because of service based nature of tourism, tacit knowledge and limited resources of SMEs, force them to consider the hiring or selecting process as very important, which in turn will enhance performance. Additionally, it is suggested that not only the hiring process should be important, but also the philosophy of "hiring for skill" is strongly suggested for tourism SMEs. In this regard, we propose the below hypothesis:

H8. H*uman resource hiring practices is positively associated with SMEs performance.*

Even though, hiring skillful staff is important, the need for training is imperative, as well. Hiring skillful staff is a necessary but not sufficient condition to have higher performance of employment. Thus, on the one hand, hiring process brings to the business the employee with necessary tacit skills required, and other experiences required, on the other hand, the training process will broaden the knowledge and skills of employees and will increase their intrinsic motivation (Bandura, 1986; Deci and Ryan, 1985; Amabile, 1983; Shin and Zhou, 2003). Additionally, training leads to the transfer of knowledge, enhanced employee capabilities (e.g. Tracey and Tews, 2004), increase positive attitudes toward the business

(Rodriguez and Gregory, 2005; Roehl and Swerdlow, 1999) and the ability to screen and test better ideas (Jones, 1996; Ottenbacher and Harrington, 2007).

In terms of the extant literature on the HR practices-performance relationship in SMEs, the impact of training on performance has been investigated most frequently, and generally, a positive association is found (De Kok, 2002; Patton and Marlow, 2002; Storey, 2004; Storey and Westhead, 1997).

Sheehan (2013) concluded that training and development is most significantly associated with performance, by having higher rate of labor retention. Based on the discussion so far we propose:

H9. H*uman resource training is positively associated with SME performance.*

5.2.2 The direct effects of HR hiring practices on innovativeness and innovation behavior

The selective hiring practices as indicator that affects innovation, has shown several important reasons to be investigated. Thus, HR hiring practices may provide employees that enhance innovation through generating new ideas, abilities to influence creative problem solving (Mumford, 2000), abilities to promote rapid acquisition of new knowledge, skills and talents. As a result, implementing the hiring practices for employment process is more likely to promote employees with required expertise knowledge, which then will incite innovation. In this framework, Mumford (2000, p. 321) stated, "Innovation . . . is more likely to occur when expertise is evident across a number of relevant areas."

Although no study has directly investigated the effect of hiring employees with multiple skills on business innovation, in the tourism sector, it is reasonable to expect that hiring such employees would positively affect innovation. This assumed relationship may occur based on three reasons.

Firstly, hiring practices ensures that hired employees have relevant knowledge, talents and skills, which are necessary for creative ideas (Mumford, 2000).Considering the attitudinal and behavior dimensions of innovation indicates the importance for selective hiring employees with relevant knowledge, skills and talents. Thus, although there are no studies considering the effects of hiring employees with relevant knowledge, talents and skills, it is expected that by doing so, innovativeness and innovation behavior will take shape more than hiring employees without such characteristics.

Second, hiring practices enhances the employee-business compliance in terms of values, goals and personalities (Kristof, 1996). Thus, as Tajeddini (2010) suggests, since innovativeness is considered as set of beliefs and values (culture) and attitude, the need to hire employees that fit with business's values, personalities and goals must be considered the *raison d'être*. In this respect, when a business is innovative, there is a need to consider the hiring practices as the core objective.

Thirdly, due to the numerous tacit skills required in tourism sector, the necessary skills, knowledge and talents might be costly to acquire through training or a learning-by-doing process. Thus, to reduce the training cost and to be creative in terms of attitude and behavior innovations, it is needed to hire employees with required skills, knowledge and talents. For example, *Michelin-starred chefs* need to have sufficient experiences on creating new food items to combine food ingredients and generate new ideas (Ottenbacher and Harrington, 2007). In this regard, instead of waiting for employees to accumulate such tacit skills, to have training costs, tourism businesses should hire applicants with required skills, knowledge and talents (Chang et al., 2011).

To reach this objective, tourism businesses must consider the need to create rigorous recruitment policies and processes, and is likely to enhance firm innovation (e.g. Mumford, 2000). Chang et al (2011) states that hiring employees who have multiple skills might enhance innovation capability because mostly of these employees possess the appropriate and needed expertise knowledge.

Within tourism industry, the intangible nature of services imposes that innovation success is largely depended on the attitudes and skills of employees (Chang et al., 2011) and consequently it is reasonable to expect that will affect innovativeness as the attitudinal dimension of innovation. Therefore, it is assumed that hiring human resources with

required skills, knowledge and talents, will affect innovativeness performance within the business.

In addition, it is imperative to mention that, by implementing the HR hiring practices is not important only for fostering innovativeness, but innovation behavior, as well. Thus, hiring multi-skilled employees and encouraging HR for new ideas, sharing knowledge, rewarding creative employees (Chang et al., 2011), and employing managers who are open minded and welcome new ideas, will lead to the creation of innovation in terms of new products and services (Hurley and Hult, 1998; Hult et al., 2004). Chang et al (2011) concluded that hiring multi-skilled employees enhance innovation among tourism businesses.

This discussion leads us to the following hypothesis:

H10. *Human resources hiring practices are related positively to (A) innovativeness and (B) innovation behavior.*

5.2.3 The direct effects of HR training practices on innovativeness and innovation behavior

Hiring employees with needed expertise knowledge and skills in order to enhance "the change" or innovation within the business, it is necessary but not sufficient. Thus, it is suggested that businesses should go a step-further and implement the HR training practices for their employees, in order to achieve new or improved services (Cohen and Levin, 1989; Griliches, 1990).

Different investigations have argued that training not only broadens the repertoire of knowledge and skills of employees but also boosts their intrinsic motivation (Bandura, 1986; Deci and Ryan, 1985). This attitude dimension of employee represents an important indicator for its creativity. Chang et al. (2011) stated that intrinsic motivation comes from inside an individual rather than any external or outside rewards such as money or grades (Deci and Ryan, 1985). Thus, intrinsic motivation will constitute an important predictor of employee creativity and innovative performance (Amabile, 1983; Shin and Zhou, 2003).

Several researches have suggested that innovation ideas are indeed generated by employees (e.g. Friedman, 2001; Jones, 1996; Ottenbacher and Harrington, 2007; Ottenbacher et al., 2006) because they are often responsible for the screening and testing of new ideas in the tourism sector (Jones, 1996; Ottenbacher and Harrington, 2007). In this context, it is supposed that the more employees are equipped with multiple skills and intrinsically motivated the more will higher their creativity and ability to evaluate the potential effectiveness of various ideas should be (Chang et al., 2011). As a result, training leads to the transfer of knowledge and enhanced employee capabilities (e.g. Tracey and Tews, 2004), intrinsic motivation (Amabile, 1983; Shin and Zhou, 2003), the ability to screen and test better ideas (Jones, 1996; Ottenbacher and Harrington, 2007) and consequently enhanced innovation.

Pine (1992) shows evidence that the transfer of technology in lodging activities depends on the staff's implication level.

There are several studies within the tourism sector, although not directly investigating the effects of HR training practices on innovation, but they state that training practices constitute a vital role on the employees capabilities and then on their creativity. Thus, Tracey and Tews (2004) found that business' training climate affects the service capabilities of employees and furthermore, as Roehl and Swerdlow (1999) suggested, training might enhance innovation because of the increased level of capabilities. This discussion leads us to the following proposition:

H11. *Human resources training practices are positively related to(A) innovativeness and (B) innovation behavior.*

5.2.4 The mediating role of innovativeness and innovation behavior on the relationship between HR hiring and training practices with SMEs performance

There is a considerable number of studies investigating the relationships between HR practices and innovation (see e.g. Chang et al., 2011; Hjalager, 2002; Yang and Wan, 2004; Tracey and Tews, 2004; Roehl and Swerdlow, 1999), and the direct effects of HR

practices on business performance (Sheehan, 2013; Delery and Doty, 1996; Guthrie, 2001; Huselid, 1995; Wright et al., 2003; Becker and Gerhart, 1996).

However, there is a lack of studies considering the mediating role of innovation on the relationship between HR hiring and training practices and SMEs performance (Chang et al. 2011).

There are studies that argue the importance of HR management on forcing innovation and as result affecting firm performance, but they are not directly investigating this relationship. Thus, Tajeddini and Trueman (2012) argued that employees are more likely to be innovative if they are empowered to make decisions and hold appropriate societal–culture factors. Additionally, they stated "if employees and managers are innovative and open to new ideas in meeting customer needs, they are more likely to enhance company performance."

In this line, Sun (2009) and Shane (1992) considered the decentralized authority as an employees' empowers indicator that gives them incentives to be creative in meeting customer needs as well as bringing information to senior managers. In addition, low hierarchical culture is considered an indicator that empowers employees to be more innovative (Tajeddini and Trueman, 2012) and as consequence may positively affect firm performance.

Except the employee's empowerment indicator that may enforce the innovation at the firm level and consequently to enhance the performance, there are no studies investigating the effects of HR hiring and training practices on innovation in terms of innovativeness and innovation behavior. Furthermore, there are no studies directly investigating the indirect effects of HR hiring and training practices on SMEs performance, through the mediation role of innovativeness and innovation behavior. In this respect, Chang et al (2011) in their study considering the effects of HR practices on innovation, suggested for future studies to investigate the mediating role of innovation in the relationship between HR selecting and training practices with firm performance.

Several studies (see e.g. Chang et al., 2011; Hjalager, 2002; Yang and Wan, 2004; Tracey and Tews, 2004; Roehl and Swerdlow, 1999) have examined that hiring and training employees for multiple skills has a positive impact on innovation.On the other hand, Rosenbusch et al. (2011) arguedthat innovative products and services might create new

demand and consequently facilitate firm growth. In this line, several studies have concluded that innovativeness (see Tsai and Yang, 2013; Tajeddini and Trueman (2012) and innovation behavioral (e.g. Orfila-Sintes et al., 2005; Grissemann et al., 2013; Ottenbacher and Gnoth, 2005; Chadee and Mattsson, 1996; Storey and Easingwood, 1998; Ottenbacher et al., 2006; Chen et al., 2009) have positive effects on business' performance. Thus, although there are no studies that directly investigate the HR practices-Innovation-performance relationship, it is supposed that hiring and training employees with multiple skills it is more likely to positively affect business' performance but this effect is mediated by innovativeness and innovation behavior. Thus, based on this discussion, we propose these hypotheses:

H12. *Human resources hiring practices have a positive effect on performance but this effect is mediated by (A) innovativeness and (B) innovation behavior.*

H13. *Human resources training practices have a positive effect on performance but this effect is mediated by (A) innovativeness and (B) innovation behavior.*

5.2.5 The effects of HR hiring and training practices on customer orientation

Tajeddini and Trueman (2013) stated that CO in the hospitality industry is a crucial factor. Furthermore, Tajeddini and Trueman (2013) argue that, if tourisms' businesses are intending to develop appropriate strategies to meet current and future customer needs, the front line staff and managers should consider the need for continuously access and exchange information about customers, and poor communications can have an adverse effect on customer satisfaction. Grissemann et al. (2013) argue that to improve customer value, a hotel should constantly respond to changes on customer needs. SMEs that track and respond to customers' needs and preferences perform at higher levels than those that do not (Sin et al., 2005; Zhou et al., 2007).

Human resources play a key role on the customers' value, needs and wants. Furthermore, since tourism's SMEs belong to the service providers, the intensity and close contacts of staff and managers with customers is at very high levels. Schneider and Bowen (1985, p.

129) noted that, ‘‘Employees not only deliver and create the service, but also are a part of the service in the customer’s view’’. In this line, mostly the service provider and services are seen as synonymous in the customer view (Schneider and Bowen, 1985; Daniel and Darby, 1997). The interaction between customers and service providers is one of the key characteristics of services industries, and customer-businesses interactions are particularly prevalent in the hotel industry (Grissemann et al., 2013).

Chang et al. (2011) states that because of the intangible nature of services, the quality of employee-customer interactions is largely determined from employees skills. Thus, considering the importance of HR hiring and training practices on employees multiple skills or capabilities (see e.g. Chang et al. 2011; Tracey and Tews, 2004; Roehl and Swerdlow, 1999; Hjalager, 2002; Yang and Wan, 2004) it is seen as reasonable to investigate the effects of HR practices on business’ CO.

Although there are studies considering the employee orientation in terms of employees’ empowering and its effects on CO (see Zhang, 2010) or stating and arguing the importance of employees’ hiring and training for multiply skills that affect CO (see e.g. Grissemann et al., 2013; Chang et al., 2011; Schneider and Bowen, 1985), there are no studies directly investigating the HR practices-CO relationship. In this regard, we propose to investigate the following hypothesis:

H14. *Human resources (A) hiring and (B) training practices have positive effects on customer orientation.*

5.2.6 The mediating role of customer orientation on the relationship between HR hiring and training with SMEs Performance

Within the tourism industries, intensity and close contacts with customers, emphasizes the importance of HR hiring and training practices jointed with business’ CO, to be considered as important interplay that may affect business’ performance. Indeed, the interaction between customers and service providers is one of the key characteristics of services industries. Additionally, most of the researchers on the service industries emphasize the interaction of service personnel with customers as ‘‘customer service’’

(Albrecht and Zemke, 1985). In this regard, businesses that strike to create value for their customers, should consider the importance of managing the relationship with them (Srivastava et al., 1999).

Mostly it is suggested that employees are the most critical component of this process (Reinartz et al, 2004; Srivastava et al, 1999). Within services industries, employees have a significant influence on the formation of expectations, managing and controlling customer experiences and in shaping the overall evaluation of the service received by clients (Bateson, 1992; Daniel and Darby, 1997; Lovelock, 1981).

Zhang (2010) argues that only by orienting on employees in terms of rewarding and creating warm and supportive environment may define employee behavior toward the firm's customers (Plakoyiannaki et al., 2008) and may increase employee responsiveness to their needs (Berry et al., 1976). Thus, it is supposed that, if the businesses will recruit and train the skillful employees, will make it possible to have employees with more skills and knowledge or capability to gather information about customers and create value for them and as a result to be more aware for customer orientation.

Service businesses need to impart CO to employees if they are to reinforce the quality of the firm and its services. The employee's level of CO is considered an important tool for the service firm's economic success (Hennig-Thurau, 2004; Sergeant and Frenkel, 2000).

Hennig-Thurau (2004) states that, "because of the intangibility and heterogeneity characteristics of service industries, customers often rely on the behavior of service employees when judging the quality of a service". Thus, CO in the service firms is directly related to employee performance, perceptions of quality and service environment, leading to enhanced customer satisfaction, and therefore, enhanced business performance (Dowling and Pfeffer,1975; Tajedinni et al., 2013). This assumption is in line with the findings of previous studies (Deshpandé and Webster, 1989; Drucker, 1954) which see CO as part of the overall corporate culture and underlines the importance of recruiting a well-qualified and experienced workforce (Sin et al., 2005) as a result improved business performance. In this line, Tajeddini and Trueman (2012) concluded that, if employees are intensively engaged to meet the customer needs, in turn this would likely to enhance business performance.

This discussion leads us to the following hypothesis:

H15. *Human resources (A) hiring and (B) training practices have positive effects on performance but this effect is mediated by* customer orientation

5.3 Methodology

5.3.1 Data collection and sample

Tourism industry is composed by a wide range of activities in a variety of economy sectors. However, the main purpose of this study is to investigate empirically the direct and indirect effects of HR hiring and training practices on SMEs' performance and specifically those that significantly contribute to the tourism. WTTC (2013) shows that accommodation industry, tourism agencies and restaurants constitute important contributors on tourism development in a country. In this regard, hotels, restaurants and tourism agencies in Albanian's tourism will constitute the target group of this study.

In order to have less ambiguous questions, to assess the clarity and understandability of the questionnaire, we made a pre-test of the questionnaire with academics (see e.g. Wang et al., 2012) and with 6 senior managers or owners of SMEs, part of target group (see e.g. Tsai and Yang, 2013).
As regard to the data collection, the source was the SMEs' senior managers or the owners (e.g. Grissemann et al., 2013; Chang et al., 2011).

The questionnaire was delivered to the 12 districts of Albania; Tirana, Shkoder, Lezhe, Diber, Kukes, Durres, Elbasan, Fier, Korçe, Vlore, Gjirokaster and Berat. By delivering to the all districts of Albania, the results can be generalized and representative to the entire country.

We utilized two data gathering techniques, the online survey and face-to-face interviews. After a number of 656 questionnaires were delivered by e-mail survey to the target group, the final response rate was 3.8% of the sample.

The second technique used was the face-to-face interviews, which provide a high response rate (Thornberry, 1987; Mulry-Liggan, 1983). To this, we delivered 200 questionnaires to the managers and or owners of the SMEs, and the number of questionnaires answered was 194, wherein 6 refused to answer, constituting 97% of response rate.

Finally, by using these two techniques, online survey and face to face, we reached a number of 221 fulfilled questionnaires, wherein 25 questionnaires were from the online survey and 194 from face-to-face technique.

5.3.2 Variables and measures

The conceptual model is built based on six unobserved variables, which are based on subjective measures (e.g., Greenley and Foxall, 1996). The justification for the subjective measure, as Foreman-Peck et al. (2006) argues, is the lack of the data that many SMEs are willing or obliged to put in the public domain and subjective measures positively correlate to objective measures (Sin et al., 2005; Tajeddini, 2010; Tajeddini and Trueman, 2012).

The items that used in this study are grounded from the existing literature. Thus, the performance variable will be operationalized in terms of profitability (e.g., Storey 1994; Kauranen 1993; Smith et al. 1988; Robinson et al. 1984). Three items of profitability were based on Chen et al. (2009). In addition, the existing the literature (Avlonitis et al., 2001; Tajeddini and Trueman, 2012) also suggests to consider other non-financial performance measures such as customer loyalty and customer value. Thus, considering the service based nature of the tourism industry, it is reasonable to operationalize the performance in terms of customer loyalty/retention and customer value (see e.g. Chen et al., 2009; Wang et al., 2012; Tajeddini et al., 2013; Avlonitis, Papastathopoulou, and Gounaris, 2001; Blazevic et al., 2004; Grissemann et al., 2013). To this, two other items of performance were based on Chen et al. (2009), one item from Wang et al. (2012) and one item from Hooley et al. (2000) and Kirca et al. (2005).

As regard to the predictors variables, and specifically to the innovation, we operationalized in terms of innovativeness and innovation behavior.

Innovativeness was measured by using seven items based on Hurley and Hult (1998) and two items from Tsai and Yang (2013).

To measure the innovation behavior, seven items were based on Johannessen et al. (2001) work by asking the managers or owners whether any innovative changes had been implemented, and the author developed two items during the discussions with the interested group.

Customer orientation variable will be measured by utilizing two items based on Wang et al. (2012), six items from Ashill et al. (2005), Berthon et al.(2004), Deshpandé et al. (1993) and Pelham (1999) and five items from Narver and Slater (1990) and Zhou et al. (2007).

Seven items from Chang et al. (2011) and Sheehan (2013) will measure human resources hiring and training practices constructs. The predictor variable HR hiring was measured by four items, one based on Chang et al. (2011), two based on Sheehan (2013) and one based on Ruekert (1992) work. As regard to the HR training three items were selected to measure it, wherein two are retrieved from Chang et al.(2011), and one from Sheehan (2013) work.

All the observed variables of the 6 unobserved variables (performance, innovativeness, innovation behavior, CO, HR hiring and HR training) are rated using a five-point Likert scale with 1 being “strongly disagree” to 5 being “strongly agree.”

5.4 Data analysis and results

5.4.1 Measurement model

Within the framework of data analysis and more specifically the measurement model, it is significant to address the missing data issue. Thus, after data are collected, the missing data issue is the most pervasive problem in data analyses (Tabachnick and Fidell, 2006) before the conceptual model is measured. Because missing data can seriously bias and impede the generalizability of findings, they must be addressed, regardless of the reason of their missing (Byrne, 2010).

In SEM, the most widely used criterion for addressing the missing data issue are estimates of maximum likelihood (ML) algorithm such as expectation maximization (EM) and full information maximum likelihood (FIML). In addition, our data resulted with a missing values less than a critical threshold of 2% (0.5%), indicating that the missing data are MCAR. Consequently, we used EM estimate to substitute missing data

The statistical methodology that we used to analyze empirically the hypothesized model and further to test the casual relationships is structural equation model (SEM). Indeed, SEM is a popular methodology for non-experimental researches (Bentler, 1980), which considers the explorative (CFA) and hypothesis testing (full SEM) approach into the studies (Byrne, 2010).

In framework of the measurement of the model, it is significant to look after the procedures that investigate relationships between sets of observed and unobserved variables. In this regard, the most used statistical procedures are factor analysis (Byrne, 2010).

There are two basic types of factor analyses: exploratory factor analysis (EFA) and confirmatory factor analysis (CFA). In this framework, in order to identify the constructs' underlying dimensions, a more parsimonious set of variables, scales reliability and scales validity, a series of tests on EFA and CFA was undertaken prior to hypothesis testing (see e.g. Tajeddini et al., 2013; Grissemann et al., 2013). These techniques were implemented by using SPSS and AMOS software.

Within the EFA procedure a PCA method was conducted on the 45 items of performance (7 items), innovativeness (8 items), innovation behavior (10 items), CO (13), HR hiring (4 items) and HR training (3 items) measurements with orthogonal rotation (varimax) and eigenvalues with criteria of 1.0 (Kaiser, 1960) (see Table 5.1).

By using the PCA method we deleted three out of seven items of performance construct (i.e., Item 13 and Item 14, Item 15 and Item 16), five out of thirteen items of CO construct (i.e., Item 38, Item 40, Item 44, Item 45 and Item 46). Additionally, four out of eight items of innovativeness construct (i.e., Item 19, Item 22, Item 23, and Item 24) and six out of 10 items of innovation behavior construct (i.e., Item 25, Item 27, Item 28, Item 29, Item 30, and Item 33) were deleted. The deletion of those Items for further analyses come as a need that they were not measuring the same common underlying dimension as they were supposed to measure.

After the PCA method implemented, the Cronbach's α values for six constructs is as follows; performance (0.79), HR hiring (0.79), HR training (0.71), CO (0.75), innovativeness (0.72) and for innovation behavior (0.71). These α-values reveal the high reliability of the constructs.

As the Table 5.1 shows, alpha coefficients of all six constructs (unobserved variables) exceed the 0.70 level as recommended by Nunnally (1978) and may argue that the measures are unidimensional.

Within the EFA analysis with PCA method, the Kaiser–Meyer–Olkin measure verified the sampling adequacy for the analysis, KMO = 0.75, and all KMO values for individual items were > 0.64, which is well above the acceptable limit of 0.5 (Kaiser, 1974). Bartlett's test of sphericity χ^2=1528.345, df=276, p < .001, indicated that correlations between items were sufficiently large for PCA. An initial analysis was run to obtain eigenvalues. Six component had eigenvalues over Kaiser's criterion of 1 (see Table 5.1) and explained 58.7% of the total variance, respectively 11.8% in CO, 10.6% in HR hiring, 9.4% in innovativeness, 9.3 % in innovation behavior, 9% in performance, and 8.4% in HR training.

Table 5.1Construct measurements.

	Mean	SD	FL	EV
Performance (α=0.79) (based on Chen et al., 2009)				9%
Q.11; We have achieved profit objectives	3,63	,959	,889	
Q.12; We have achieved sales objectives	3,65	,892	,849	
Q.10; We have been profitable	4,13	,643	,697	
Human resources hiring (α=0.79) (based on Chang et al., 2011; Sheehan, 2013; Ruekert, 1992)				10.6%
Q.50; Use of at least one of the following formal recruitment channels (Job Centre/employment service office; careers service; private employment agency)	3,93	,874	,801	
Q.48; Our firm hires employees based on the variety of skills that they have	3,80	,857	,798	
Q.49; Use of at least one of the following selection methods: formal application form; formal interview; work sample; test of job skills; assessment of job skills	3,96	,813	,796	
Q.51; During the recruitment process, we simulate applicants in order to check their personal attitude on customer orientation	3,49	,907	,750	
Human resources training (α=0.71) (based on Chang et al., 2011; Sheehan, 2013)				8.4%
Q.52; Our firm offers various types of training to enable employees to obtain skills to perform more than one job or task	3,56	1,111	,789	
Q.54; The majority of employees received training in the past 12 months	3,20	1,174	,757	
Q.53; Group/team-based work is a feature of your firm, to enable employees to obtain multiple skills	3,96	,946	,712	
Customer Orientation(α=0.75) (based on Wang et al., 2012; Deshpandé et al., 1993; Narver and Slater, 1990)				11.8%
Q 36; Satisfying our customers, and meeting their expectations, is the most important thing we do	4,62	,560	,718	
Q 42; Our business objectives are driven by customer satisfaction	4,43	,575	,692	
Q 35; Our activities are centered on satisfying our customers	4,72	,473	,670	
Q 37; We are fast to respond to changes in our customer's product or service needs	4,16	,730	,658	
Q 41; We handle customers' complaints well	4,51	,597	,578	
Q 43; The top management often emphasizes the need to be customer oriented	4,16	,721	,572	
Innovativeness (α=0.72) (based on Hurley and Hult,				9.4%

1998; Tsai and Yang, 2013)				
Q18; New ideas are quickly accepted in our company	3,81	,863	,821	
Q20; Our enterprise promotes the need for development and utilization of new resources	3,94	,861	,687	
Q17; Our enterprise is open to new ideas	4,35	,676	,674	
Q21; Innovation, based on research results, is readily accepted in our organization	3,46	,940	,585	
Innovation Behavior (α=0.71) (based on Johannessen et al., 2001)				9.3%
Q31; We have implemented security systems in our enterprise	4,18	1,074	,782	
Q26; We have implemented Information and communication technologies	4,23	,921	,702	
Q34; We continuously aim to create connections with other stakeholders that provide to us innovative opportunity (associations, other tourism enterprises such as hotel-Tourism agency, etc.)	3,98	1,064	,702	
Q32; Our business provide entertainment, animation and leisure activities	3,84	1,186	,596	

Note: SD, standard deviation; FL, factor loading; EV, explained variance.

Based on the Rotated Component Matrix from EFA (PCA), we created the initial hypothesized model through CFA. Thus, after EFA, a CFA using covariance matrices and the maximum likelihood estimation procedure in AMOS 21.0.0 software were modeled for the scales.

Results in the Table 5.2, show that the model is over-identified. To this, number of estimable parameters is 63 and the number of data points is 300 resulting with 237 degree of freedom (df) providing an over-identified model which means that the model it can be investigated through the further analysis.

Table 5.2Notes for model.

	Initial model
Number of data points:	300
Number of estimable parameters	63
DF (Degrees of freedom)	237
χ^2 (Chi-square)	297.253
P (Probability level)	0.005

In framework of the SEM methodology, it is important to see if we met the four assumptions of ML estimation (MLE) method as suggested by Wang and Ahmed (2004). These assumptions are a crucial pre-condition to continue with further analysis such asre-specification of the model and goodness-of-fit statistics analysis. Thus, Wang and Ahmed (2004) suggested fulfilling four assumptions such as reasonable sample size (at least 200 cases), the scales of the observed variables are continuous, the validation of the hypothesized model, and the distribution of the observed variables is multivariate normal.

The sample size of our study is 211valid cases exceeding the required threshold and indicating a reasonable sample size.

The scales of the observed variables are continuous, and our hypothesized model is valid because it was developed from theories and empirical findings.

As regard to the multivariate normal distribution of the observed variables and validity of hypothesized model, we used the rules of thumb suggested by West et al. (1995) to define the normality of the data. Thus we investigated the univariate skewness which must be less than 2 in absolute value, and univariate kurtosis less than 7 in absolute value (univariate skewness < 2, univariate kurtosis < 7). Results show that univariate skewness of each item is < 1.551 in absolute value. The univariate kurtosis of each variable is < 1.917 in absolute value. To this, we met the normality assumption.

To define the best fit of the conceptual model to the data, it is suggested to refer to the several clusters of goodness-of-fit statistics. To select the most significant indices, Hooper et al. (2008) suggested that the goodness-of-fit statistics that are sensible to be included are Chi-Square statistic (χ^2) its degree of freedom (DF) and p-value (P), CFI, RMSEA. These goodness-of-fit statistics are the most insensitive to the sample size, model misspecification and parameter estimates (Hooper et al., 2008).

Results produced a good value of CMIN/DF 1.254, falling into the interval 1-2. This indicates a good fit of the data to the model. P-value 0.005 indicating poor goodness-of-fit indices. Nevertheless, the P-value and CMIN/DF are considered subjective indices to measure the fitting of the model to the data.

To continue further with goodness-of-fit of the hypothesized model we refer to the comparative fit index (CFI) which must fall between 0.0 and 1.0 with values greater than 0.95 indicating good fit (Bentler, 1990). The results show that CFI is 0.954, which means a good fit of the model to the data.

One of the most important goodness-of-fit indices is RMSEA (Steiger and Lind, 1980) and its associated confidence interval. Byrne (2010) stated that RMSEA values less than 0.05 indicate good fit. Thus, referring to our model's results RMSEA is 0.035 indicating a good fit.

Apart that almost all the selected indices show a good fit of the model, it is possible to further improve the model through modifying the indices (MI) in order to find the model that best fit to the data (Anderson and Gerbing, 1988).

After the re-specification of the model, all the selected indices show a very good fit to the data of the conceptual model (χ^2=255.588; df=234; p=0.159; CMIN/DF=1.092; CFI=0.984, RMSEA=0.021). Finally, the alternative model is the final hypothesized model that best fit to the data (Figure 5.1).

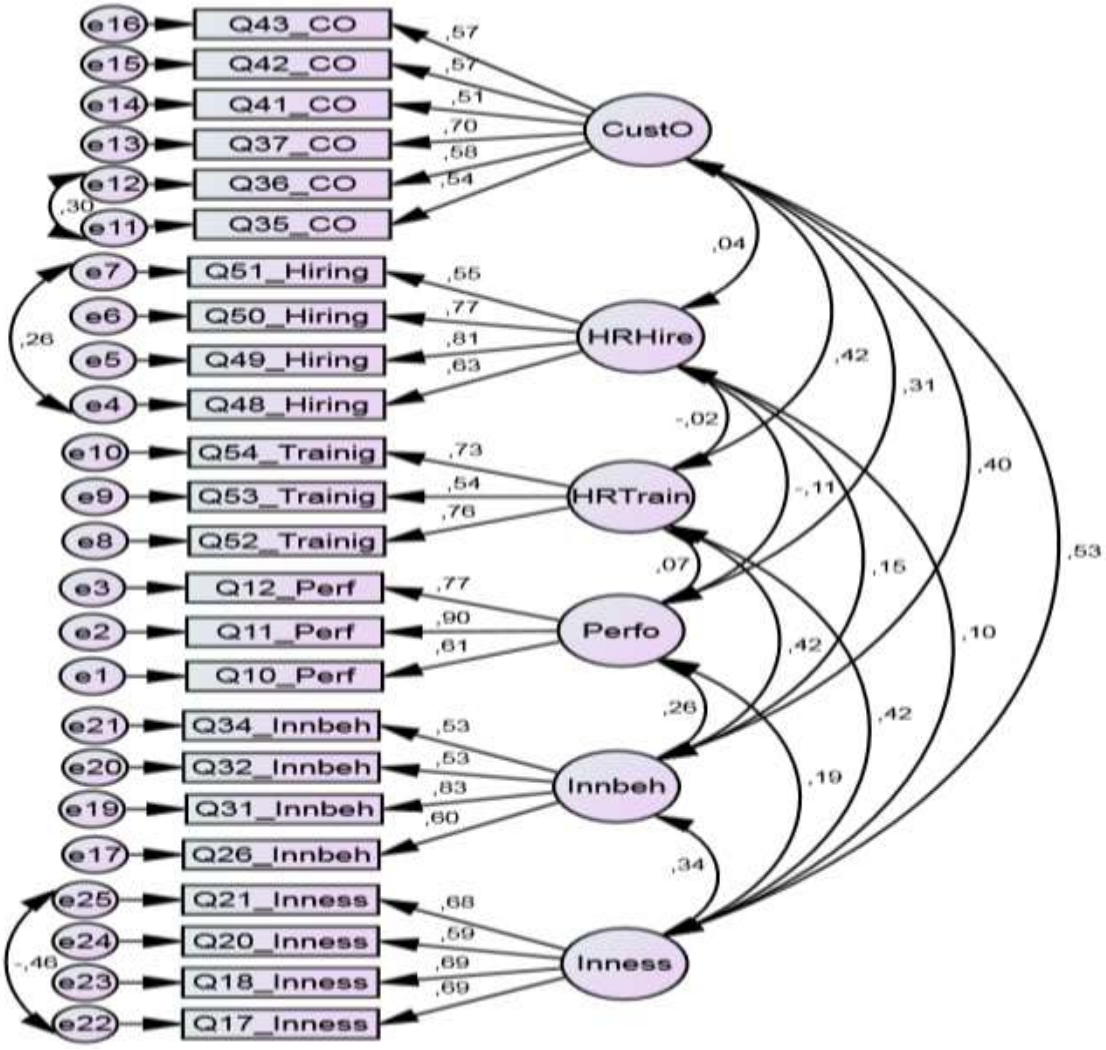


Figure 5.1The final hypothesized model

5.4.1.1 Convergent validity, discriminant validity and common method variation

Since our study employed the SEM statistical methodology, the convergent validity (Fornell and Larcker, 1981) and discriminant validity issues (Bagozzi and Phillips, 1982; Joreskog, 1971; Gerbing and Anderson, 1992) are important pre-condition to further continue with the casual testing of the hypothesized model. Furthermore, the accurate generalization of findings is close related to the convergent validity and discriminant validity.

Convergent validity measures the correlation between observed variables used to measure the same unobserved variable (construct). Convergent validity condition is achieved when each indicator's estimated pattern coefficient on its posited underlying construct factor is significant (Anderson and Gerbing, 1988). Furthermore, Jöreskog and Sörbom (1996) suggested the factor loadings >0.45 are accepted. Thus, as shown in the Table 5.3, all items loadings ranging from 0.51 to 0.87, exceeding the threshold of 0.45, are significant at the 0.001 level, indicating convergent validity. In addition, we considered the composite reliability (CR) to define the convergent validity (Fornell and Larcker, 1981). Thus, CR was calculated for four constructs using the procedures suggested by Fornell and Larcker (1981). The CR for performance is 0.81, CO 0.75, HR hiring (0.78), HR training (0.72), innovativeness 0.75 and for innovation behavior 0.72, all exceeding 0.6, which is the acceptable level suggested by Bagozzi and Yi (1988). Finally, we concluded that the convergent validity is achieved.

Table 5.3Standardized Regression Weights.

			FL	P
Q10_Perf	<---	Perfo	,608	***
Q11_Perf	<---	Perfo	,903	***
Q12_Perf	<---	Perfo	,771	***
Q48_Hiring	<---	HRHire	,683	***
Q49_Hiring	<---	HRHire	,776	***
Q50_Hiring	<---	HRHire	,759	***
Q51_Hiring	<---	HRHire	,609	***
Q52_Trainig	<---	HRTrain	,760	***
Q53_Trainig	<---	HRTrain	,541	***
Q54_Trainig	<---	HRTrain	,732	***
Q35_CO	<---	CustO	,547	***
Q36_CO	<---	CustO	,587	***
Q37_CO	<---	CustO	,704	***
Q41_CO	<---	CustO	,513	***
Q42_CO	<---	CustO	,570	***
Q43_CO	<---	CustO	,565	***
Q26_Innbeh	<---	Innbeh	,580	***
Q30_Innbeh	<---	Innbeh	,644	***
Q31_Innbeh	<---	Innbeh	,877	***
Q32_Innbeh	<---	Innbeh	,509	***
Q34_Innbeh	<---	Innbeh	,518	***
Q17_Inness	<---	Inness	,600	***
Q18_Inness	<---	Inness	,725	***
Q20_Inness	<---	Inness	,637	***
Q21_Inness	<---	Inness	,587	***

Note: FL, factor loading; ***, $p<0.001$.

Discriminant validity considers that an observed variable does not correlate with other observed variable from which it is supposed to be different (between two constructs). To assess the discriminant validity we followed the Joreskog (1971) and Bagozzi and Phillips (1982) procedures. The test of discriminant validity considers the difference between chi-squares (χ^2) values obtained from the constrained correlation (fixed to 1) and unconstrained correlation (freely estimated) between factors (Joreskog, 1971). "A significantly lower χ^2 value for the model in which the trait correlations are not constrained to unity would indicate that the traits are not perfectly correlated and that discriminant validity is achieved" (Bagozzi and Phillips, 1982, p. 476). As shown in the table 5.4, all pair models with constrained correlations performed a significantly higher

chi-square compared to the unconstrained pair's models. Thus, all combinations resulted in the higher critical value ($\Delta\chi^2$>3.84 at the p<0.0001 significance level), indicating that the factors are not perfectly correlated and that discriminant validity is achieved (Anderson and Gerbing, 1988).

Table 5.4Correlations fixed to 1 and freely estimated between pair's constructs

Pairs	Correlation fixed to 1	Correlation estimated freely
Perfo ⇔ CO	Chi-square = 175,847 P=0.000	Chi-square = 43,131 P=0.019
Perfo ⇔ Inness	Chi-square = 114,252 P=0.000	Chi-square = 23,350 P=0.038
Perfo ⇔ Innbeh	Chi-square = 186,510 P=0.000	Chi-square = 25,744 P=0.018
Perfo ⇔ HRHire	Chi-square = 152,182 P=0.000	Chi-square = 26,232 P=0.310
Perfo ⇔ HRTrain	Chi-square = 174,586 P=0.000	Chi-square = 46,003 P=0.016
HRHire ⇔ CO	Chi-square = 213,940 P=0.000	Chi-square = 42,433 P=0.152
HRHire ⇔ Inness	Chi-square = 225,494 P=0.000	Chi-square = 43,883 P=0.001
HRHire ⇔Innbeh	Chi-square = 153,208 P=0.000	Chi-square = 23,758 P=0.206
HRTrain ⇔ CO	Chi-square = 198,518 P=0.000	Chi-square = 51,828 P=0.002
HRTrain ⇔ Inness	Chi-square = 119,979 P=0.000	Chi-square = 22,851 P=0.043
HRTrain⇔ Innbeh	Chi-square = 73,438 P=0.000	Chi-square = 6,878 P=0.908
CO ⇔ Inness	Chi-square = 205,204 P=0.000	Chi-square = 54,793 P=0.013
CO ⇔ Innbeh	Chi-square = 177,669 P=0.000	Chi-square = 54,955 P=0.013

Another important pre-condition is self-reported measures (data for each variable is from a single respondent), as our study is based on. This, technique of data gathering may cause a common method bias. The common method bias may occur due to influences such as ambiguity, self-desirability or leading to some inflated estimates of hypothesized relationships and misleading interpretations of findings (Podsakoff et al., 2003). After the Harman's one-factor test for the possibility of common method bias was followed (Konrad and Linnehan, 1995; McFarlin and Sweeney, 1992), four factors resulted with

eigenvalues greater than 1.0, accounting for 58.7% of the total variance and the factor 1 accounting for 20 % of this variance. Since a single factor did not emerged and factor 1 did not explained most of the variance, common method bias is unlikely to be a concern (Liu et al., 2002; Tajeddini, 2010).

5.4.2 Hypothesis analysis and results

After the EFA and CFA, re-specification of the model, reliability analysis, meeting the required assumptions, convergent validity analysis, discriminant validity analysis are employed, several items of performance, innovativeness and innovation behavior were dropped. To this, this procedure allowed selection of three items for performance, eight items for CO, four items for HR hiring, three items for HR training, four items for innovativeness and four items for innovation behavior (Figure 5.2).

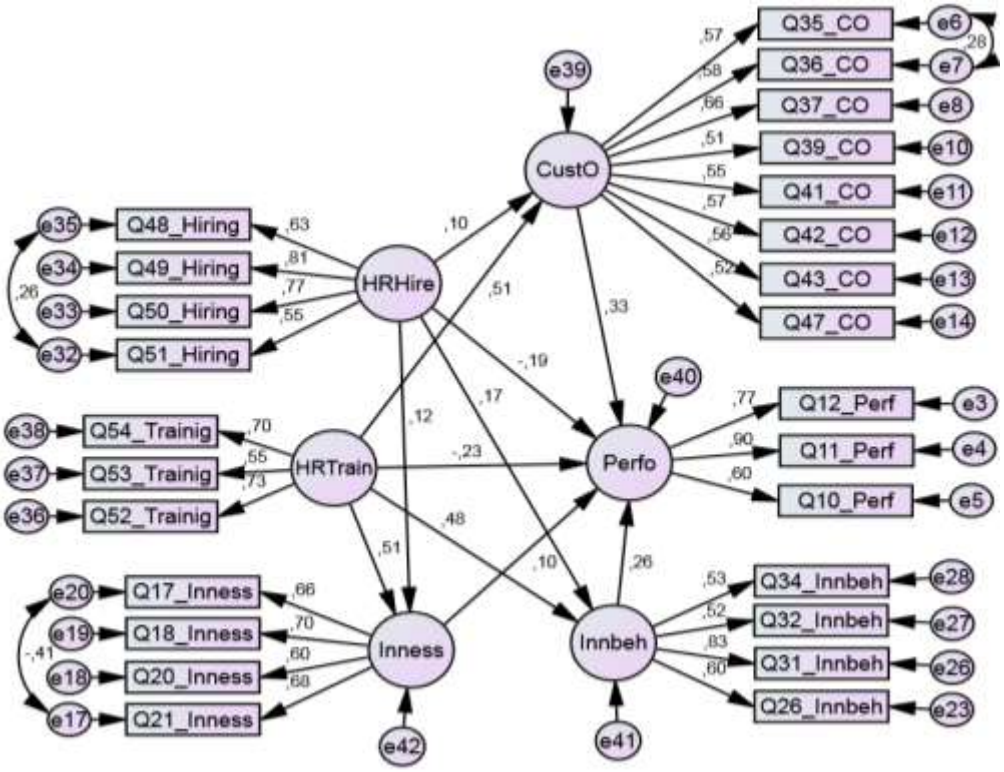


Figure 5.2The hypothesized full structural equation model

The final model resulted in a good fit to the data, with χ^2= 255.588; df= 234; p= 0.159; CMIN/DF= 1.092; CFI= 0.98, RMSEA= 0.021. The Table 5.5 shows the results of the hypothesis testing, with parameter coefficient (estimates), t-values, and the goodness-of-fit statistics.

The study applies SEM to establish causal relationships between factors and to test the hypotheses by using AMOS 21.0.0 software. The maximum-likelihood-estimation is used to investigate the hypothesized relationships between HR hiring, HR training, CO, innovativeness, innovation behavior as predictors and performance as outcome variable.

Through the H8, we have hypothesized that "H*uman resource hiring practices is positively associated with SME performance."* The results reported in the Table 5.5, indicate that HR hiring has a significant negative effect on performance (Coefficient = -0.188; t-value = -2.165; p< 0.05). In this line, the H8 was not supported.

With regard to the H9, we proposed, "H*uman resource training is positively associated with SME performance."* Results show that this relationship is not supported (Coefficient = -0.233; t-value = -1.601; p= 0.109).

Through the H10A we proposed, "*Human resources hiring practices are positively related to innovativeness."* On the Table 5 the results show that this hypothesis is not supported (Coefficient = 0.121; t-value = 1.524; p= 0.128). On the other side the H10B which supposed, "*Human resources hiring practices are positively related to innovation behavior"* is supported (Coefficient = 0.166; t-value = 1.989; p< 0.05).

Through the H11A and H11B, we proposed "*Human resources training practices are positively related to (A) innovativeness and (B) innovation behavior."* Thus, results show that H11A is supported (Coefficient = 0.506; t-value = 5.023; p< 0.001), andH11B is supported as well (Coefficient = 0.482; t-value = 4.567; p< 0.001).

Through the H14A and H14B, we proposed "*Human resources (A) hiring and (B) training practices have positive effect on customer orientation"* and results show that while the H14A is not supported (Coefficient = 0.099; t-value = 1.222; p= 0.222), H13B is supported (Coefficient = 0.514; t-value = 4.565; p< 0.001).

Table 5.5Hypotheses and standardized structural estimates of the model

Path	Hypothesis	Coefficient	t-value	P
HRHire ➔ Perfo	H8	-0.188	-2.165	**
HRTrain ➔ Perfo	H9	-0.233	-1.601	0.109
HRHire ➔ Inness	H10A	0.121	1.524	0.128
HRHire ➔ Innbeh	H10B	0.166	1.989	**
HRTrain➔ Inness	H11A	0.506	5.023	***
HRTrain➔Innbeh	H11B	0.482	4.567	***
HRHire ➔ CustO	H14A	0.099	1.222	0.222
HRTrain ➔ CustO	H14B	0.514	4.565	***

Goodness-of-fit statistics: χ^2= 255.588; df=234; p= 0.159; CMIN/DF= 1.092; CFI= 0.98, RMSEA= 0.021)
Note: ***P < 0.001 (two-tailed test); **P < 0.05 (two-tailed test).

To test the mediation effects proposed in H6a and H6b, we implemented the recommendations of Preacher and Hayes (2008) and conducted a detailed multiple mediation analysis.

Through the H12A, we investigated the mediation effect of innovativeness between HR hiring and performance. Thus, the hypothesis that we proposed was "*Human resources hiring practices have positive effect on performance but this effect is mediated by innovativeness."* In addition, throughH12B we proposed, "*Human resources hiring practices have positive effect on performance but this effect is mediated by innovation behavior." Results show that both are not supported.* As the Table 5.6 shows, after the mediation analysis was run, it results that both, innovativeness and innovation behavior do not play the roles as mediator between HR hiring and performance. To this, the H12A and H12B are rejected.

The H13A, investigate the mediation effect of innovativeness between HR training and performance. To this, the hypothesis that we proposed is "*Human resources training practices have positive effect on performance but this effect is mediated by innovativeness."* Results show that this hypothesis is not supported.

H13B was investigating the mediation role of the innovation behavior between HR training and performance ("*Human resources training practices have positive effect on*

performance but this effect is mediated by innovation behavior."). Results show that innovation behavior is a significant mediator.

Through H15A in this study was proposed that CO was a mediator between HR hiring and performance. In this line, we found that CO plays a significant role as a mediator (*Human resources hiring practices have positive effect on performance but this effect is mediated by customer orientation*). In contrast to this, H15B, which considered CO as mediator between HR training and performance (*Human resources training practices have positive effect on performance but this effect is mediated* by customer orientation). Results show that this hypothesis was rejected.

Table 5.6Results of the multiple mediator test.

Hypothesis (Indirect effects)		Direct β with mediator	Indirect β	Mediation type observed
HRHire ➔ Inness ➔ Perfo	(H12A)	-0.159ns	0.009ns	No Mediation
HRHire ➔ Innbeh ➔ Perfo	(H12B)	-0.169**	0.038ns	No Mediation
HRTrain ➔ Inness ➔ Perfo	(H13A)	-0.120ns	0.036ns	No Mediation
HRTrain ➔ Innbeh ➔ Perfo	(H13B)	-0.142ns	0.104**	Indirect only mediation
HRHire ➔ CustO ➔ Perfo	(H15A)	-0.163**	0.022ns	No mediation
HRTrain ➔ CustO ➔ Perfo	(H15B)	-0.151ns	0.131**	Indirect only mediation

Note: **P < 0.05 (Bootstrap, two-tailed significance)

5.5 Discussions and conclusions

This chapter has examined the relationship between HR hiring, training practices and SMEs performance. Additionally, we investigated the mediation role of the CO, innovativeness and innovation behavior, on the HR hiring-performance and HR training-performance relationships. Thus, the core objective of this chapter was to analyze the direct effects of HR hiring and training practices on SMEs performance and the indirect effects, through the mediation role of CO, innovativeness and innovation behavior.

Regarding the direct relationships between HR hiring and training with SMEs performance, our results were surprising and in contrast to what we theoretically proposed through the hypothesis.

The results show that HR hiring has a significant negative effect on performance of SMEs, while we predicted a significant positive effect. Thus, we conclude that, SMEs that use the hiring human resources practices will decrease their performance in terms of profit and sales objectives. This conclusion is in contrast to the previous studies (Sheehan, 2013; Wright et al., 2003) who found a significant positive link between HR hiring and performance. In this regard, this conclusion, while confuse the inferences about this relationship, is a reason for further investigation.

While HR hiring practices had a negative effect on performance, HR training has no significant effects. Thus, our results inferences are in contrast to what we theoretically proposed, HR training is not significantly affecting SMEs performance. In addition, this result is in contrast to the previous studies (Sheehan, 2013; De Kok, 2002; Patton and Marlow, 2002; Storey, 2004; Storey and Westhead, 1997) that have investigated the impact of training and performance and found a positive association.

Through this chapter we also investigated the relationship between HR hiring and innovativeness. This is an important theoretical contribution of this study in terms of novelty because this relationship was not examined in previous studies. Thus, we argued and supposed that, because of the intangible nature of services within tourism, innovation success largely depends on the attitudes and skills of employees. Consequently, it is reasonable to expect that attitudes and skills of employees will affect innovativeness as the attitudinal dimension of innovation. However, in contrast to what we expected, HR hiring practices do not affect innovativeness.

Additionally, we assumed that implementing the HR hiring practices is not important only for fostering innovativeness, but innovation behavior, as well. Thus, hiring multi-skilled employees and encouraging HR for new ideas, sharing knowledge, rewarding creative employees, and employing managers who are open minded and welcome new ideas, will

lead to the creation of innovation in terms of new products and services. Thus, we investigated the relationship between HR hiring practices and innovation behavior. The results show that, the more SMEs use the HR hiring practices, the more will increase the innovation behavior.

Within this chapter it is investigated also, the direct effects of HR training practices on innovativeness and Innovation behavior. Investigation of these relationships constitutes another novelty from this chapter because they were not examined on previous studies.
Even though this relationships were not empirically investigated, different studies have argued that training not only broadens the repertoire of knowledge and skills of employees but also boosts their intrinsic motivation (Bandura, 1986; Deci and Ryan, 1985), wherein this intrinsic motivation will constitute an important predictor of employee creativity and innovative performance (Amabile, 1983; Shin and Zhou, 2003). Furthermore, training leads to the transfer of knowledge and enhanced employee capabilities, the ability to screen and test better ideas and consequently enhanced innovation. Indeed, results show that HR training practices significantly positive affects the innovativeness and innovation behavior. In this regard, the more HR training practices are implemented the better the innovation culture and the implemented innovation will take place at the SMEs.

Another important contribution of this study in terms of novelty is the investigation of the relationship between HR hiring and training practices on CO.
Although, there are studies considering the employee orientation in terms of employees' empowering and its effects on CO (see Zhang, 2010) or stating and arguing the importance of employees' hiring and training for multiply skills that affect CO (see e.g. Grissemann et al., 2013; Chang et al., 2011; Schneider and Bowen, 1985), there are no studies empirically investigating the relationships of HR hiring and training practices with CO.
Human resources play a key role on the customers' value, needs and wants. Furthermore, since tourism's SMEs belong to the service providers, the intensity and close contacts of front line staff and managers with customers is at very high levels. Thus, considering the importance of HR hiring and training practices on employees multiple skills or capabilities

it is seen as reasonable to investigate the effects of HR practices on business' CO. Nevertheless, results within our study show that, while HR training practices had a significant positive effect on CO, HR hiring practices does not affect CO.

Within the theoretical framework, there is a lack of studies considering the mediation role of innovation on the relationship between HR hiring and training practices with SMEs performance (Chang et al. 2011). On the other hand, there are arguments that theoretically support this relationship. Thus, Tajeddini and Trueman (2012) argued that employees are more likely to be innovative if they are empowered to make decisions and hold appropriate societal–culture factors. Additionally, they stated, "if employees and managers are innovative and open to new ideas in meeting customer needs, they are more likely to enhance company performance in the hotel industry."

The results were quite different to what we theoretically predicted. Innovativeness and innovation behavior do not play the role of mediators in the HR hiring-SMEs performance relationship. Regarding to the HR training-SMEs performance relationship, while innovativeness was not a mediator, the innovation behavior was a mediator. Thus, innovation behavior is the only indirect mediator on the HR training-performance relationship. It is called as an indirect only mediator because the direct effect was not significant, while the indirect was significant (see Zhao et al. 2010).

On this chapter we proposed to examine the mediation role of CO between HR hiring and training practices and SMEs performance. This hypothesis is in line with the findings of previous studies (Deshpandé and Webster, 1989; Drucker, 1954) which considered CO as part of the overall corporate culture and underlines the importance of recruiting a well-qualified and experienced workforce (Sin et al., 2005; Donavan et al., 2004) as a result improved business performance.

Thus, CO in service firms is directly related to employee performance, perceptions of quality and service environment, leading to enhanced customer satisfaction and as a consequence enhanced business performance (Dowling and Pfeffer, 1975; Tajedinni et al., 2013). However, the results show that CO is not a mediator on the HR hiring-performance relationship. Thus, we may conclude that hiring employees with multi-skills and focusing

on customers does not have significant effect the SMEs performance. On the other hand, CO is a significant mediator on the HR training practices-SMEs performance relationship. Thus, SMEs that train their employees for multiply-skills and consider CO and important dimension of their culture, will likely improve the performance.

5.5.1 Theoretical and managerial implications

The core contribution of this chapter was the investigation of the link between the HR hiring and training practices and SMEs performance. Furthermore, another crucial contribution is the examination of the mediating role of CO, innovativeness and innovation behavior on this relationship.

This chapter is an important contributor in theoretical terms. Thus, by addressing the relationships between HR practices, both, hiring and training with CO, innovativeness and innovation behavior, constitute a novelty.

Another important contribution of this study is that the target group was not only hotel industry, which is the most used in previous researches about the above factors relationships (see e.g. Grissemann et al., 2013; Tajeddini, 2010; Tajeddini and Trueman, 2012; Orfila-Sintes and Mattsson, 2009), but into the most representatives industries of the tourism sector such as hotels, restaurants and tourism agencies. In this regard, the applicability of our results is not limited to only one industry, but to the tourism sector as a whole. Additionally, since we collected the data across Albania, which is a developing country, the results may be generalized and applied for other developing countries.

Apart the theoretical contributions, issued investigated in this chapter has significant practical implications on managing tourism SMEs.

Regarding to the HR hiring and performance, we conclude that the engagement of the manager level into the hiring process will cause negative effect on profit and sales objectives. Indeed, during the interviews with SMEs managers, this indication is justified. They mentioned several reasons, wherein some of the most important are lack of specialized passably staff to be engaged on this process and consequently this will

consume the time and energy of the management level. Another different point of view is related to the fact that HR hiring practices as a process in itself is considered as a cost more than a profit. Therefore, in the tourism enterprises exists still the traditional philosophy of employees' management, considering employees as a cost rather than asset (Chang et al., 2011).

While we found a significant negative effect of HR hiring practices on performance, on the other hand HR training practices do not affect performance. The justifications of these non-significant effects are roughly the same as to the HR hiring practices-performance relationship. Thus, based on qualitative data, retrieved from unstructured interviews with SMEs managers, HR training practices are considered as a cost, time consuming, and lack of specialized passably staff to be engaged in this process. Furthermore, the seasonality that characterize the tourism sector, plays an important role to consider training practices as consuming time.

As our results show, HR hiring practices does not play a significant role on innovativeness. This hypothesis was rejected. Indeed, it is difficult to hire employee with the positive attitude toward innovativeness because this depends on the employee attitude that exists already.

On the other hand, HR hiring has a significant positive effect on innovation behavior. Through this empirical conclusion, we suggest to the tourism SMEs that the higher their consideration towards HR hiring processes the more innovation will take place. For example, if tourism SMEs continuously consider the interviews, tests, establish connections with other agencies to hire their employee, the more innovation in practice will take place.

We suggest to the SMEs management level to consider the HR training as an important factor that will encourage employees for the positive attitude toward innovation, and furthermore, will prompt them to transfer the creative ideas into the practice. For instance, the more the tourism SMEs will focus on training process the more the employee will be open minded toward innovation and its implementation in terms of creating networks, ICT, importance of cleaning environment etc.

An important conclusion in terms of managerial implications through our study was testing the relationship between HR practices and CO.

We found that HR hiring practices do not affect CO. In this regard, focusing on hiring processes, such as employing based on multiply skills, during the recruitment process stimulating employees in order to check their personal customer orientation etc., will not significantly affect their positive attitude towards customers.

The empirical results suggest that tourism's SMEs managers/owners should focus on HR training as an important factor that will positively affect CO. For example, it is crucial to invest on HR training practices because this will potentially increase the intrinsic motivation to consider the satisfaction of the customers, creating value, or considering their compliance. Thus, the more employees are trained the more they will focus on customers' wants and needs.

Chapter 6

Conclusions

6. Conclusions

6.1 Introduction

While the distance and length of international trips tend to be shorter, spending and the number of travelers have increased, indicating that tourism has experienced a continued growth. Indeed, tourism has become one of the fastest growing economic sectors in the world (UNWTO, 2012). Additionally, tourism is the world's largest industry and makes a major contribution to the economies of most developed and developing countries (Jones and Haven-Tang, 2005).

In the Albanian economy tourism is one of the most significant sectors that contribute to the overall socio-economic development, especially in unfavorable economic situations. In addition, Albania has a great potential to further develop tourism, due to its geographical position and an intertwined of multiple natural and cultural attractions.

However, beyond the importance of the tourism contribution to the economic development, the goal of this study was to address issues related to the tourism SMEs management, and specifically their performance management.

A Large number of researches have been focused on SMEs issues such as economic influence (Stanworth and Gray 1993, Wolff and Pett 2006), growth (Capelleras et al., 2010), success (Greenley and Foxall, 1996, Harrison and St. John, 1994, Kotter and Heskett, 1992), innovation (Rosenbusch et al., 2011; Hjalager, 2010), human resources practices (Sheehan, 2013; Wright et al., 2003) etc. This is due to their importance on the economic aspect. Indeed, SMEs are determinant factors for the economies development (Stanworth and Gray 1993, Wolff and Pett 2006). Most of the businesses worldwide are SMEs and they play a significant role in the economy. Therefore, the performance of the SME sector is closely associated with the nations' performance.

One of the important concepts and approaches within the management field is performance. Performance within the field of management, means business success or

growth (see e.g., Storey 1994; Kauranen 1993; Smith et al. 1988; Robinson et al. 1984) which is affected by a large and complex factors. In this line, performance is a very broad concept, and we should take into account several factors in the business environment, that affect it. For example, in order to successfully manage our business, we should consider factors such as customers, competitors, employees, innovation, and shareholders etc., who are affected and affect the success of the business.

However, to justify the selection of the accurate factors that affect SMEs performance, we referred to the theoretical frameworks such as stakeholder theory, resource based view and market orientation approach. These three theoretical frameworks seek into the business environment the factors that affect performance management. In this line, these three theoretical frameworks guided us to select customers (stakeholder theory and market orientation), innovation (resource-based view), and human resources (stakeholder theory and resource based view), as the most significant factors that affect SMEs performance.

More specifically, these three factors are operationalized further. Thus, referring to the literature in tourism, there are empirical studies addressing the innovation (Rosenbusch et al., 2011; Hjalager, 2010), customers in dimension of the customer orientation (CO) (Grissemann et al., 2013) and employee in terms of human resources (HR) practices (Sheehan, 2013; Wright et al., 2003) as important factors affecting SMEs performance.

However, while there are studies that have just started to scratch the surface, regarding the direct effects of innovation, CO (see e.g. Grissemann et al., 2013) and HR practices (see e.g. Sheehan, 2013; Wright et al., 2003) on business performance, studies that address their interactive effects are lacking.

As a result, the gap that this study addressed was:

What are the individual and interactive effects of innovation, customer orientation and human resources practices on SMEs performance?

This research question could be interpreted and further specified. Firstly, through this study, innovation was operationalized in terms of innovativeness and innovation behavior

(see section 3.1) and secondly, human resources practices in terms of hiring and training practices (see chapter 5.2).

Based on this research question, two main issues are identified and empirically investigated. Firstly, the direct relationships between innovativeness, innovation behavior, HR hiring practices, HR training practices and CO with SMEs performance. Secondly, the mediation role of innovativeness, innovation behavior on the CO-performance relationship, the mediation role of innovativeness, innovation behavior and CO on the HR hiring/training practices-performance relationships.

6.2 Summary of the main results and discussion

Tourism sector is an important contributor to the global economy. In this framework, addressing issues concerning tourism phenomenon is significant. In this framework, the main goal of the study was to examine the direct and indirect effects of innovativeness, innovation behavior, CO and HR hiring and training practices on the tourism's SMEs performance. Table 6.1 and Table 6.2 reports the empirical results of hypothesis testing on this study.

After defining the operationalization of innovation construct in terms of innovativeness and innovation behavior, one of the objectives of the study was to examine their relationships with SMEs performance. Within this objective, we examined other specific relationships between these three unobserved variables. Thus, we empirically investigated the effects of innovativeness on innovation behavior and the direct effects of innovativeness and innovation behavior on tourism SMEs performance. Additionally, we examined the indirect effects of innovativeness on tourism SMEs performance, mediated by innovation behavior.

After the data were analyzed through SEM methodology, the results show that innovativeness significantly affects innovation behavior. Thus, the tourism's SMEs managers believe that if their staff has a positive attitude toward the innovation, the implemented innovation in practice within SME will increase. This result is in line with findings of Grissemann et al. (2013), Atuahene-Gima (1996) and De Jong et al. (2003)

who concluded that the more the employees and managers are open-minded toward the innovation the more the innovation will take place into the SME.

Measuring innovation in terms of innovativeness and innovation behavior, constitute a split of the innovation into two stages, first the attitude toward innovation, and second, the implementation of the innovation. In this regard, innovativeness should be considered as a policy, value belief, and an unwritten rule (Tajeddini, 2010). As a result, it is suggested that managers should encourages employees to think out of the box and share their creativity (Tajeddini, 2010), in order to create an environment that urge practical implementation of innovation.

The empirical findings shows that the effects of innovation on SMEs performance is context depending. In this regard, while innovativeness does not significantly affect the SMEs performance, innovation behavior does.

Being open-mind to innovation within SMEs, it is expected to affect the performance. However, in contrast to our initial thoughts and the conclusions of Hult et al. (2004), Tsai and Yang (2013), Tajeddini (2010), and Tajeddini and Trueman (2012), innovativeness is not significantly affecting performance. An argument related to this conclusion is that in Albanian, tourism industry has a short life-span and not well organized, causing that the SMEs manager level are mostly focused and dealing with vulnerable issues. This imposes a lack of focus to the attitude dimension of innovation as a significant factor.

Regarding innovation behavior, the results show that is significantly affecting SMEs performance. Indeed, within tourism as a dynamic industry, customers are more and more searching for new products and services. This implies that SMEs in tourism should adjust to this environment through innovative products and services, which in turn will better perform in terms of reaching the profit and sales goals, and satisfying the customers. This conclusion is in line with findings of Grissemann et al. (2013), Orfila-Sintes and Mattsson (2009) and Rosendbuch (2011).

While the innovativeness directly does not affect SMEs performance, through the mediation of innovation behavior is significantly affecting it. This empirical result is in

line with Grissemann et al. (2013) study. In this regard, SMEs managers or owners should consider indivisible and the interactive effects of innovativeness and innovation behavior on the SMEs performance. Indeed, during the interviews with SMEs managers, they state that innovativeness and innovation behavior should not be considered separately.

Another objective of the study was to examine the direct effects of CO on tourism's SMEs performance, and its indirect effects through the mediation role of the innovativeness and innovation behavior.

Results show that a higher level of CO is associated with improved SMEs performance. The more customer oriented is an SME, the more satisfied are customers, which will subsequently lead to a long-term relationship. This conclusion is convergent with previous studies (e.g. Appiah-Adu and Singh, 1998; Tajeddini et al., 2013; Tajeddini and Trueman, 2012; Tajeddini, 2010; Grissemann et al., 2013). As a result, SMEs should inject a culture of CO by emphasizing the creation of customer value as the vital organizational goal (Slater and Narver, 1995).

Especially the tourism's SMEs, which are characterized by its service nature and close contacts with customers, being customer oriented will ensure an engagement of customers in the service delivery process (Grissemann et al., 2013) which in turn will repeat the customer's visit.

As regard to the mediated effectsof CO on SMEs performance, results show that both innovativeness and innovation behavior are not mediators.

The indirect effect of CO on the SMEs performance, mediated by innovativeness, was not significant. This conclusion is convergent with results of previous studies (e.g. Grissemann et al., 2013; Tajeddini and Trueman, 2012; Sandvik and Sandvik, 2003; Agarwal et al., 2003). Indeed, Hagel and Singer (1999) stated that innovativeness and customer relationship building have very different economic, cultural, and competitive imperatives. For example, innovativeness requires an employee that is more internally focused within an SME, while CO requires an employee that is externally focused or to the customers.

Regarding the mediation role of innovation behavior on CO-SMEs performance relationship, the results are divergent with previous studies findings (e.g. Grissemann et al., 2013; Tajeddini and Trueman, 2012). Indeed, Grissemann et al. (2013) concluded that innovation behavior partially mediates the effect of customer orientation on business performance. In this line, it is supposed that a SME that is customer oriented in combination with innovation behavior will improve performance, since continuous innovation has an impact on long-term profitability (Chen, 2011; Ottenbacher and Harrington, 2007). However, our results do not consider innovation behavior as a mediator in the relationship between CO and SMs performance.

This study examined the relationship between HR hiring and training practices and SMEs performance. Within this objective we investigatedthe direct and indirect relationships. Firstly, we examined the direct effects of HR hiring and training practices on SMEs performance, CO, innovativeness and innovation behavior. Secondly, the indirect affects of HR hiring and training practices on SMEs performance, through the mediation role of the CO, innovativeness and innovation behavior.

In regards to the direct relationships between HR hiring and training practices with SMEs performance, our results were surprising and in contrast to what we theoretically proposed through the hypothesis.

The results pointed out that HR hiring has a significant negative effect on performance of SMEs, while we predicted a significant positive effect. Therefore, we conclude that, SMEs that use the HR hiring practices will decrease their performance in terms of profit and sales objectives. Indeed, this conclusion is in contrast to previous studies (Sheehan, 2013; Wright et al., 2003) who found a significant positive link between HR hiring and performance. In this regard, this conclusion, while confuses the inferences about this relationship, is a reason for further investigation.

While HR hiring practices had a negative effect on performance, HR training practices has no effect on SMEs performance. Thus, our results inference, in contrast to what we

theoretically proposed, HR training is not significantly affecting SMEs performance. In addition, this result is divergent to previous studies findings (Sheehan, 2013; De Kok, 2002; Patton and Marlow, 2002; Storey, 2004; Storey and Westhead, 1997) that have investigated the impact of training and performance and found a positive association.

We also investigated the relationship between HR hiring and innovativeness, constituting a significant theoretical contribution in terms of novelty because this relationship was not examined in previous studies.

We supposed that, because of the intangible nature of services within tourism, innovation success largely depends on the attitudes and skills of employees, it is reasonable to expect that these employees' characteristics will affect innovativeness as the attitudinal dimension of innovation. Nevertheless, in contrast to what we expected, HR hiring practices do not affect innovativeness.

Additionally, we assumed that implementing the HR hiring practices would foster innovation behavior, as well. In this line, the empirical results of the study show that, the more SMEs use the HR hiring practices, the more will increase the innovation.

Investigating also the direct effects of HR training practices on innovativeness and innovation behavior, constitute another novelty because they have not been examined in previous studies. Apart these relationships were not empirically investigated, different scholars have argued that training not only broadens the repertoire of knowledge and skills of employees but also boosts their intrinsic motivation (Bandura, 1986; Deci and Ryan, 1985), and consequently this intrinsic motivation will constitute an important predictor of employee creativity and innovative performance (Amabile, 1983; Shin and Zhou, 2003). Results show that, HR training practices significantly positive effects both innovativeness and innovation behavior.

Another important contribution in terms of novelty is the investigation of the relationship between HR hiring and training practices with CO. Apart that there are studies considering the employee orientation and its effects on CO (see Zhang, 2010) arguing about the importance of employees' hiring and training for multiply skills that affect CO (see e.g.

Grissemann et al., 2013; Chang et al., 2011; Schneider and Bowen, 1985), there are no studies directly investigating the HR hiring and training practice-CO relationships. Considering the service nature based of tourism SMEs and high intensity and close contacts of front line staff and managers with customers, human resources play a key role on the customers' value, needs and wants. In this framework, the role HR hiring and training practices on employees multiple skills or capabilities it is indisputable. To this, it is seen as reasonable to investigate the effects of HR practices on business' CO. Nevertheless, results within our study show that, while HR training practices had a significant positive effect on CO, HR hiring practices does not affect CO.

Within the theoretical framework, there is a lack of studies considering the mediation role of innovation on the relationship between HR hiring and training practices and SMEs performance (Chang et al. 2011). However, there are studies arguingon this relationship. Thus, Tajeddini and Trueman (2012) argued that employees are more likely to be innovative if they are empowered to make decisions and hold appropriate societal-culture factors. Additionally, they stated that "if employees and managers are innovative and open to new ideas in meeting customer needs they are more likely to enhance company performance in the hotel industry." Notwithstanding to this, results were quite different to what we theoretically predicted. Thus, innovativeness and innovation behavior do not play the role of mediators except the innovation behavior that resulted as a significant mediator between HR training practices and performance. Thus, innovation behavior is the only indirect mediator on the HR training practices-performance relationship.

We proposed the mediation role of CO between HR hiring and training and SMEs performance. This hypothesis is in line with the findings of previous studies (Deshpandé and Webster, 1989; Drucker, 1954) which see CO as part of the overall corporate culture and underlines the importance of recruiting a well-qualified and experienced workforce (Sin et al., 2005; Donavan et al., 2004) as a result improved business performance. Thus, CO in service businesses is directly related to employee performance, perceptions of quality and service environment, leading to enhanced customer satisfaction and as a consequence improved business performance (Dowling and Pfeffer, 1975; Tajedinni et al.,

2013). Nevertheless, results show that CO is not a mediator on the HR hiring practices-performance relationship. To this, we may conclude that hiring employees with multi-skills and focusing on customers does not have significant effect on SMEs performance. On the other hand, the CO is a significant mediator on the HR training practices-SMEs performance relationship. Thus, SMEs that train their employees for multiply-skills and consider CO and important dimension for customer satisfaction, will likely improve the performance.

Table 6.1 Hypothesis analysis.

Direct effects	β	t-Value	Result
H1: Inness ➔ Perfo	0,093ns	1,269	Not supported
H2: Inness ➔ Innbeh	0,426**	3,388	Supported
H3: Innbeh ➔ Perfo	0,150**	2,323	Supported
H5: CustO ➔ Perfo	0,269**	2.265	Supported
H6A: CustO ➔ Inness	0,541***	4.704	Supported
H6B: CustO ➔ Innbeh	0,415***	3.814	Supported
H8: HRHire ➔ Perfo	-0.188**	-2.165	Supported
H9: HRTrain ➔ Perfo	-0.233ns	-1.601	Not supported
H10A: HRHire ➔ Inness	0.121ns	1.524	Not supported
H10B: HRHire ➔ Innbeh	0.166**	1.989	Supported
H11A: HRTrain➔ Inness	0.506***	5.023	Supported
H11B: HRTrain➔Innbeh	0.482***	4.567	Supported
H14A: HRHire ➔ CustO	0.099ns	1.222	Not supported
H14B: HRTrain ➔ CustO	0.514***	4.565	Supported

Note: Inness, Innovativeness; Innbeh, Innovation behavior; Perfo, Performance; CustO, Customer orientation; HRHire, Human Resources Hire; HRTrain, Human Resources Training.
ns, not supported; ***P < 0.001 (two-tailed test); **P < 0.05 (two-tailed test).

Table 6.2 Results of the multiple mediator test.

Indirect effects	Indirect β	Mediation type observed
H4: Inness ➔ Innbeh ➔ Perfo	0.076**	Indirect only mediation
H7A: CustO ➔ Inness ➔ Perfo	0.009ns	No Mediation
H7B: CustO ➔ Innbeh ➔ Perfo	0,061ns	No Mediation
H12A: HRHire ➔ Inness ➔ Perfo	0.009ns	No Mediation
H12B: HRHire ➔ Innbeh ➔ Perfo	0.038ns	No Mediation
H13A: HRTrain ➔ Inness ➔ Perfo	0.036ns	No Mediation
H13B: HRTrain ➔ Innbeh ➔ Perfo	0.104**	Indirect only mediation
H15A: HRHire ➔ CustO ➔ Perfo	0.022ns	No mediation
H15B: HRTrain ➔ CustO ➔ Perfo	0.131**	Indirect only mediation

Note: ns, not supported; ***P < 0.001 (two-tailed test); **P < 0.05 (two-tailed test).

6.3 Contributions of the Doctoral Thesis

The focus of this study was theoretical and practically oriented on SMEs management in tourism. Addressing the relationships between innovation, human resources practices, customer orientation and their interplay effects on SMEs performance, undoubtedly contribute to the actual and future researches on the strategic management field. Additionally, concluding about the most important factors that influence the success or performance constitutes a contribution in the context of strategic management of SMEs. In this line, with managers being more specific about the factors influencing performance, inevitably, business development plans will be more concrete and increased probability for success.

Apart that the focus of this study was on the SMEs strategic management, the results have implications for regional economic development, as well. SMEs generate societal growth in terms of revenues and new jobs and as a result the well-being of people living in the area. Thus, it is suggested that policy-makers help SMEs to develop the business practices, which increase their survival chances and ability to grow (Smallbone and North, 1995). Furthermore, Reynolds et al. (1993) argued that governments should invest more time and resources in encouraging the survival and growth.

As a conclusion, this study is relevant not only at a micro level, i.e. SMEs level, but also for the macro level, i.e. regional and national.

Another important contribution of this study is that the target group was not only hotel industry, which is the most used in previous researches about the relationship between innovativeness and innovation behavior with business performance (see e.g. Grissemann et al., 2013; Tajeddini, 2010; Tajeddini and Trueman, 2012; Orfila-Sintes, 2009), CO-performance relationship (see e.g. Grissemann et al., 2013; Tajeddini, 2010; Tajeddini and Trueman, 2012; Orfila-Sintes and Matttson, 2009) but into the most representatives industries of the tourism sector such as hotels, restaurants and tourism agencies. In this regard, the applicability of our results is not limited to only one industry, but to the tourism sector as a whole. Additionally, since we collected the data across Albania, which is a developing country, the results may be generalized and applied for other developing countries. Nevertheless, further researches are advised to be undertaken.

6.3.1 Theoretical and managerial implications

In addition to the results and discussion, we described several theoretical and practical implications that this study contributed.

As it was argued above, this study aimed to investigate the individual and interactive relationships between innovativeness, innovation behavior, CO, HR hiring and training practices with SMEs performance. Addressing empirically this goal, several theoretical and practical implications are provided.

Regarding to the innovation factor, that within our study was operationalized through innovativeness (see e.g. Hult et al., 2004; Grissemann et al., 2013; Tajeddini, 2010; Tajeddini and Trueman, 2012) and innovation behavior (see e.g. Orfila-Sintes and Matttson, 2009; Grissemann et al., 2013), the literature has only begun to scratch the surface. To this, an operationalization of this multidimensional and vague term is an added value to the literature.

Our study, in contrast to previous empirical findings, found that SMEs' managers/owners do not consider innovativeness as a significant factor that affects performance. However, while the innovativeness is not a significant factor directly affecting the SMEs performance, its indirect effects through mediation role of innovation behavior, resulted significant. Indeed, the qualitative data shows that SMEs managers do not consider the innovativeness concept separated from the innovation behavior. They stated that, in practice innovation culture (innovativeness) and implemented innovation (innovation behavior) are unique. This point of view of managers justifies the need of interactive effects of innovativeness and innovation behavior on SMEs performance. This conclusion constitutes an important theoretical and practical contribution, because the literature addressing this interactive relationship is lacking.

The empirical findings show that the more tourism's SMEs innovate in terms of innovation behavior, the more their performance will increase. In this regard, managers are advised to implement the ICT, to innovate in terms of providing animation and leisure, and to cooperate through associations or networks in order to achieve their profit and sales goals. Considering the tourism as a dynamic industry, in order to achieve sustainable competitive advantages, tourism SMEs are strongly advised to exploit innovation.

Another significant theoretical and practical implication of this study was the investigation of the direct relationship of CO and SMEs performance and indirect relationship mediated by innovativeness and innovation behavior.

Considering the CO as a unique form of business culture, its investigation will constitute an important issue to be addressed. Indeed, the CO is a subjective variable and investigating its relationship with other variables is significant because of its dynamic and depending nature.

As our results show, CO is an important factor, and should be considered as a culture of the SMEs managing in order to potentially enhance the performance. Despite this, creating and maintaining a culture of CO is not an easy task and it requires a considerable human, financial and other organizational resources. Thus, given the complexity of changing business' environment, it is important to consider as a pre-requisite the adequate

environmental wherein employees feel well motivated to consider the customer as part of the SMEs' continuance.

In terms of practical implications on managing SMEs, our research found that the more customer oriented are tourism SMEs the more they will achieve profit and sales goals. More specifically, empirical results suggest that tourism's SMEs managers/owners should focus at the customers. This orientation may be transformed into the reality by setting to the employees the objectives that prioritize the customer satisfaction, customers complain, considering the customers as an important source of information and the need to view customers primarily as individual co-partners in the development of unique, customized, products and services. In this line, SMEs will raise their capability to provide values for customers as well as generating profitability.

Regarding the mediation role of the innovativeness and innovation behavior for the indirect effects of CO to the SMEs performance, there is not too much to argue because the target group of our study did not considered the most significant mediators.

Considering the innovativeness as a mediator on the CO-SMEs performance relationship, the rejection of this hypothesis is related to the different point of views that these factors have. Thus, employees that have a positive attitude toward innovation, are more engaged, and consume their time with objectives to transform ideas into the new products, new market, new production process etc., than customer needs and wants. Additionally, since tourism sector in Albania have a short lifespan and the offer is much less than demand, SMEs managers are more engaged with other basic issues of the SMEs management than customer satisfaction and the role of innovation.

A significant theoretical and practical contribution is the investigation of the direct link between the HR hiring and training practices and SMEs performance, and indirect link through the mediation role of CO, innovativeness and innovation behavior. Additionally, we investigated the direct effects of HR hiring and training practices on innovativeness, innovation behavior and CO.

The investigation of the direct effects of HR hiring practices on SMEs performance, led to the conclusion that the engagement of the manager level into the hiring process will cause negative effect on profit and sales objectives. Indeed, during the interviews with SMEs managers, this indication is justified. The SMEs' managers mentioned several reasons, wherein some of most important are lack of specialized passably staff to be engaged on this process and consequently this will consume the time and energy of the management level. Another reason is that, HR hiring practices are considered as a cost more rather than a profit.

Apart the significant negative effect of HR hiring practices on SMEs performance, HR training practices do not affects performance. Indeed, based on unstructured interviews with SMEs managers, HR training practices are considered as a cost, time consuming, and lack of specialized passably staff to be engaged on this process. Additionally, the seasonality that characterize the tourism sector, play an important role to consider training practices as consuming time.

As our results show, HR hiring practices does not significantly influence the innovativeness. Therefore, this hypothesis was rejected. It is difficult to hire employee who is open-minded toward innovativeness because this depends on the employee attitude that exists already.

On the other hand, HR hiring has a significant positive effect on innovation behavior. Through this empirical conclusion, we suggest to the tourism SMEs that the more important they will consider the HR hiring processes the more innovation will take place.

We suggest to the SMEs management level to consider the HR training practices as an important factor that will encourage employees to have a positive attitude toward innovation, and furthermore, will prompt them to transfer the creative ideas into the practice. For instance, the more the tourism SMEs will focus on training process the more the employee will be open minded toward innovation and its implementation in terms of creating networks, ICT, importance of cleaning environment etc.

An important conclusion in terms of managerial implications through our study was to test the relationship between HR hiring and training practices and SMEs' CO.

However, we found that HR hiring practices do not affect CO. In this regard, focusing on hiring processes, such as employing based on multiply skills, during the recruitment process stimulating employees in order to check their personal customer orientation etc., will not significantly affect their positive attitude toward customers.

In contrast, our empirical results suggest that tourism's SMEs managers/owners should focus on HR training as an important factor that will positively affect CO. For example, it is crucial to invest into the employees through training them because this will potentially increase the intrinsic motivation to consider the satisfaction of the customers, creating value, or considering their compliance. Thus, the more employees are trained the more they will focus on customers' wants and needs.

Apart the direct relationships between HR practices and SMEs performance, CO, innovativeness and innovation behavior, we investigated the interactive effects of HR hiring and training practices with innovativeness, innovation behavior and CO, on SMEs performance.

Considering the indirect relationship between HR practices with SMEs performance, through the mediation role of innovativeness and innovation behavior, there is no much to argue.

Thus, innovativeness and innovation behavior do not play the role of mediators on the HR hiring practices- SMEs performance relationship. Additionally, the innovativeness is not a significant mediator on HR training practices-SMEs performance relationship. However, innovation behavior resulted a significant *indirect only mediator* between HR training practices and SMEs performance. Thus, SMEs that implement the HR training practices and implement practically innovation such as ICT etc. will enhance its performance.

In addition to the investigation of the indirect relationship of HR practices and SMEs performance, results show that while CO is not a mediator on HR hiring practices-SMEs performance relationship, on the HR training practices-SMEs performance relationship, is a significant mediator.

In this context, we concluded that hiring employees with multi-skills and focusing on customers does not have significant effect on SMEs performance. However, SMEs that

train their employees for multiply-skills and consider CO and important dimension for customer satisfaction, will likely improve the performance.

6.4 Limitations of the study and future lines of research

While our study is a significant contributor in terms of theory and practice, on the other hand it should be acknowledged that there are also several limitations that should be considered.

Firstly, within our study we have used the cross-sectional data to empirically investigate the proposed hypothesized models. This imposes us to posit that our conclusions are related and valid at one point in time (see e.g. Tajeddini et al., 2013). Indeed, cross-sectional data are criticized for their inability to add analytical insights (Ahmed, 1998).

In this regard, future research that replicates this study and tests the same conceptual model is advised. Additionally, future longitudinal studies could cross validate the current findings and provide additional support regarding the causality of the above hypothesis proposed.

Regarding the sample size, our study had 211 cases, while guidelines on minimum sample size to have representative results have not been determined, Tanaka (1984) and Harlow (1985) suggest that a sample size of at least 400 or 500 is needed.

Additionally, data analyzed (observed variables) in our study are based on subjective evaluation (five Point Likert-scales)(e.g., Greenley and Foxall, 1996). The subjective nature of this data imposes us to posit that the conclusions may be interpreted with caution.

However, the justification for the subjective measure as Foreman-Peck et al., (2006) argues is the lack of the data that many SMEs are willing or obliged to put in the public domain. Additionally, previous researches have noted that objective measures, certified by a third party, are impossible to obtain at the business unit level, and subjective measures can correlate to objective measures (Sin et al., 2005; Tajeddini, 2010; Tajeddini and Trueman, 2012).

Secondly, even though our study intended to have more comprehensive results within the tourism sector, and not considering the differences between SMEs (tourism agencies, restaurant and hotels) in terms of innovation, CO and HR hiring and training practices, would be a reason to prejudge the results. Thus, future researches that consider the same conceptual models proposed on the above chapters (3, 4, and 5) within different industries such as hotel industry, tourism agencies industry, restaurants industry, would be an important contribution.

Thirdly, within the main goal of this study, we investigated several relationships for the first time, which constituted a novelty of this study. However, the need for further researches that considers a similar investigation in other countries and different times would be a contribution. In this regard, future researches that replicates this study and test the same conceptual model is advised.

Even though in our study, selecting the most significant factors (innovation, CO, HR practices) that effect SMEs performance was referred on the theoretical backgrounds, future efforts in searching for more significant factor affecting SMEs performance, are advised. This came as a consequence of the fact that performance, as a multidisciplinary concept, is determined by a large and complex factors.

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