

Conference Paper

## Organizational Strategy Orientation and Performance of Travel Agency Companies in Indonesia

Eko Purwanto\*, Muhadjir Anwar, Ayundha Evanthi

Universitas Pembangunan Nasional "Veteran" Jawa Timur, Surabaya 60294, Indonesia

\*Corresponding author:  
E-mail:  
ekopasca@upnjatim.ac.id

### ABSTRACT

The present paper investigates the effect of entrepreneurial orientation (EO), market orientation (MO), and learning orientation (LO) on the performance of travel agency companies in Indonesia. The result suggests that EO has a significant direct effect on performance. Another findings are LO mediates the relationship between EO and MO and performance, also EO mediates the influence of MO on performance. The study offers a more detailed understanding of which organizational strategy orientation improves the performance of travel agency companies.

*Keywords: Organizational strategy orientation, organizational performance, travel agency*

### Introduction

The strategy needs to be determined by the company to achieve the expected performance. The discussion of scientific strategy also focuses on the strategic orientation of the organization (Avci et al., 2011; Zehir et al., 2015; Deutscher et al., 2016; Han & Zhang, 2021). Organizational strategic orientation is the overall strategic direction for the company. Strategic orientation is a set of principles that guide the strategic activities and behavior of companies to ensure their performance (Han & Zhang, 2021). Company-specific factors affect how the company chooses the strategic orientation of its organization which in turn also affects the performance of the company. According to Hakala (2011), there are several types of organizational strategic orientation including market orientation, entrepreneurial orientation, and learning orientation. The concept of market orientation includes customer, competitor, and marketing orientation. Market Orientations include adaptive processes related to the competitive environment (markets, customers, and competitors) as well as the products and services the company chooses to offer to the environment. Meanwhile, entrepreneurial and learning orientations investigate the process of matching resources with the environment. Entrepreneurial orientation changes the relationship between the organization and the environment by reallocating resources through product and market development. Learning orientation is seen as an organizational tendency to create and use the knowledge that can potentially lead to new behavior changes or value creation to gain competitive advantage.

The competitive environment brings changes in organizations and forces companies to look for the best strategies to achieve and maintain a competitive advantage in the market (Avci et al., 2011). This issue also applies globally in the tourism industry where many market segments of the tourism industry (hotels, restaurants, travel agencies) have reached saturation point in many developed and some developing countries. The tourism industry needs to determine the strategies that must be applied now and in the future in a dynamic environment.

The global pandemic that occurred attacked and had a major impact on the economic sector and the tourism sector and its supporting businesses. The impact of the Covid-19 pandemic on

#### How to cite:

Purwanto, E., Anwar, M., & Evanthi, A. (2023). Organizational strategy orientation and performance of travel agency companies in Indonesia. 7<sup>st</sup> International Seminar of Research Month 2022. NST Proceedings. pages 82-85. doi: 10.11594/nstp.2023.3313

travel agency companies in the country is quite significant. ASITA's internal survey on 2020, they mapped its 6,800 members throughout Indonesia with the result that 30% said they were closed and no longer active by terminating all employees. Then, 65% are still active without occupying an office and having employees. While the remaining 5% still stated that they still have a limited number of employees. Of the 5% that were able to survive the majority were part of corporate subsidiaries, agencies, and institutions, state-owned enterprises, and also a small amount of foreign investment.

Research on the strategic orientation of organizations in the tourism industry, especially for the travel agency tourism segment, has not been studied in depth, and how the impact of the Covid-19 pandemic has on the sustainability of the performance of the travel agency company. The application of different business strategies from each travel agency company results in different financial and business performance successes. In this regard, the authors are interested in examining which organizational strategic orientations affect the performance of travel agency companies.

### **Material and Methods**

This research consists of three stages, namely problem formulation, data collection, and data analysis. This research begins with a literature study to identify gaps in the literature and to map the phenomena that occur. After that, the data collection process was carried out. In this study, the steps to be taken are to create a writing plan framework then compile a questionnaire and then send an online questionnaire survey for data collection to the analysis unit, namely the travel agent's manager. The next stage is data processing using the SmartPLS version 3.2.9 program with an analysis orientation toward prediction.

The respondents of this study are the managers of travel agency companies. Research on the strategic orientation of organizations in the tourism industry, especially for the tourism segment of travel agents, has not been studied in depth, and how the impact of the Covid-19 pandemic has on the sustainability of the performance of the travel agency companies. The strategic orientation of the organization is seen as the overall strategic direction for the company. About these conditions, the authors are interested in examining which organizational strategic orientations affect the performance of travel agency companies

### **Results and Discussion**

#### ***Descriptive analysis***

The results of the descriptive analysis of respondents showed that the majority of respondents were female (64%) and the majority were aged 25 - <35 years (41.9%). Most of the respondents had an undergraduate education level (42.7%) with a tenure of >10 years (52.7%). Furthermore, the results showed that the proportion of the sample with a tenure of 5 - <10 years was more than the proportion of samples with masses occupying other structural positions (41.1%).

#### ***Partial least square statistic test***

The outer model is used to evaluate the relationship between indicators and constructs to ensure that the indicators used in the study are valid. The three things evaluated in this process are composite reliability (CR), average variance extracted (AVE), and factor loadings (Hair et al., 2014). Average Variance Extracted (AVE), Outer Loading, and Composite Reliability (CR) were used to measure Discriminant and Convergent Validity as well as Reliability Test. The AVE value for all variables Market Orientation, Entrepreneurial Orientation, Learning Orientation, and Organizational Performance has a value higher than the acceptable level of 0.5. While the CR value for the indicators that measure all constructs of Market Orientation, Entrepreneurial Orientation, Learning Orientation, and Organizational Performance is satisfactory, which is > 0.70 which means it has good internal consistency.

Table 1. Construct reliability and validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Entrepreneurial Orientation	0.810	0.844	0.871	0.585
Learning Orientation	0.801	0.829	0.861	0.556
Market Orientation	0.823	0.832	0.876	0.586
Organizational Performance	0.871	0.907	0.902	0.553

The coefficient of determination ( $R^2$ ) is used to measure the predictive accuracy of the proposed model where in this study the  $R^2$  value  $>0.5$  means that the independent variable has a relatively strong impact on the dependent variable (Hair et al., 2014). The research indicator is declared valid if it has a loading factor above 0.5 for the intended construct. The loading factors on all indicators are valid and have met convergent validity. Path coefficients are used to describe the relationship between the hypothesized constructs in the model using bootstrapping (Hair et al., 2011). Hypothesis testing is done by looking at the t-statistic value  $> 1.96$ , then the influence between variables is significant. The results of the analysis show that of the 6 proposed hypotheses, 4 hypotheses are supported. That EO has a significant direct effect on performance, LO mediates the relationship between EO and MO and performance, and also EO mediates the influence of MO on performance. The results of the study support the previous research of (Deutscher et al., 2016) which explains that strategic orientation improves performance. The study offers a more detailed understanding of which organizational strategy orientation improve performance.

Table 2. Path analysis

	Original Sampl...	Sample Mean (...)	Standard Devia...	T Statistics ( O...	P Values
Entrepreneurial Orientation -> Learning Orientation	0.500	0.511	0.142	3.526	0.000
Entrepreneurial Orientation -> Organizational Performance	0.543	0.535	0.218	2.491	0.013
Learning Orientation -> Organizational Performance	-0.041	-0.063	0.146	0.282	0.778
Market Orientation -> Entrepreneurial Orientation	0.802	0.798	0.064	12.583	0.000
Market Orientation -> Learning Orientation	0.294	0.302	0.144	2.047	0.041
Market Orientation -> Organizational Performance	0.135	0.177	0.189	0.715	0.475

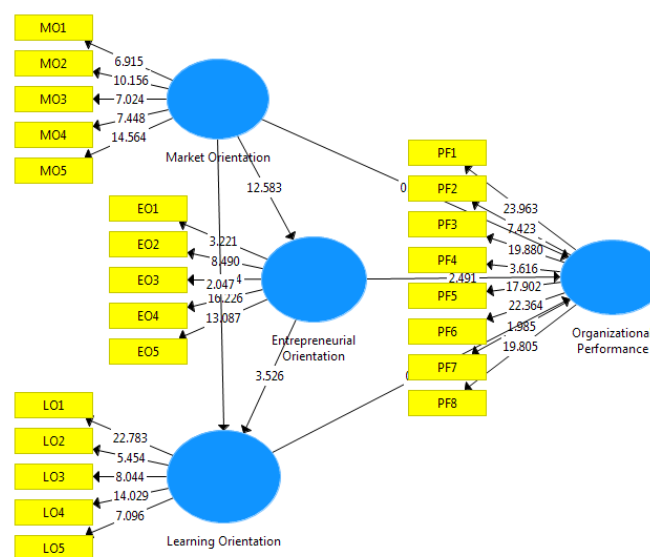


Table 3. Diagram path outer loading

## Conclusion

Entrepreneurial Orientation has a significant direct effect on performance. Other findings are Learning Orientation mediates the relationship between Entrepreneurial Orientation and Market Orientation and performance, also Entrepreneurial Orientation mediates the influence of Market Orientation on performance. The study offers a more detailed understanding of which organizational strategy orientation improves the performance of travel agency companies.

## Acknowledgment

This work was financially supported by Research Institutions and Community Service UPN "Veteran" Jawa Timur through "Riset Dasar Lanjutan 2022". Therefore, we are grateful for this funding and support of this research.

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