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Abstract
Market orientation has been known as an efficient managerial tool to assist in sustaining the performance of organisations. Market orientation has three dimensions, namely customer orientation, competitor orientation and inter-function coordination. This paper evaluates how corporate governance influences the three dimensions of market orientation within Iran's upscale hotels. The impacts of the three dimensions of market orientation on the hotels' social and financial performance are also examined to determine if market orientation mediates the relationships between corporate governance and performance. Partial least squares structural equation modelling (PLS-SEM) is used to analyse the survey data collected from the executives of four- and five-star hotels in Mashhad, Iran. Results show that corporate governance positively influences the three dimensions of market orientation, while overall market orientation influences financial and social performance. Specifically, customer orientation and inter-function coordination significantly reinforce such mediation, whereas the influence of competitor orientation is limited to financial performance.

Keywords: *Corporate governance, market orientation, financial performance, social performance, upscale hotels, tourism and hospitality, Iran, partial least squares, PLS*

1. Introduction

The prevailing economic circumstances of many countries that do not have underground resources, such as India and Nepal in Asia and Turkey and Cyprus in Europe, are highly dependent on their capabilities to perform in the tourism and hospitality sectors (Balaguer & Cantavella-Jorda, 2002). Other economies that have fossil resources also rely on effectual tourism and hospitality industries as a crucial element in their development. They realise a need to develop other sources of economy for the future of their countries. Several countries in the Persian Gulf region, such as the United Arab Emirates, Qatar and Iran, among many others, willingly allocate vast amounts of investment in the tourism and hospitality sectors despite having substantial oil and gas resources (Aminian, 2012; Gunduz & Hatemi, 2005; Zamani-Farahani & Henderson, 2010).

An outstanding tourism sector should be able to provide hospitality services to tourists, especially accommodation (i.e., hotels) (Mariani, Baggio, Buhalis, & Longhi, 2014). An efficient hospitality industry should be capable of returning on investment stems from effective, transparent, integrated and adequate tourism sector (Choi & Sirakaya, 2006). Hence, wherever the tourism attractions are—whether in the middle of a desert or jungle—the existence of nearby accommodation services seems vital as a part of the proper management system (Al-Najjar, 2014). According to Kim and Nofsinger (2007), a scrutiny mechanism called corporate governance mechanism is essential for solving such agency issues.

Governance within the tourism and hospitality industry involves a broad range of stakeholders (Yeh & Trejos, 2015). Suhardjanto, Aprilyana, and Setiany (2018) describe several fundamental governance-related issues, i.e., efficiency, integrity, transparency and social disclosure, affecting the tourism and hospitality sectors' financial and social performance. Shariff and Abidin (2017) find transparency, social responsibility, ownership structure, and conflict of interest as essential corporate governance features, influencing small and medium-sized hospitality sectors' performance. In general, tourism and hospitality governance comprise different stages of public administration and interactions between the sectors and other stakeholders at domestic and/or international destinations, which covers key elements of policy, legislative and institutional matters (Al-Najjar, 2014).

As for the importance of improving organisations' performance, market orientation has widely been used amongst different industries as a useful managerial tool (Bhuian, 1997; Im & Workman Jr, 2004; Kazemian, Rahman, Ibrahim, & Adeymi, 2014). The primary function of market orientation is to enhance the long-term performance of different entities through its dimensions, namely customer orientation (driving the organisation based on customer desires), competitor orientation (considering the competitors' actions within the market and showing proper reactions accordingly), and inter-function coordination (making the organisation efficient and integrated through effective interdepartmental interactions) (Jaworski & Kohli, 1993; Kazemian, Abdul Rahman, & Ibrahim, 2014). The application of market orientation could vary due to the diverse underlying strategies applied by firms. For example, different firms' strategies could lead to different attentions placed on market orientation dimensions. Some firms may focus more on only their clients (i.e., customer orientation), some other firms may want to monitor the market's activities (i.e., competitor orientation) closely, and some other firms may concentrate on the internal efficiency (i.e., inter-function coordination).

Market orientation is suitable to be applied in the hospitality sector. To achieve sustainable performance, a hotel should contribute socially to its stakeholders, such as employees, government, owners and the society (Sainaghi & Baggio, 2014; Sainaghi, Phillips, & Zavarrone, 2017; Tribe, 2010), and produce a robust financial performance for maintaining and enhancing the quality of their services (Yeh & Trejos, 2015).

Over the recent years, the sustainability of the Iranian tourism and hospitality industry has been threatened, due to some influential external factors, such as sanctions applied against Iran and their critical consequences (Khodadadi, 2018; Seyfi & Hall, 2018). It was initially expected that the Joint Comprehensive Plan of Action (JCPOA) and the lifting of sanctions imposed by the United Nations in January 2016 would be a new dawn for the Iranian hospitality sector (Kazemian, Said, Nia, & Vakilifard, 2019; Khodadadi, 2018). However, with the change in the US administration team and the subsequent withdrawal of the US from the deal, the glory foreseen horizons had all changed. All these issues have hurt the tourism and hospitality industry in Iran, so the importance of more studies in the hospitality sector has become more crucial. Findings from empirical research could add to the literature and hopefully assist in finding solutions for the sustainability of this industry in Iran.

This study aims to examine the possible impacts of corporate governance on the hospitality sector's social and financial performance (i.e., hotels) in Iran, focusing on a megacity, by considering the mediating effects of market orientation. Thus, it aims to contribute to the literature because insufficient research has been conducted on the hospitality sector's different corporate governance practices in megacities.

This study is unique in some ways as compared to the existing body of literature. Studies on the importance of corporate governance within the hospitality sectors that use transparency, accountability and efficiency as the key indicators of corporate governance are limited. Additionally, this study uses three dimensions of market orientation as mediating variables to predict the hospitality sectors' financial and social performance. This study's data were also collected after the new wave of sanctions on Iran placed by Trump's administration post-JCPOA. Therefore, the results reflect the relevant circumstances faced by the hotel industry in Iran.

The remaining of this paper will begin with conceptual discussion and hypotheses development. The samples, data and analysis are then presented, followed by the results, discussion and conclusion.

2. Conceptual Discussion and Hypotheses Development

The following provides some relevant discussions of market orientation, corporate governance, and performance in the hospitality sector, leading to hypotheses development.

2.1. Corporate governance and performance in the hospitality sector

As the competitiveness of the tourism and hospitality market heightens, these sectors' sustainable performance has become increasingly crucial. The performance of the tourism and hospitality industry also plays a pivotal role in national development. According to Lashkarizadeh, Keshmir, Gashti, and Shahrivar (2012), a mutual causality relationship exists between the tourism and hospitality industry's performance and the economic growth in Iran. Such a relationship between the two variables is supported in the long term. Similarly, the positive impacts of the tourism and hospitality sectors' social and financial performance on gross domestic products in selected Islamic countries have been tested and verified using a Granger causality test (Mohammadzade & Najafinasab, 2009). The direct effects of the positive performance of the tourism and hospitality industry on a country's economic growth, regional development and regional production have also been proven (Abdul Zalim, Abdul Khalid, & Azhar, 2016; Scutariu, 2009; Tayebi, Jabbari, & Babaki, 2009).

In measuring the hospitality sector's performance, suitable measures that align with the sector's internal capabilities and external environment should be chosen (Azhar, 2020; Sainaghi et al., 2017). Phillips and Louvieris (2005) designed comprehensive theoretical support for measuring hospitality and tourism firms' overall performance. Subsequently, the importance of cultural and social elements in measuring firm performance within the tourism and hospitality sectors was highlighted by Tribe (2010). Tyrrell, Paris, and Biaett (2013) also suggested that although traditional financial measures for evaluating tourism and hospitality firm performance still matter, social performance measures are also important.

Literature has been vastly devoted to determining the impacts of corporate governance on organisational performance (Al Mamun, Sohag, & Hassan, 2017; Armstrong, Blouin, Jagolinzer, & Larcker, 2015; Ortiz-de-Mandojana, Aguilera-Caracuel, & Morales-Raya, 2016; Siti-Nabiha, Azhar, Isa, & Siti-Nazariah, 2018; Van Grembergen & De Haes, 2017). Corporate governance affects firm performance and leads to sustainable growth. However, although such an outcome is well documented in the literature, industry-specific investigations are also needed (Agrawal & Chadha, 2005; Boone, Field, Karpoff, & Raheja, 2007; Chou & Buchdadi, 2016). Several industry-specific variables are intertwined into the fabric of the industry's operating landscape, the fundamental differences in the clients' demands and the nature of the market, and thus require more specific evaluation (Armstrong et al., 2015).

Many studies have used several common corporate governance measures, such as board size and independence (e.g., Al-Najjar, 2014; Dalton and Dalton, 2005; Trireksani and Djajadikerta, 2016; Ong and Djajadikerta, 2020). Some other studies have proposed some other measures to determine the real intention of the board, align with the agency theory, which indicates that self-interest may be taken by members of a board when a conflict of interests between ownership and management occurs (Bosse & Phillips, 2016; Eisenhardt, 1989). To evaluate how well corporate governance applied in organisations and integrated into their decision-making process, some indicators of corporate governance have been suggested, including transparency (Bushman & Smith, 2003; Christensen & Grime, 2006; Hermalin & Weisbach, 2007), accountability (Adams & McNicholas, 2007; Aziz, Ab Rahman, Alam, & Said, 2015; Ribstein, 2005), and efficiency (Brav & Mathews, 2011; Gilson, 1996; Jensen, 1993). These indicators are important since tourism and hospitality governance comprises an extensive range of administration and interactions with global stakeholders at different levels (Yeh & Trejos, 2015). Accordingly, this study takes onboard one of the central inferences of the stakeholder theory, which suggests that organisations should contribute to social impact to maximise the benefits for their stakeholders (Sainaghi & Baggio, 2014; Sainaghi et al., 2017; Tribe, 2010; Yeh & Trejos, 2015).

2.2. Market orientation, corporate governance and performance in the hospitality sector

In a bid to secure sustainable performance, firms need to approach the market strategically. According to Boone et al. (2007), the required characteristics of governance of the tourism and hospitality sectors are seen through efficiency- or managerial- related perspectives. However, both viewpoints were questioned by Al-Najjar (2014), who claimed that these perspectives do not address the pivotal role that other factors may play in governing tourism and hospitality sectors, such as emphasising the market. Market orientation accounts for how a firm relates itself to its customers and competitors and coordinates its internal functions to balance the need for acceptable governance and the market requirements (Chung, 2012; Qu & Ennew, 2008).

Narver and Slater (1990) described market orientation as an organisation's culture and climate that most effectively and efficiently produce the required behaviour to deliver high customer value, which in turn, provides continuous superior company performance. There are three components of market orientation, namely customer orientation, competitor orientation, and inter-functional coordination. Customer orientation involves all the activities related to the attainment of information about the customers and advocating a consistent approach in meeting the customers' needs (Altinay, 2010; Gray, Matear, Boshoff, & Matheson, 1998; Narver & Slater, 1990). Competitor orientation involves all the activities related to the attainment of information about the competitors in the target market and application of regular monitoring of the competitors' activities to enhance the organisation's proactiveness (Agarwal, Erramilli, & Dev, 2003; Altinay, 2010). Inter-functional coordination relates to coordinated efforts between departments in an organisation in sharing, disseminating and utilising the information to create superior value for customers (Altinay, 2010; Quintana-Deniz, Beerli-Palacio, & Martín-Santana, 2007).

Through its three dimensions, market orientation capability has been widely used to improve organisations' sustainable performance (Jaworski & Kohli, 1993; Kazemian, Abdul Rahman, Mohd Sanusi, & Adeyemi, 2016; Singh & Ranchhod, 2004). The influences of market orientation on tourism and hospitality firms' performance have also been investigated (Deshpandé, Farley, & Webster Jr, 1993; Polo, Frías, & Rodríguez, 2013; Simpson, 2008).

Wu (2004) determined how strategy and market orientation enhance the overall performance of the travel industry. The findings showed that by having clear, low-cost strategies and adopting market orientation through customisation and marketing influence, travel industry could transform their performance. Galloway and Mochrie (2006) confirmed that the impacts of market orientation on tourism and hospitality firms include both financial and social elements. Rousta and Jamshidi (2020) evaluate customer orientation, in terms of food consumption by tourists in Shiraz, Iran, and find some values that negatively affect tourists’ attitude toward local foods. Domi, Keco, Capelleras, and Mehmeti (2019) examine the effects of customer orientation on the performance of small and medium-sized tourism and hospitality operators in Albania and indicate that customer orientation affects not only performance but also innovativeness and innovation behaviour. Ghalia, Fidrmuc, Samargandi, and Sohag (2019) suggest that less conflict within/among different departments (i.e., better inter-fuction coordination) could lead to a higher institutional quality in the tourism and hospitality sectors.

The same set of variables of corporate governance and market orientation in different industries has different effects in terms of magnitude and/or significance on firm performance financially or socially. Hence, a close examination of these aspects in the hospitality sector is needed. To some extent, this need stems from the notion that many economies pivot on tourism and hospitality. The sustainable growth of players in this industry is critical to a country's gross domestic product (Mohammadzade & Najafinasab, 2009).

While the effectiveness of the market orientation concept has been evaluated, and the subject of corporate governance within tourism and hospitality industry has been investigated,

the influence of corporate governance on market orientation and the impact of corporate governance on the performance of the hospitality sector, which uses market orientation dimensions as mediating variables, have not undergone empirical research.

Considering the above discussion, this study proposes the following hypotheses.

H1: Market orientation mediates the effect of corporate governance on the financial performance of upscale hotels in Iran.

H2: Market orientation mediates the effects of corporate governance on the social performance of upscale hotels in Iran.

By dissecting market orientation into its three dimensions, namely customer orientation, competitor orientation, and inter-function coordination, this study aligns the following sub-hypotheses and relationships as summarised in Table 1.

Table 1. Sub-hypotheses and relationships

Hypothesis	Relationship	Proposed relationship
Hi	Corporate governance → Customer orientation	+
Hii	Corporate governance → Competitor orientation	+
Hiii	Corporate governance → Interfunction coordination	+
Hiv	Customer orientation → Financial performance	+
Hv	Competitor orientation → Financial performance	+
Hvi	Interfunction coordination → Financial performance	+
Hvii	Customer orientation → Social performance	+
Hviii	Competitor orientation → Social performance	+
Hix	Interfunction coordination → Social performance	+
Ha	Corporate governance → Customer orientation → Financial performance	+
Hb	Corporate governance → Customer orientation → Social performance	+
Hc	Corporate governance → Competitor orientation → Financial performance	+
Hd	Corporate governance → Competitor orientation → Social performance	+
He	Corporate governance → Interfunction coordination → Financial performance	+
Hf	Corporate governance → Interfunction coordination → Social performance	+

Figure 1 depicts the theoretical framework of this study.

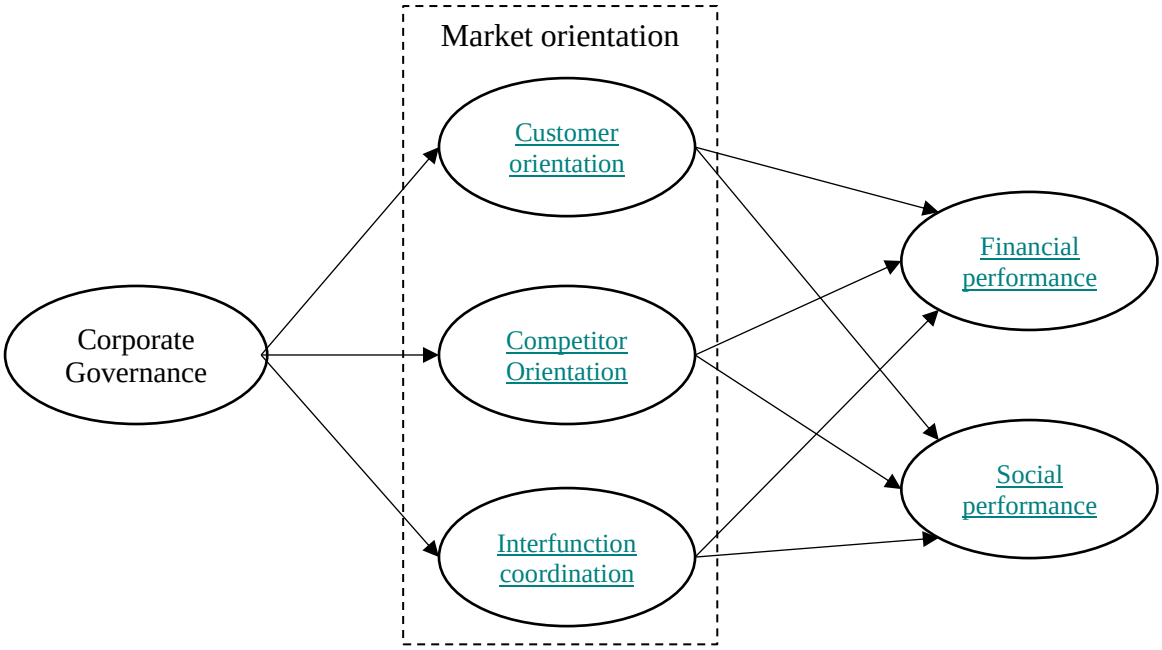

Figure 1. Conceptual framework

3. Methodology

The following describes the research design, data collection, and data analysis performed in this study.

3.1. Research design and data collection

This study examines the impacts of corporate governance on the two aspects of hospitality sector performance, with the mediating role of market orientation in megacities. A seven-point Likert scale questionnaire was developed and pilot tested by accommodating several relevant previous works. The result was a 20-question questionnaire with detailed constructs, coding and relevant references, as can be seen in Table 2.

Table 2. Measurement constructs

	Constructs	Items	Coding	References
1	Corporate Governance	Accountability Transparency Efficiency	CG1 CG2 CG3	Hermalin and Weisbach (2007); Aziz et al. (2015); Brav and Mathews (2011); Grøgaard, Rygh, and Benito (2019); Trienekens, van Velzen, Lees, Saunders, and Pascucci (2017); Al-Najjar (2014).
2	Customer Orientation	Having an identified target market Recognising customers' current and future demands and desires Creating superior value for customers	CUS1 CUS2 CUS3	Jaworski and Kohli (1993); Kohli and Jaworski (1990); Narver and Slater (1990); Brik et al. (2011); Alnawas and Hemsley-Brown (2019); Kazemian, Djajadikerta, Roni, Trireksani, and Mohd-Sanusi (2020)
3	Competitor Orientation	Evaluating competitive intensity Intelligence generation Intelligence dissemination Responsiveness	COM1 COM2 COM3 COM4	
4	Interfunction Coordination	The emphasis of the management on being innovative The risk tolerance of the management	INT1 INT2	

		Interdepartmental conflicts Interdepartmental connectedness	INT3 INT4	
5	Financial Performance	Profitability Liquidity Solvency	FIN1 FIN2 FIN3	Brik, Rettab, and Mellahi (2011); Dabrowski, Brzozowska-Woś, Gołąb-Andrzejak, and Firgolska (2019); La Rosa and Bernini (2018)
6	Social Performance	Maintaining market share Continued customer satisfaction Level of recruitment for new staff	SOC1 SOC2 SOC3	Alnawas and Hemsley-Brown (2019); Mitchell, Wooliscroft, and Higham (2010); Mitchell et al. (2010); Brik et al. (2011)

The questionnaire was distributed to hotel executives of all four and five-stars hotels in Mashhad, Iran, with the assistance of a representative at the Ministry of Cultural Heritage, Tourism and Handicrafts in Mashhad. Upscale hotels in Mashhad were chosen for this study, since Mashhad is the second-largest city in Iran with a population of more than 6 million, and it is one of the most touristic metropolises across the Middle East because of its natural views, historical monuments and religious backgrounds, hosting approximately 20 million tourists annually (Aminian, 2012). The internal report within the Ministry showed that there were 73 four- and five- stars hotel in Mashhad at the time of the study.

This study chose this sample because four and five-star hotels follow a collection of strict regulations regarding how they deal with customers and how they maintain quality and types of services. Therefore, the outcome of this study could have a high level of generalisability. The questionnaire was sent to 160 hotel executives, who held relevant positions in the hotel to have the knowledge and/or authority of the hotels' general policies, from December 2016 to February 2017. A total of 94 usable questionnaires were received covering responses from 24 four-star and 19 five-star hotels, which reflects a 59% response rate.

3.2. Data analysis

Partial least squares structural equation modelling (PLS-SEM) was used via SmartPLS3 software to analyse the data. PLS-SEM is a multivariate analysis method for calculating path models with latent variables. It was used in this research because the approach seeks to maximise the explained variance in the dependent latent constructs (in this case, financial and social sustainability) to improve predictiveness and theory development (Djajadikerta, Mat Roni, & Trireksani, 2015; Hair, Ringle, & Sarstedt, 2011; Sinkovics, Daekwan Kim, Henseler, Ringle, & Sarstedt, 2016). In general, the sample size to be tested should not be lower than a five to one ratio of the number of independent variables (Hair et al., 2011; Ramayah, Lee, & In, 2011). However, Hair, Black, and Anderson (2010) have proposed that the acceptable ratio is ten to one. The model in this study has four independent variables, and therefore, the 94 sample size is adequate for PLS-SEM.

In this study, validity and reliability are tested to ensure the level of appropriateness of the measures. In general, reliability determines how consistently an instrument measures a concept, while validity examines how good a device measures a particular concept (Ramayah et al., 2011). This procedure involves evaluating the relationships between the latent variables (LVs) and the respective associated items. The average variance extracted (AVE) and composite reliability (CR) are the two key coefficients often used to measure convergence validity and internal consistency's reliability.

4. Results and discussion

The demographic profile of the respondents is provided in Table 3. Overall, it can be seen that the respondents are representable across gender, age group, and position.

Table 3. Demographic information of respondents

	Demography	Frequency	Percentage
Gender			
	Male	59	62.7%
	Female	35	37.2%
Age			
	<30	11	11.7%
	31–40	26	27.6%
	41–50	38	40.4%
	50<	19	20.2%
Position			
	Public Relations Manager	9	9.5%
	Director of Operations	13	13.8%
	Director of Sales	19	20.2%
	Event Manager	15	15.9%
	General Manager	8	8.5%
	Shift Leader	13	13.8%
	Director of Marketing	17	18%

4.1. Assessment of the measurement model

An indicator's reliability is considered acceptable when the loadings of each construct on its associated LVs are more significant than 0.7. Hence, each construct is independent of and calculated separately from other constructs. As Table 4 shows, all the indicator loadings on their respective LVs are entirely acceptable. Moreover, to examine construct reliability, the CR coefficient should be greater than 0.7 to indicate that the model has internal consistency. Thus, constructs with high CR have items with almost the same rank and meaning. AVE should not be less than 0.5 to examine the convergent validity of the model, which involves the degree to which individual items reflect a converging construct in comparison to items measuring different constructs (Djajadikerta, Roni, & Trireksani, 2015; Hair et al., 2010; Hair, Sarstedt, Ringle, & Mena, 2012; Hair Jr, Hult, Ringle, & Sarstedt, 2016).

Table 4. Evaluation results of the measurement model

Model Construct	Measurement Item	Cross Loading	CR	AVE
Corporate Governance			0.8358	0.6309
	CG1	0.7873		
	CG2	0.8779		
	CG3	0.7088		
Customer Orientation			0.9275	0.8093
	CUS1	0.9089		
	CUS2	0.9025		
	CUS3	0.8873		
Competitor Orientation			0.8948	0.6808
	COM1	0.7714		
	COM2	0.7880		
	COM3	0.8719		
	COM4	0.8643		
Interfunction Coordination			0.8527	0.5917
	INT1	0.7780		
	INT2	0.7265		
	INT3	0.7597		
	INT4	0.8103		

Financial Performance			0.8783	0.7090
	FIN1	0.9008		
	FIN2	0.9073		
	FIN3	0.7013		
Social Performance			0.9280	0.8112
	SOC1	0.8849		
	SOC2	0.9074		
	SOC3	0.9096		

As shown in Table 4, cross-loadings used for conducting the indicator reliability test, range from 0.7013 to 0.9096, which exceeds the recommended value of 0.7. By contrast, CR, which has been evaluated to test the internal consistency ranges between 0.8358 and 0.9280, is greater than the proposed value of 0.7 (Hair et al., 2011). AVE measures the variance captured by the indicators relative to the measurement error to determine the model's convergent validity, which should be higher than 0.5 to justify using a construct (Ramayah et al., 2011). As reported in Table 4, AVE ranges from 0.5917 to 0.8112.

4.1.1. Discriminant validity

Discriminant validity is subsequently measured. Discriminant validity determines the extent to which the scale does not correlate with other conceptually distinct constructs (Barker & Rayens, 2003; Hulland, 1999). It is assessed by examining the correlations between the measures of potentially overlapping constructs. Items should load actively on their constructs in the model, and the average variance shared between each construct, and its measures should be higher than the difference divided between the construct and other constructs (Hair et al., 2011). Table 5 illustrates the results of the assessment for the constructs' discriminant validity.

Table 5. Discriminant validity of constructs

	Competitor Orientation	**Corporate Governance**	**Customer Orientation**	**Financial Performance**	**Interfunction Coordination**	**Social Performance**
Competitor Orientation	**0.8251**					
Corporate Governance	0.6437	**0.7943**				
Customer Orientation	0.8590	0.6045	**0.8996**			
Financial Performance	0.7849	0.6306	0.7701	**0.8421**		
Interfunction Coordination	0.5684	0.6608	0.6502	0.5707	**0.7892**	
Social Performance	0.5418	0.6632	0.5727	0.5717	0.5431	**0.9007**

As Table 5 demonstrates, AVE shows that the indicators measuring each construct are higher than its squared correlations, thus indicating sufficient discriminant validity. Overall, the discriminant and convergent validities are adequately demonstrated by the measurement model.

4.1.2. Reliability test

Another crucial test which must be conducted is the reliability test. By performing this test, we aim to determine how many indicators of each construct are acceptable for use in the final part of the analysis process, which is the hypothesis testing (Leguina, 2015). Two criteria should be considered in analysing reliability. Firstly, the Cronbach's alpha coefficient is used to evaluate the inter-item consistency of the measurement model. All alpha values should be greater than 0.6 (Nunnally and Bernstein, 1991). Table 6 illustrates all the alpha values and loading ranges.

Hence, according to the table, Cronbach's alpha ranges from 0.7765 to 0.8824, and composite reliability values range from 0.8358 to 0.9280. As Fornell and Larcker (1981) suggested, the 0.70 or above composite reliability of the Cronbach's alpha for internal consistency reliability estimate is considered acceptable. All of the measurements are deemed reliable, and accordingly, all items can be used for testing the hypotheses.

Table 6. Reliability test

Constructs	Measurement Items	Cronbach's α	Loading range	Number of items
Corporate governance	CG1, CG2, CG3	0.7822	0.709–0.878	3 (3)
Customer orientation	CUS1, CUS2, CUS3	0.8824	0.887–0.909	3 (3)
Competitor orientation	COM1, COM2, COM3, COM4	0.8435	0.771–0.872	4 (4)
Inter-function coordination	INT1, INT2, INT3, INT4	0.7765	0.727–0.810	4 (4)
Financial performance	FIN1, FIN2, FIN3	0.7905	0.701–0.907	3 (3)
Social performance	SOC1, SOC2, SOC3	0.8841	0.885–0.910	3 (3)

4.2. Assessment of the structural model

Figure 2 and Table 7 illustrate the findings of the path analysis and the testing of hypotheses.

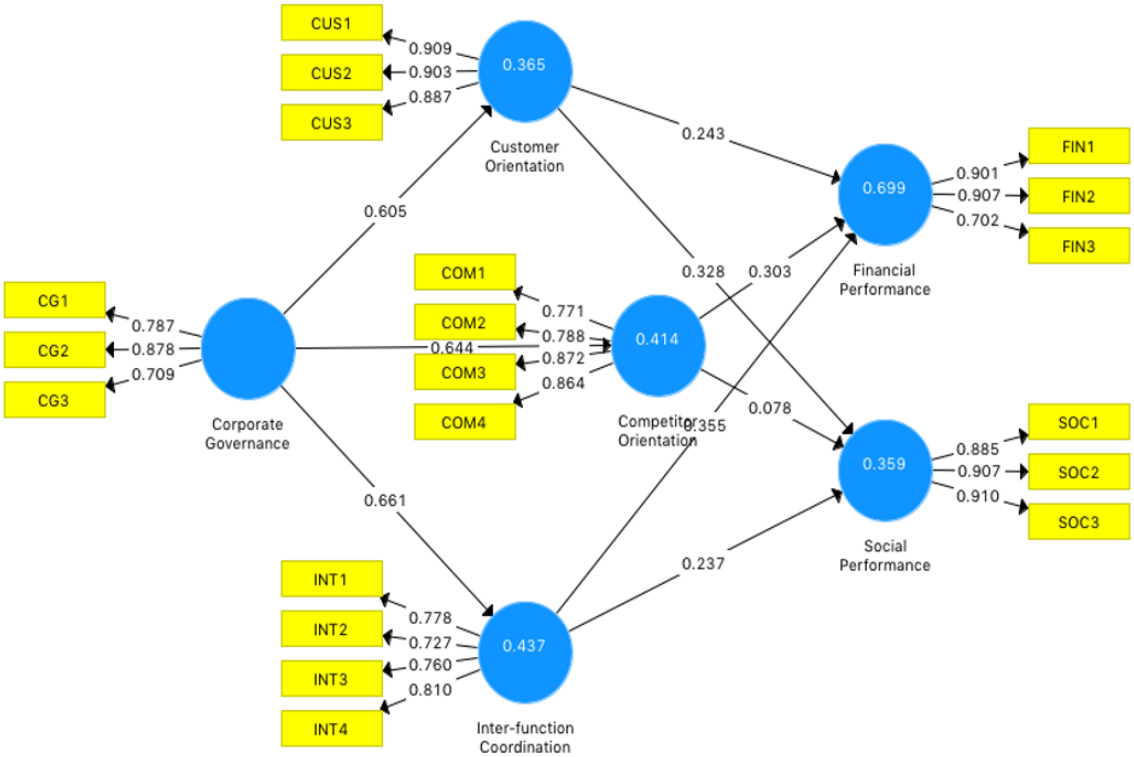

Figure 2. Path analysis

The R^2 values for the three dimensions of market orientations are 0.365, 0414 and 0.437. Thus, corporate governance can explain 36.5%, 41.4% and 43.7% of the variance in terms of customer orientation, competitor orientation and inter-function coordination, respectively.

Likewise, the R^2 values of the performance constructs show that 69.9% and 35.9% of the variance in financial performance and social performance, respectively, can be explained by the dimensions of market orientation.

Table 7 and Figure 2 demonstrate that corporate governance is positively related to customer orientation (β = 0.605, p< 0.01), competitor orientation (β = 0.644, p< 0.01) and inter-function coordination (β = 0.661, p< 0.01). Thus, the significance of the relationships between corporate governance and market orientation is proven. It simply means that the more transparent, accountable and efficient the hospitality sectors are, they can be expected to be more market-oriented. A close look shows that customer orientation has a significant relationship with financial performance (β = 0.243, p< 0.01) and social performance (β = 0.328, p< 0.01). Therefore, Ha and Hb are supported. Similarly, the findings show that inter-function coordination has meaningful impacts on financial performance (β = 0.355, p< 0.01) and social performance (β = 0.328, p< 0.01). Hence, He and Hf are also supported. That is to say, with more concentration on the customers' demands, and more efficient interdepartmental interactions, the hospitality sectors are expected to have better financial and social performance. By contrast, the results show that competitor orientation can only affect financial performance (β = 0.303, p< 0.01) and has no significant effect on social performance (β = 0.078, p< 0.01). Hence, Hc is supported, but Hd is not.

Table 7. Path coefficient and hypotheses testing

Hypothesis	Relationship	Coefficient	*t* value	Results
Hi	CG→CUS	0.605	8.116	Supported
Hii	CG→COM	0.644	9.336	Supported
Hiii	CG→INT	0.661	7.029	Supported
Hiv	CUS→FIN	0.243	2.372	Supported
Hv	COM→FIN	0.303	3.711	Supported
Hvi	INT→FIN	0.355	4.116	Supported
Hvii	CUS→SOC	0.328	4.796	Supported
Hviii	COM→SOC	0.078	1.221	Not Supported
Hix	INT→SOC	0.237	2.188	Supported
Ha	CG→CUS→FIN			Supported
Hb	CG→CUS→SOC			Supported
Hc	CG→COM→FIN			Supported
Hd	CG→COM→SOC			Not Supported
He	CG→INT→FIN			Supported
Hf	CG→INT→SOC			Supported
H1	**CG→MO→FIN**			**Supported**
H2	**CG→MO→SOC**			**Not Supported**

This study mainly hypothesised that market orientation fully (comprising all the three dimensions) mediates the impacts of corporate governance on financial performance (H1) and social performance (H2). Therefore, H1 is supported, but H2 is not (because one of the dimensions is not significantly related to social performance though the other two dimensions are).

4.3. Discussion

Overall, this empirical analysis of Iran's hospitality industry provides broadly consistent outcomes with those reported by Jaworski and Kohli (1993), Qu, Ennew, and Sinclair (2005), and some subsequent studies. Of the proposed new influences, the impacts of corporate

governance on the three dimensions of market orientation were found to be significant, but the evidence for the effects of governance on customer orientation was less substantial as compared to the others.

This study's findings indicate that enhancement in the level of hotels' financial performance (profitability, liquidity and solvency) entirely depends on corporate governance and market orientation. Effective corporate governance leads to lower costs and more equitable capital. Moreover, firms with a market orientation collect more information about customers' needs and competitors' activities. Through information disclosure, firms can understand and predict customers' preferences while developing new products and services to meet customers' needs.

For the improvement in social performance, the results suggest that corporate governance mechanisms impact the dimensions of market orientation, but being competitor oriented does not significantly affect hotels' social performance. That is to say, monitoring and responding to the competitors' actions do not guarantee to maintain the market share, customer satisfaction, and increasing in the recruitment of new staff.

This study also shows that improvement of transparency, efficiency and accountability in the hospitality sectors' boarding level may lead to saving the current customers and attracting new customers, better responding to the market and being more effective in the hotels' practical affairs. Consequently, profitability, liquidity and solvency of the hotel would likely improve. These findings are in line with the results of (Chou & Buchdadi, 2016; Christensen & Grime, 2006; Cohen, Ding, Lesage, & Stolowy, 2010; Ortiz-de-Mandojana et al., 2016), which indicate that corporate governance is closely and directly related to its impact on overall performance. Thus, the practice of good governance strengthens performance as a whole.

Overall, two vital theoretical contributions can be drawn from this study. First, the critical role of corporate governance in supporting a firm's market orientation is identified and supported empirically, which in turn explains significance variance in providing good quality of services in hospitality sectors in Iran. Corporate governance is not a factor that previously has been identified explicitly as an essential driver of market orientation. Second, scholars studied the ways to implement a strong market orientation incorporated with organisational structures (Ho, Wu, & Chen, 2010; Jarboui, Guetat, & Boujelbène, 2015). However, no research considers corporate governance as capability and examines the combination of market orientation and corporate governance within the tourism and hospitality industry. This study proclaims that market orientation as a resource and corporate governance as a capability of the firm. It is the combination of increasing and matching those two factors that contribute to company performance's maintenance and achievement.

5. Conclusion

This study's findings indicate the impacts of corporate governance's independent variable on the three dimensions of market orientation (customer orientation, market orientation, and inter-function coordination) among upscale hotels in Iran's megacity economy, using PLS techniques to examine the hypotheses. It also describes how the three dimensions of market orientation may predict the hotels' financial and social performance. In this study, the three dimensions of market orientation are placed in the model as intervening variables, and their mediating effects on corporate governance were assessed within the overall model.

It is found in this study that corporate governance has a positive influence on all three dimensions of market orientation, and the mediating influences of market orientation on financial and social performance are also found. Customer orientation and inter-function coordination significantly strengthen such mediation toward both financial and social performance, while the influence of competitor orientation is limited only to financial performance.

This study indicates that upscale hotels in Mashhad, Iran, with higher levels of accountability, transparency and efficiency, implement strategies involving their customers' demands and desires. It is also indicated that better interdepartmental interactions in these hotels lead to better financial and social performances. Additionally, hotels that monitor their competitors' actions could improve their financial performance but not their social performance.

Like any research, this study has certain limitations. First, the sample is relatively small. Second, only a few factors are used to explain the level of hotels performance. Thus, it is essential to add other governance variables, macroeconomic variables and structural variables in the firms' performance term, given their importance in indicating the level of firm performance. This would allow greater comparability with studies in other countries, particularly emerging countries. The future research should also investigate the primary empirical relationships between governance and corporate performance for hotel, restaurant and casino firms using a regression approach. Regression analysis for all sub-sectors of the hospitality industry was not conducted in this study as data points did not permit for a time-series model. A richer understanding of the relationship between corporate governance and firm performance is a timely topic given the push for accountability and transparency in today's economic environment.

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