

STRATEGIC MANAGEMENT ROLE IN BOOSTING HOTEL PERFORMANCE

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Abstract: The foremost aim of this paper is to examine the right linkage of specific market orientation, innovation strategy and organizational performance of 114 hotels in Malaysia. Data were drawn from census method on 475 hotels' top and middle managers who are responsible for the progress of innovation and market orientation of their hotel. These research findings confirmed that all hypotheses give valuable indications on the strategic linkage of specific market orientation and innovation strategy to pursue for improved organizational performance. The results highlighted hotels pursuing competitor orientation focused on process innovation. Hotels that pursue customer orientation focused on service innovation. The result shows that competitor orientation, customer orientation, process innovation and service innovation have a significant effect on organizational performance. Remarkably, this research found process innovation partially mediates the association between competitor orientation and performance, while service innovation partially mediates the association of customer orientation and performance. The paper develops an integrated model that link specific market orientation, innovation strategy and organizational performance of hotels in Malaysia.

Key words: market orientation, innovation strategy, performance, hotel industry

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Introduction

The snowballing global rivalry, fast shifting technology, environmental turbulence and the decreasing of product life cycle have pushed hoteliers more exposed to flop (Kaliappen and Hilman, 2014). Therefore, it has become the utmost importance for hoteliers to pursue market orientation that assists to challenge one another in the international global marketplace. Numerous investigations have been done on market orientation and performance link (Julian et al., 2014).

Therefore, it has become the utmost importance for hoteliers to pursue market orientation that assists to challenge one another in the international global marketplace. Besides market orientation, hoteliers these days cannot neglect innovation strategy that helps to attain development in future.

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Dynamic capabilities perspective (DC) and the strategy as practice perspective are used in this research as suggested by Achtenhagen et al. (2013). DC explains that success of organisations depends on difficult-to-replicate capabilities that facilitate to transform and adapt the environment (Teece et al., 1997; Eisenhardt and Martin, 2000). This study also used strategy as practice perspective as an additional underlying theory. This perspective focuses on micro activities that help in grasping the actual strategies and organizational activities by shaping, adapting and renewing the strategic choice (Johnson et al., 2003, 2007). Both market orientation and innovation are considered as functional level strategies or capabilities in the organizations. Therefore, this paper used the mixture of the DC and strategy as practice perspectives, by stressing capabilities and activities that are important for value creation process. So, this study provides a theoretical framework for understanding the right strategies, activities or capabilities that are essential in ensuring the organization's success.

Literature Review

The rivalry in the hotel industry has become extreme because of the globalisation in past several years (Sin et al., 2005). To survive, hoteliers should ensure they really satisfy the customers' demands effectively (Nicholls and Roslow, 1989). The implementation of market orientation could support the hotels to provide quality services to the guests as well as make profit and achieve competitive advantage. Crucially, market orientation aids the hoteliers to constantly acquire information about guests and rivals. The findings of the earlier studies stated the hotel industry has been very slow in implementing the marketing as a management concept compared with other service sectors (Calantone and Mazanec, 1991). So, an investigation on market orientation in the hotel industry could enrich the understanding of this concept more effectively.

Market orientation generates organisational competencies that lead to superior performance of the hotel industry (Dev et al., 2008; Subramanian et al., 2009; Sin et al., 2004). Therefore, the following hypotheses are established:

H1: There is a positive relationship between competitor orientation and organisational performance.

H2: There is a positive relationship between customer orientation and organisational performance

Prior studies indicated that innovation is a vital source for better performance (Calantone et al., 2002; Hult et al., 2004; Cainelli et al., 2006; Keskin, 2006; Mazzanti et al., 2006; Bowen et al., 2010; Rhee et al., 2010; Gunday et al., 2011; Jiménez-Jiménez and Sanz-Valle, 2011; Muafi et al., 2019). Firms that involve in innovation produce higher level of productivity and economic growth (Cainelli et al., 2006). Previous studies established a link between process innovation and performance in various business fields (Rosli and Sidek, 2013; Gunday et al., 2011; Ar and Baki, 2011; Varis and Littunen's, 2010; Hilmi et al., 2010). Several studies

were found that service innovation assists in attaining better performance (Grawe et al., 2009; Mansury and Love, 2008; Prajogo and Sohal, 2006; Frohwein and Hanjurgens, 2005). Therefore, managers should recognise the right innovation types to boost their firm performance (Gunday et al., 2011). Therefore, the following hypotheses are established:

H3: There is a positive relationship between process innovation and organisational performance.

H4: There is a positive relationship between service innovation and organisational performance.

Market orientation and innovation have been considered as determining factors of firm performance (Dawes, 2000; Matear et al., 2002; Agarwal et al., 2003; Manzano et al., 2005). Several studies indicated that a market-oriented firm creates greater innovation and performance (Augusto and Coelho, 2009; Song et al., 2009; Tsiotsou, 2010) by satisfying their customers, achieving the anticipated growth and market share. Besides market orientation, the notion of innovation is also a vital aspect in organisational strategy. Atuahene-Gima (1995) shows that market orientation has a pivotal influence in producing effective product and service innovations. Although there were prior findings that show the link between market orientation and innovation strategy, but the link of specific market orientation components with specific innovation strategy components is still not investigated much. The objective of competitor orientation is to reduce the cost than competitors and increase the market share, while customer orientation is to offer unique and valuable offerings to target customers in fulfilling their desire. Therefore, the following hypotheses are established:

H5: Competitor orientation is positively related to process innovation. H6: Customer orientation is positively related to service innovation.

Previously, the researchers explained about dynamic capabilities and strategy as a practice perspective on the need for congruence between hotels' market orientation and innovation strategic fit. In hotel setting, the execution of competitor orientation should be linked to process innovation that lets the hoteliers to understand the competitor more strongly and outperform them. On the other hand, the execution of customer orientation should be linked to service innovation that enables the hoteliers to understand the guests more deeply and attain better performance. However, up to the researcher's knowledge, there are no known researches in the past to have found process innovation and service innovation as a mediator in the relationship of competitor orientation and customer orientation on organisational performance. Hence, the following hypotheses are established.

H6: Process innovation mediates competitor orientation and organisational performance.

H7: Service innovation mediates customer orientation and organisational performance.

Research Methods

Data were drawn from census method on 475 hotels' top and middle managers who are responsible for the progress of innovation and market orientation of their hotel. Within two weeks the researchers acquired 67 usable responses. After two weeks, reminder letters were sent. This method generated 47 usable responses and resulted in a response rate of 24%. So, 114 responses were useful for the analysis. First, all the questions were cautiously selected from prior empirical researches to have strong content validity. Second, the researcher discussed thoroughly with certain hotel managers and scholars to certify the relevancy of items. Third, to access the quality of the measured items, a pilot test was performed. The scale was tested using a sample of 20 managers in three to five star rated hotels. The items of competitor orientation and customer orientation constructs were adapted from Grawe et al. (2009) which consist of 10 items. The items of process innovation and service innovation constructs adapted from Hilmi et al. (2010) and Grawe et al. (2009) consist of nine items. All the items were measured through seven-point Likert scale (1, strongly disagree and 7, strongly agree). For organizational performance, items were from Hilman (2009) and Kaplan and Norton (1996) which consist of six items. These items were measured through seven-point Likert scale (1, significantly decrease and 7, significantly increase).

Findings

Non-response bias was accessed by comparing early and late respondents. There were 67 early respondents and 47 late respondents who responded after receiving the reminder letter. Using *t*-test analysis, the results show that there are no significant differences between these two groups. Hence, there are no systematic differences found between early and late respondents. Furthermore, all the items were answered by a single respondent so the possibility of occurrence of a common method variance (CMV) problem (Podsakoff and Organ, 1986). This study used the Harman's single factor test to CMV (Wang et al., 2012). All factors were extracted, with first factor explaining 0.4598 of the total variance. It is lower than 0.50 (Peng et al., 2006), suggesting no occurrence of CMV

The reliability was measured through Cronbach's alpha values for two dimensions of market orientation; innovation strategy and organizational performance were in the range of 0.84–0.89, well above the threshold value of 0.70 (Nunnally, 1978). Results of validity and reliability are presented in Table 1.

Table 1: Validity and Reliability

<i>Variables</i>	<i>Factor loadings</i>	<i>Eigenvalue</i>	<i>Alpha</i>
<i>Competitor orientation</i>		3.069	0.84
CMO1	0.660		
CMO2	0.825		
CMO3	0.780		
CMO4	0.814		

CMO5	0.827		
<i>Customer orientation</i>		3.306	0.87
CUO1	0.725		
CUO2	0.841		
CUO3	0.899		
CUO4	0.776		
CUO5	0.825		
<i>Process innovation</i>		2.874	0.87
PI1	0.884		
PI2	0.814		
PI3	0.847		
PI4	0.844		
<i>Service innovation</i>		3.455	0.89
SI1	0.827		
SI2	0.859		
SI3	0.825		
SI4	0.827		
SI5	0.784		
<i>Organizational performance</i>		3.400	0.84
OP1	0.645		
OP2	0.772		
OP3	0.767		
OP4	0.824		
OP5	0.763		
OP6	0.734		

This result showed significant connection between competitor orientation and organizational performance. Therefore, *H1* is supported. This result showed significant connection between customer orientation and organizational performance. Therefore, *H2* is supported. This result showed significant connection between process innovation and organizational performance. Therefore, *H3* is supported. This result showed significant connection between service innovation and organizational performance. Therefore, *H4* is supported. This result showed significant connection between competitor orientation and process innovation. Therefore, *H5* is supported. This result showed significant connection of customer orientation and service innovation. Therefore, *H6* is supported. Refer to Tables 2–5. Competitor orientation linked to organizational performance (Table 6), competitor orientation linked to process innovation (Table 7) and Table 6 show that competitor orientation ($B = 0.710, p < 0.01$) and process innovation ($B = 0.487, p < 0.01$) have a significant influence on organizational performance. Hence, this model is consistent with partial mediation (Baron and Kenny, 1986). Therefore, *H7* is also supported. Customer orientation linked to organizational performance (Table 10), customer orientation linked to service innovation (Table 11) and Table 10 show that customer orientation ($B = 0.259, p < 0.01$) and service innovation ($B = 0.931, p < 0.01$) have influence on organizational performance. Customer

orientation still has a significant impact on performance, although it reduced from $B = 1.171$ to $B = 0.259$. Thus, this model is consistent with partial mediation (Baron and Kenny, 1986). Therefore, $H8$ is also supported.

Table 2: Regression between competitor orientation and organizational performance

<i>Independent variable</i>	<i>Dep. variable organizational performance</i>
Competitor orientation	1.213
<i>T</i> value	60.855
R^2	0.97
Adjusted R^2	0.97

Table 3: Regression between customer orientation and organizational performance

<i>Independent variable</i>	<i>Dep. variable organizational performance</i>
Customer orientation	1.171
<i>T</i> value	42.827
R^2	0.94
Adjusted R^2	0.94

Table 4: Regression between process innovation and organizational performance

<i>Independent variable</i>	<i>Dep. variable organizational performance</i>
process innovation	1.155
<i>T</i> value	56.977
R^2	0.97
Adjusted R^2	0.97

Table 5: Regression between service innovation and organizational performance

<i>Independent variable</i>	<i>Dep. variable organizational performance</i>
service innovation	1.181
<i>T</i> value	61.572
R^2	0.97
Adjusted R^2	0.97

Table 6: Result of mediation analysis of competitor orientation and process innovation

<i>Independent variable</i>	<i>Dep. variable organizational performance</i>	
Competitor orientation	1.213	0.710
Process innovation		0.487
R^2	0.97	0.97
Adjusted R^2	0.97	0.96

Table 7:

Regression between competitor orientation and process innovation

<i>Independent variable</i>	<i>Dep. variable organizational performance</i>
Competitor orientation	1.035
<i>T</i> value	66.208
R^2	0.98
Adjusted R^2	0.97

Table 8: Result of mediation analysis of competitor orientation and service innovation

<i>Independent variable</i>	<i>Dep. variable organizational performance</i>	
Competitor orientation	1.171	0.259
Service innovation		0.931
R^2	0.94	0.97
Adjusted R^2	0.94	0.97

Table 9: Regression between customer orientation and process innovation

<i>Independent variable</i>	<i>Dep. variable organizational performance</i>
customer orientation	0.980
<i>T</i> value	45.304
R^2	0.95
Adjusted R^2	0.94

Discussion

The main purpose of this study was to analyse the right linkage of market orientation, innovation strategy and organizational performance in the hotel industry of Malaysia. From the result, both competitor orientation and customer orientation have a significant impact on organizational performance in which it has provided enough evidence to support *H1* and *H2* that the greater the competitor orientation and customer orientation in the hotel, the better will be the organizational performance as agreed by Narver and Slater (1990). These analyses have supported previous findings that indicated that strong competitor orientation and customer orientation would encourage the hotels to consistently monitor their rivals and satisfy customers' needs and wants in turn improving the organizational performance (Julian et al., 2014). However, this study contradicted with the recent study by Chin et al. (2013) and Pinho (2008) where they found no relationship between customer orientation and performance. Furthermore, Majid (2010) found both competitor orientation and customer orientation are not directly related to performance. Next, the outcomes display that both process innovation and service innovation have significant impact on organizational performance in which it has provided enough evidence to support *H3* and *H4* that greater the process innovation and service innovation, the better will be the performance.

Further, this study also found that both market orientation and innovation strategies have positive relationship. Specifically, this study provided evidence to support *H5* and *H6* where competitor orientation has positive relationship with process innovation, while customer orientation has positive relationship with service innovation. Therefore, with right linkage of innovation strategy, market orientation will give better performance to hoteliers. This provided strong evidence to support *H7* and *H8* of this study.

Conclusion

This study examined specific matching of market orientation and innovation strategy as functional level strategies or capabilities in determining better performance in Malaysia hotel industry. Overall, this study has 114 respondents (hotels), specifically 54 hotels exercising competitor orientation and process innovation, while 60 hotels exercising customer orientation and service innovation. The research revealed both market orientation and innovation strategy components which directly affect the performance. Specifically, this research discovered that process innovation acts as a mediator in competitor orientation and performance relationship, while service innovation as a mediator in customer orientation and performance relationship. To sum up, hoteliers should rightly link the specific market orientation and innovation strategy components to boost their performance and achieve competitive advantage that enable them to compete successfully.

Limitations and Future Suggestions

This study has several limitations that could be turned into opportunities for future research. The data utilized in this study were gathered with subjective approach that is based on the opinions of hotel managers. Though perceptual facts are widely utilized in strategic management studies, still there is a chance for bias to occur in the findings. In addition, the responses came from single respondents (managers). So, it is suggested that further study can divide the survey instrument to be completed by various department managers separately to avoid measurement error. This study used a cross-sectional survey method. So, recommending future research should concentrate more on a longitudinal survey method. This study was conducted in Malaysia hotel industry, so the same research can be conducted in other nations to validate the research outcomes.

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ROLA ZARZĄDZANIA STRATEGICZNEGO W PODNIESIENIU WYNIKÓW DZIAŁANIA HOTELI

Streszczenie: Głównym celem tego artykułu jest zbadanie właściwego powiązania konkretnej orientacji rynkowej, strategii innowacji i wyników organizacyjnych 114 hoteli w Malezji. Dane pochodzą z metody spisu powszechnego w których uczestniczyło 475 najwyższych i średnich menedżerów hoteli, którzy są odpowiedzialni za postęp innowacji i orientację rynkową swojego hotelu. Wyniki badań potwierdziły, że wszystkie hipotezy dostarczają cennych wskazówek na temat strategicznego powiązania konkretnej orientacji rynkowej i strategii innowacji w celu poprawy wyników organizacji. Uzyskane wyniki wyróżniły hotele dążące do zorientowania się na konkurencyjność, ukierunkowane na innowacje procesowe. Hotele zorientowane na klienta koncentrują się na innowacjach usługowych. Wynik pokazuje, że orientacja na konkurencyjność, orientacja na klienta, innowacje procesowe i innowacje usługowe mają znaczący wpływ na wydajność organizacji. Co ciekawe, badania wykazały, że innowacje procesowe częściowo pośredniczą w powiązaniu między orientacją konkurencyjną a wydajnością, podczas gdy innowacje usługowe częściowo pośredniczą w powiązaniu orientacji na klienta i wydajnością. W artykule opracowano zintegrowany model, który łączy orientację rynkową, strategię innowacji i wydajność organizacyjną hoteli w Malezji.

Słowa kluczowe: orientacja rynkowa; strategia innowacji; występ; przemysł hotelarski

战略管理在提升酒店绩效中的作用

摘要: 本文的首要目的是研究马来西亚114家酒店的特定市场定位, 创新策略和组织绩效之间的正确联系。数据来自于475家酒店高层和中层管理人员的人口普查方法, 这些人负责酒店创新和市场定位的发展。这些研究结果证实, 所有假设都为特定的市场定位与创新战略之间的战略联系提供了有价值的指示, 以追求改善组织绩效。结果突出显示了追求竞争者导向的酒店, 专注于流程创新。追求客户至上的酒店专注于服务创新。结果表明, 竞争者导向, 客户导向, 流程创新和服务创新对组织绩效有重大影响。值得注意的是, 这项研究发现流程创新部分地介导了竞争者导向与绩效之间的联系, 而服务创新部分地介导了客户导向与绩效之间的联系。本文开发了一个集成模型, 该模型将特定的市场定位, 创新策略和马来西亚酒店的组织绩效联系起来。

关键词: 市场导向