This thesis is about extending the research on menu innovation process in chain restaurant industry. The global consumer foodservice markets, nowadays, are mostly at the stage of saturation, and this presents great challenges to the industry. Hence, a viable new model of menu innovation process has been long sought in hospitality literature. Yet, models of menu innovation process proposed in literature are mostly conceptual in nature rather than empirically derived. Thus, this poses a question of the viability of its usage given the fact that most business landscapes, if not all, are not homogeneous. Furthermore, most companies, if not all, are also governed in difference managerial orientations that dictate the directional of the product development process based on the preference towards risk-taking, entrepreneurship, objectivity, assertiveness and information use. Because of this, external environmental factors that build up in the marketplace are, therefore, to be conceived differently by menu planners, which subsequently, dictate a new strategy in managing menu innovation. Hence, this thesis aimed to empirically investigate the actual practice of managing menu innovation in the chain restaurants that are operating in the consumer market of Klang Valley in Malaysia. The objective is to empirically examine the two orientations that are commonly associated with product innovation that include radical and incremental product development. Specifically, to simultaneously assess the moderating effect of the external environmental factors (EEFs) along with the mediating effect of market orientation on the relationship between innovation orientation and concept development. The empirical setting of chain restaurant is chosen because they are known to be strategically better equipped in managing product innovation in terms of consistency, speed, standardisation and adoption as opposed to independent restaurants. Hence, this empirical setting in the consumer market of Klang Valley, this study offers an excellent opportunity in finding out the practical insight into managing menu innovation. In this study, the quantitative methodology was used as the main pillar of the research methods to assess the hypotheses under investigations. Yet, as concept development and EEFs scales were newly developed for the purpose of this study, the adoption of qualitative in-depth interviewed method at the early stage was indeed necessary. Hence, theoretical conceptualization and the empirical validation were first being advanced using both statistical package for social science (SPSS version 19) and partial least squares (PLS) for these constructs. Empirically, the measurement and structural models of this study confirmed adequate estimations based on PLS path modeling parameters. A simultaneous assessment of both the mediating effect of market orientations and moderating effect of EEFs on the relationship between innovation orientation and concept development confirmed support for the mediating effect but the hypothesised moderating control of EEFs remained inconclusive although its effect size found to be large. This thesis contributes to theoretical knowledge by providing for the first time evidence about the structural linkages between innovation orientations and concept development along with the two higher-order constructs of market orientations and EEFs. Practically, this thesis contributes to knowledge understanding of the inseparable relationships of strategic innovation orientations and market orientations in the decision-making process when engage in today’s dynamic consumer markets.

Undeniable in restaurant operation service delivery failures occurred when service delivery performance does not meet the expectations of customers and classified as either pertaining to the outcome or process. A process failure happened when core service carried in a flawed or incomplete way, resulting in poor benefit and instigating in reduction of economic resources such as money, time, status or esteem to the customer. Knowing failures will occur even in the finest restaurant, it is imperative therefore for the restaurant to make provisions for recovery of these unfavourable instances and the provisions that restaurant makes are known as service recovery. Restaurant ability to recover from service delivery failure is an essential element of the whole service delivery system with significant implications as it is recognized to provide opportunities to decrease costs, improve customer experience and increase customer satisfaction. The effective service recovery not only corrects the service delivery failures, but also builds and maintains strong relationships which ultimately lead to behavioural intentions, including revisiting and word of mouth. In contrary, as to why customers are found of still patronizing some of the restaurants despite providing fewer recovery processes. It is therefore conjectured that the role of positive perceived values may influence customers repeat purchase behaviour or the underlying reasons that cause this causation. This study empirically investigates the causal relationship among service delivery failures, service recovery and perceived values with satisfaction and behavioural intentions of customers towards Malay medium restaurants. A mixed method of qualitative and quantitative investigation through interview with selected restaurant operators and questionnaire survey among the restaurant customers was opted. Through interview with 18 restaurant operators, occurrence of service delivery failures and service recovery as well perceived values in Malay medium restaurants as central issue of this study were identified. The quantitative approach in this study structured through survey questionnaire with customers who had visited and experienced service delivery failures when dining at pre-identified Malay restaurants in Klang Valley. With 481 respondents, the data analyses were conducted by a process of multivariate analysis using structural equation modelling (SEM) via AMOS (Analysis of Moment Structures). Exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) were initially performed to validate the scales. Five dimensions of the overall measurement model were generated and tested in compliance with stringent purification process for the models. The results of structural modelling provide evidence that three dimensions of service delivery failures, service recovery and behavioural intentions were significantly related and the relationship between service recovery and customer satisfaction were not significantly related. However, the strength of the relationship between service delivery failures and customer satisfaction would be altered by the presence of perceived value. In other word, perceived value mediates the relationship between service delivery failure and customer satisfaction. With this finding, the restaurant operators should not therefore ignore or being ignorant on the perceived value, but highly conversant with it as those elements could be used in retaining the customers despite having a slight service failure and slacking in service recovery.