UNIVERSITI TEKNOLOGI MARA

MARKET ORIENTATION, SERVICE QUALITY AND BUSINESS PERFORMANCE OF HOTELS IN KLANG VALLEY OF MALAYSIA

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ABSTRACT

Market orientation (MO) is one of the major research streams in strategic marketing developed during the past ten years. Since its inception in the early 1992, the major thrust of research in market orientation has been to study the relationship between market orientation and business performance with service quality as the mediator. Although it is acknowledged that market orientation and business performance (BP) are likely correlated, this paper directs attention to what may lie beneath the relationship. From both conceptual and empirical perspectives, it is argued that future research should focus on the mechanisms by which market orientation contributes to business performance. Market orientation is positioned as marketing's contribution to business strategy and is considered an important strategic orientation position market orientation as marketing's explanation of performance differentials between firms. These advantages of market orientation are generally argued to be a consequence of improved market-sensing capabilities and thus improved market responsiveness, particular in more hostile and unpredictable environments. In relation to the above arguments, this study attempts to investigate the relationship between market orientation and service quality (SQ) and the implication on business performance. The determinant of the of the study framework model of market orientation, service quality and business performance adopted by Chang and Chen, (1998) is used as grounded theory for this study. Samples comprised of 41 hotel managers from four and five star hotels in the Klang Valley of Malaysia and were obtained through a mail survey questionnaire. The measurement technique used was the Likert Scale of five points scaling. Market orientation was measured using the adopted 20-item MARKOR scale by Kohli et al. (1993). The market orientation items include 1) intelligence generation (IG), 2) intelligence dissemination (ID), and 3) responsiveness to market intelligence (RMI). The 22-item SERQUAL scale by Parasuraman *et al.,* (1988) was adopted as the instrumentation for service quality for this study. The service quality variables include 1) tangibility (Tang), 2) responsiveness (Res), 3) reliability (Rel), 4) accuracy (Acc), and 5) empathy (Emp). As for the business performance, three performance measures were used in this study; 1) occupancy %, 2) return of assets (ROA), and 3) return of sales (ROS). The research hypotheses were tested using the multiple regression analyses. The stepwise regression results revealed that 1) there is a significant relationship between market orientation and service quality, 2) there is a significant relationship between market orientation and business performance, 3) there is a significant relationship between service quality and business performance, and 4) service quality mediates the relationship between market orientation and business performance.

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CHAPTER 1

INTRODUCTION

It is far more difficult to implant
marketing-orientation in an
organization culture, than textbook
authors and university professors
usually realise.
- E Gummesson (1987)

1.1   Introduction

Hospitality firms, such as hotels, are an ideal example of a market, which could benefit from the implementation of market orientation and enforcing better service quality. First, from a customer's perspective, the hospitality market is perpetually inundated by many similar, often easily substitutable service offerings. This should be an ideal effort for hotel managers to attempt to differentiate an individual hotel from its competitors. One solution to this challenge may be to offer new market orientated methods or procedures and better service quality features to customers.

The hospitality industry is rapidly changing due to accelerations in information technology on the market orientation aspect and hotel managers will need to make proactive changes focus even more intensely on customers preferences, quality and market technological interfaces in order to stay competitive in such a dynamic environment in Malaysia.