

Market Orientation Practices and Effects on Organizational Performance: Empirical Insight From Malaysian Hotel Industry

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Abstract

Today's organizations need market orientation practices to strive and generate superior performance and competitive advantage in the modern turbulent marketplace. Thus, this research inspects the respective links between the dimensions of (a) competitor orientation and (b) customer orientation and performance in the context of hotels in Malaysia. Data were gathered through self-administrated mail questionnaires directed to the top- and middle-level managers of three- to five-star-rated hotels in Malaysia. The findings indicated that hotels in Malaysia practiced competitor orientation and customer orientation as their core marketing strategy. Specifically, both competitor orientation and customer orientation positively linked to organizational performance. Few studies have investigated the practices and effects of market orientation on performance in the Malaysian hotel setting. Therefore, this study provided new insights into the understanding of market orientation practices in the hotel industry, particularly in Malaysia. In addition, the significance of this study, potential limitations, and future examination directions are highlighted.

Keywords

market orientation, organizational performance, hotel industry of Malaysia

Introduction

In today's highly competitive global market, top managers strive to improve their organizational effectiveness through execution of organizational strategies or capabilities that are linked to better performance (Okumus, 2003). As a result, market orientation becomes a crucial strategy or capability of an organization to stay competitive in the current modest and uncertain business environment (Goldman & Grinstein, 2010). Market orientation is considered as a marketing concept as well as a management strategy (Mokhtar, Yusoff, & Ahmad, 2014; Ramayah, Samat, & Lo, 2011). In fact, numerous scholars, practitioners, and researchers have acknowledged that market orientation assists in developing marketing knowledge, superior performance, and competitive advantage (Ellis, 2006; Kirca, Jayachandran, & Bearden, 2005).

Various definitions of market orientation have been suggested by several scholars in marketing literatures (Day, 1994; Despande, Farley, & Webster, 1993; Kohli & Jaworski, 1990; Narver & Slater, 1990; Raaij & Stoelhorst, 2008; Ruekert, 1992; Shapiro, 1988). Remarkably, hoteliers have specific requirements from customers and competitors, and so they need detailed knowledge of their actual context and behaviors to deal efficiently. Thus, to perform well and remain competitive, hoteliers need relevant and timely information about the market because opportunities and threats

continuously change with the consequences of environmental turbulence, customers' preferences, and technology advancement (Wang, Chen, & Chen, 2012). According to Julian, Mohamad, Ahmed, and Sefnedi (2014), market orientation could be considered as a predominant marketing strategy that can improve organizational performance.

There are a lot of literatures on empirical researches and case studies that have been conducted over implementation of market orientation in different fields, which guided managements to execute the best functional strategy. However, empirical studies that emphasize the implementation of market orientation are still very few within the context of the Malaysian hotel industry, which provides an immense potential for future research. To enrich the existing literatures of market orientation use in the Malaysian hotel industry, this study makes an attempt to achieve the following objectives: (a) to examine the effects of market orientation on performance and (2) to examine which market orientation types affect the performance of hotels in Malaysia the most.

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Hotel Industry in Malaysia

Hotel business is a dynamic element of the Malaysia's commercial development (Awang, Ishak, Radzi, & Taha, 2008; Razalli, 2008). The Ministry of Tourism and Culture, Malaysia, incessantly develops numerous strategies, campaigns, and programs in nourishing the productiveness and eminence of the hotel business. Consequently, RM 1.2 billion has been assigned by the government for progress expenses to execute Visit Malaysia Year 2014 programs (Hotel Yearbook, 2014). In addition, the government announced an investment tax allowance and pioneer status for new hotels with four- and five-star rating, which permitted several foreign brand hotels to be newly built or expanded, some under construction all over the country (Hotel Yearbook, 2014). Presently, there are 475 registered three- to five-star-rated hotels in Malaysia. This figure keeps increasing each year. The Malaysian government is targeting to attain an income of RM 168 billion and an arrival of 36 million tourists by the year 2020 under the National Key Economic Area (NKEA) agenda (Aruna, 2013).

Theoretical Background

Dynamic Capabilities and Market Orientation

The dynamic capabilities perspective offers the theoretical foundation for the present study. Based on this perspective, efficient use of an organization's distinctive capabilities could bring a sustainable competitive advantage and superior performance attainment in the present turbulent business condition (Teece, Pisano, & Shuen, 1997). According to Teece et al. (1997), "dynamic" refers to the ability to renew competencies to attain consistency in the changing business environment. The term "capabilities" refers to the vital part of strategic management for appropriate adaptation, integration, and reconfiguration of internal or external organizational skills, resources, and functional capabilities to match the requirements of a changing environment (Teece et al., 1997). Maritan (2001) defined organizational capability as the capacity of an organization to arrange its tangible or intangible assets to conduct a task to increase the performance. Hult and Ketchen (2000) and Voola and O'Cass (2010) identified market orientation as the set of organizational capabilities that facilitates to serve targeted customers and monitor the organization's competitors more efficiently. It is precisely concerned with intangible competencies, namely organizational culture as demonstrated by the link between competitor orientation and customer orientation and performance. Thus, dynamic capabilities were found to be an appropriate perspective to describe this study that highlighted market orientation and performance linkages.

Conceptual Background

Market Orientation

Earlier, Shapiro (1988) defined market orientation as a managerial decision-making practice with a commitment shared within the organization. Furthermore, Kohli and Jaworski (1990) stated that market orientation comprised three components: intelligence gathering, intelligence dissemination, and responsiveness. Later, Narver and Slater (1990) explained market orientation with three other dimensions: competitor orientation, customer orientation, and inter-functional coordination. The notions of market orientation suggested by both Kohli and Jaworski (1990) and Narver and Slater (1990) are alike in some ways. In both cases, the scholars viewed market orientation as a continuous variable, focusing on obtaining information from competitors and customers and emphasizing the significance of collective efforts in creating value for customers (Julian et al., 2014). However, whereas Narver and Slater (1990) stressed market orientation as an organizational culture based on behavior, norms, and values, Kohli and Jaworski (1990) emphasized market orientation as a marketing concept. Previously, several researchers mentioned that market orientation as defined by Narver and Slater (1990) has strong validity and reliability, as well as being able to sufficiently conceptualize the construct to capture the customers' value (Julian et al., 2014; Oczkowski & Farrell, 1998; Pelham, 1997).

The current research embraces Narver and Slater's (1990) perception. This facilitated the influence of competitor orientation and customer orientation on organizational performance of hotels in Malaysia. This study utilized competitor orientation and customer orientation only because they are very much needed in the modest business environment that offers a vital understanding of the current marketplace to make better decisions for greater performance (Zhou, Brown, & Dev, 2009). Moreover, marketing literatures have extensively focused on competitor orientation and customer orientation (Menguc & Auh, 2005). Overall, market orientation is needed in every organization as a strategy that could be used to build marketing capabilities to fulfill customers' needs and satisfaction as well as to outperform the competitors (C. H. Chin, Lo, & Ramayah, 2013; Liu & Wang, 2009; Martin & Grbac, 2003).

Competitor Orientation

Competitor orientation stands as organizational culture that considers the short-range fortes and flaws and long-range abilities and tactics of existing and possible main rivals (Grawe, Chen, & Daugherty, 2009; Narver & Slater, 1990). Competitor-oriented firms develop a comprehensive evaluation of targeted and possible rivals and utilize the substantial awareness to beat the rivals as well as achieve sustainable

competitive advantage and performance (Lopez, Peon, & Ordas, 2005; Olson, Slater, & Hult, 2005). Strategically, the organization shares the information about its rivals and this could assist to build a sustainable competitive advantage (Frambach, Prabhu, & Verhallen, 2003; Grinstein, 2008). Therefore, the significance of competitor orientation is monitoring the organization's current and predicted future competitors to develop awareness of their information and strategies (Kai & Fan, 2010; Kaliappen & Hilman, 2013).

Customer Orientation

Customer orientation is an organizational culture that considers the present and potential customers' needs and wants, constantly producing value (Narver & Slater, 1990; Taleghani, Gilaninia, & Talab, 2013). This means that customer-oriented organizations found information about customers' needs and wants for the present and future to provide superior value-added offerings (Hilman & Kaliappen, 2014; Narver, Slater, & MacLachlan, 2004). This will allow the organization to share the information about their customers with all the staff, with the aim of continuously getting chances to serve their customers well (Grawe et al., 2009; Singh, 2009).

Performance Measurement

Different organizations used diverse types of measurements to evaluate their overall performances. Nowadays, financial and non-financial indicators are most popular measurements widely used by managers to evaluate their organizational performance. Currently, many hoteliers used financial indicators such as return on investment (ROI), return on equity (ROE), return on sales (ROS), market share, and net profit (Awang et al., 2008). Several shortcomings were identified in the usage of financial indicators alone, namely failure to elucidate the current business conditions, new goals, strategic focus of stakeholders, and lag in time (Evans, 2005). Therefore, measuring organizational performance using financial indicators alone is not adequate in the present business condition. Besides financial indicators, the hoteliers must also use non-financial measurements.

In line with this, Kaplan and Norton (1992) introduced the balanced scorecard (BSC) performance measurement, which seems the most popular and most widely used measure among the managers. The BSC offers four diverse perspectives: financial, customer intensive, internal process diagnostic, and innovation. Financial viewpoints recognize the crucial financial drivers in producing shareholder affluence. Customer intensive comprises methods of brand awareness and image, customer satisfaction, retention and profitability. Internal process diagnostic mainly focuses on the competencies of the whole business structure, whereas innovation emphasizes the effective alteration and the progression of the business in shifting situations.

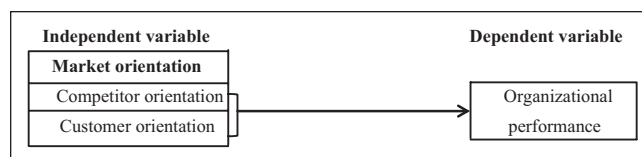


Figure 1. Research model.

Thus, BSC keeps financial measures that ratify the outcomes of previous activities and choices and then it also extends non-financial indicators that will initiate future functional performance (Cobbold, Lawrie, & Issa, 2004). The present study used the BSC to measure the performance of hotels in Malaysia.

Hypotheses Development and Theoretical Framework

The market orientation and performance linkage are a matter of extensive research in the present business setting (Kirca et al., 2005; Razghandi, Hashim, & Mohammadi, 2012). Numerous past studies provided empirical support to the positive connection between market orientation and performance (Hanzaee, Nayabzadeh, & Jalaly, 2012; Julian et al., 2014; Nayebzadeh, 2013; Slater & Narver, 1994; Sorensen, 2009). For instance, Sorensen (2009) found that both competitor and customer orientations have a positive and significant effect on performance of Danish manufacturing firms. In addition, Ramayah et al. (2011) found that market orientation had a positive effect on organizational performance of service industries in Malaysia. In 2013, C. H. Chin et al. found that competitor orientation had a positive link with performance. In contrast, C. H. Chin et al. (2013) found no positive impact of customer orientation on performance. Importantly, Zhou et al. (2009) specified the importance of competitor and customer orientations in generating a hotel's competitive advantage and performance. Therefore, the following hypotheses are established:

Hypothesis 1: Competitor orientation is positively associated with organizational performance.

Hypothesis 2: Customer orientation is positively associated with organizational performance.

The theoretical framework illustrated in Figure 1 has been shaped with dynamic capabilities perspective to show the link between market orientation and performance.

Method

The data for this study were collected in August 2013 using mail questionnaires. The target population for this research was 475 three-star-rated and above hotels in Malaysia. To ensure that the sample is sufficient in addressing the

objective of this study, questionnaires were sent to the entire study population. This study used organization (hotel) as the unit of analysis. Therefore, only one respondent represented each hotel. The survey was addressed to managers in three- to five-star-rated hotels that registered under the Directory of Ministry of Tourism and Culture, Malaysia.

A set of questionnaire with a cover letter was sent to all 475 respondents, and 114 or 24% of them responded. The response rate of 24% is significantly higher than the standard of approximately 20% acceptable mail survey response rate (Samat, Ramayah, & Saad, 2006). As the respondent for this study was a key person in the hotel, he or she has fewer possibilities to reply to mailed questionnaires as a person in the general population (Hunt & Chonko, 1987). Therefore, this response rate can be reflected enough to draw conclusions about the Malaysian hotel industry (Samat et al., 2006).

This study adapted research items from past studies. For market orientation, the instrument has 10 items that were adapted from Grawe et al. (2009). The answer to each question ranges from 1 = *strongly disagree* to 7 = *strongly agree*. For organizational performance, items were adapted from Hilman (2009) and Kaplan and Norton (1996), which consists of six items from both financial and non-financial indicators. The answer to each question ranges from 1 = *significantly decrease* to 7 = *significantly increase*. The pilot test conducted on 20 respondents showed that all the variables had reliability values exceeding the standard value .70. This showed that the instruments used were reliable and valid.

Findings

First, a test of differences was carried out by *t* test to determine any differences between early and late respondents (Armstrong & Overton, 1977). The dataset was divided into early responses (before reminder letter) and late responses (after reminder letter). Overall, there were 67 early responses and 47 late responses. The *t* test analyses revealed no significant differences at the .05 level between the two groups, indicating that non-response bias is not a major problem and does not influence the study findings (Skarmeas, Katsikeas, & Schlegelmilch, 2002). To identify the multicollinearity, this study used variance inflated factor (VIF) and tolerance values (Pallant, 2005). All the values of VIF were not greater than 10 and the tolerance values were more than 0.10. Therefore, this study has no multicollinearity problem.

A profile of the Malaysian hotels participating in the study is presented in Table 1. The majority of respondents were from top management (53.5%) and middle management (46.5%). The large percentages of participants were from three-star (43.9%), four-star (36.0%), and five-star-rated hotels (20.2%). The majority of participating hotels had 201 to 300 rooms (31.6%). With regard to the years of operation, the majority of the participating hotels had been operating

Table 1. Participant Profiles.

Profiles	Frequency	%
Position		
Top managers	61	53.5
Middle managers	53	46.5
Ratings		
Three star	50	43.9
Four star	41	36.0
Five star	23	20.2
Location		
City/town	95	83.3
Island	17	14.9
Hill	2	1.8
Number of rooms		
>100	16	14.0
101-200	35	30.7
201-300	36	31.6
301-400	10	8.8
>401	17	14.9
Years of operation		
<5	20	17.5
5-9	29	25.4
10-15	35	30.7
>15	30	26.3

Table 2. Descriptive Analysis.

Variables	No. of items	M	SD	α
Competitor orientation	5	4.29	1.03	.84
Customer orientation	5	4.34	1.12	.87
Organizational performance	6	6.26	0.49	.84

for 10 to 15 years (30.7%). Approximately, 83.3% of hotels were located in city/town area.

The result indicated that the mean value of customer orientation was 4.34, whereas for competitor orientation the mean value was 4.29. For organizational performance, the mean value was 6.26. The findings show that all constructs possess an alpha value more than .70, which indicates significantly high reliability (Nunnally, 1978). Crucially, content validity of this study was achieved through systematic literature reviews, consultation with hotel experts and academicians, and the evaluation of the questionnaire in the pilot study. The summary of the descriptive statistics and alpha values is presented in Table 2.

The data were initially analyzed for confirmatory factor analysis (CFA) using AMOS 20 (Bagozzi & Yi, 1988). The competitor orientation, customer orientation, and organizational performance, all loaded appropriately and all factors loaded above .5 (Gefen & Straub, 2000). The factor analysis demonstrated the construct validity of the instrument. The

Table 3. Factor Loadings, Composite Reliability, and AVE.

Variables	Items	Loadings	Composite reliability	AVE
Factor 1 Competitor orientation	Regularly collect information concerning competitors' action.	0.594	.955	0.807
	Regularly discusses competitors' action.	0.787		
	Frequently track market performance of key competitors.	0.701		
	Frequently evaluate the strength of key competitors.	0.776		
	Attempts to identify competitors' strategies.	0.744		
Factor 2 Customer orientation	Objective driven by customers' satisfaction.	0.660	.960	0.814
	Communicate information about customers' experience across all business functions.	0.800		
	Gaining competitive advantage is based on understanding of customers' needs.	0.849		
	Measure customers' satisfaction regularly.	0.752		
	Frequently survey end customers to assess the quality of service.	0.749		
Factor 3 Organizational performance	ROI	0.537	.862	0.662
	Market share	0.718		
	Sales growth	0.749		
	Customer perspective	0.834		
	Internal process perspective	0.655		
	Learning and growth perspective	0.529		

Note. AVE = average variance extracted; ROI = return on investment.

results show all items with loadings ranging from .529 to .849, indicating satisfactory convergent validity. The composite reliability for all the variables was greater than .70 (W. W. Chin, 2010). All the squared correlation coefficients are smaller than the variance extracted (VE), indicating satisfactory discriminant validity (Fornell & Larcker, 1981). The findings of factor loadings, composite reliability, and average variance extracted (AVE) are presented in Table 3. Therefore, the psychometric properties show acceptable results, and as such, it was appropriate to examine the link between market orientation and performance.

The regression test was run with organizational performance as the dependent variable, and both competitor and customer orientations as the independent variables. Table 4 shows that the R^2 value of .720 indicates that 72% of the variation in performance can be explained by competitor and customer orientations. The findings show that both competitor orientation and customer orientation have a positive link with performance, with $B = 0.645$, $p < .01$ and $B = 0.665$, $p < .01$, respectively. Furthermore, the F test results in 68.082, which is significant, and therefore, the model does fit the data. Thus, the findings supported both hypotheses.

To test which type of market orientation is more likely to affect the performance, a paired-sample t test was run. The findings show that competitor orientation has $M = 4.29$, $SD = 1.03$, whereas customer orientation has $M = 4.34$, $SD = 1.12$; $t(113) = 14.38$, $p < .01$. The outcome in Table 5 indicates that customer orientation affects the performance slightly higher than competitor orientation.

Table 4. Regression Analysis Result.

Independent variables	Dependent variable Organizational performance
Competitor orientation	0.645*
Customer orientation	0.665*
R^2	.720
Adjusted R^2	.697
F change	68.082

* $p < .01$.

Table 5. Results of Paired-Sample t test ($n = 114$).

Variables	M	SD	t value	df	Significance
Competitor orientation	4.290	1.03			
Customer orientation	4.340	1.12	14.38	113	.000

Discussion

The association between market orientation and organizational performance could be explained as the capacity of market-oriented hotels to recognize and fulfill the buyers' desires as well as monitor the competitors' action with the purpose of generating sustainable competitive advantage and superior performance. Hotels that recognize the customers' requirement are capable of maximizing their strength and minimizing their weakness in offering their products or services.

Numerous prior literatures and empirical studies show significant and positive influence of market orientation on overall performance. This research outcome confirmed that better performance could be attained through exercising competitor orientation and customer orientation. The outcome recommended that market orientation is an essential strategy or capability for superior performance attainment. The effect of market orientation on performance is consistent with earlier research results (Ellis, 2006; Grinstein, 2008; Narver & Slater, 1990; Ramayah et al., 2011; Sorensen, 2009). Both market orientation dimensions affect the performance of hotels in Malaysia significantly and positively. This research established that hoteliers could find a slightly higher performance with customer orientation compared with competitor orientation. This matches with prior findings that proposed that customer orientation appears to be the main element for reaching competitive advantage in the service industry (Zhou et al., 2009). This outcome varied from an earlier study of C. H. Chin et al. (2013) that established no positive impact of customer orientation on performance in the Malaysian hotel industry.

It is vital for the hotel management to be attentive to these results for attaining superior performance. Hence, for better performance, the hotel management should have persistent responsiveness that focuses on customer orientation and competitor orientation based on its own strategic direction. In other words, the greater the implementation of customer and competitor orientation, the greater the organizational performance. The rationality of this conception is that customer-oriented hotels could have a better understanding about their guests' desires, which enables to serve them better as well as improve the performance. Meanwhile, competitor-oriented hotels could have better information about their current and potential competitors' strengths and weaknesses, which facilitates to carry out pertinent movements to positioning their offerings better than their rivals. Thus, both hypotheses are found positive and significant in improving the performance of hotels in Malaysia.

Practical Implications

The results of the current research would benefit the hoteliers in Malaysia by clarifying the significance of market orientation as a key element of enhanced performance. The results show that superior performance could be reached through the application of effective market orientation. Therefore, hoteliers should collect information about their current and potential guests' desires continuously. Furthermore, hoteliers should evaluate their guests' satisfaction regularly and offer special care to after sales and service. Apart from that, the hotel management must also be capable of recognizing the short-range strengths and flaws and long-range strategies and capabilities of their potential rivals. This will assist the hoteliers to react swiftly to competitors' action to attain better performance. In short, hoteliers need to respond

excellently toward the gathered information about guests' demands and rivals' fortes and flaws to produce greater worth for guests, competitive advantage, and performance.

Theoretical Implications

Our findings provide significant implication to the market orientation literatures, especially in the context of the Malaysian hotel industry. This study used market orientation as an important dynamic capability in practice that influences organizational performance. Market orientation assists to get superior information and understanding of current and future market, which could reduce uncertainty as well as enhance capability to respond to market changes appropriately. From the dynamic capabilities perspective, this study provides empirical support and credibility to the market orientation, which could be considered as valuable, rare, inimitable, and non-substitutable (Hou, 2008). Therefore, market orientation is a vital capability in high velocity marketplaces. This is an important development in extending market orientation studies. Overall, this study enriches the application of dynamic capabilities in the field of market orientation.

Limitations and Future Research Suggestions

This study is based on a cross-sectional survey method. Therefore, further studies should conduct a longitudinal survey by continuously monitoring the influence of market orientation practices on long-term organizational performance. The similar issue can be replicated by other researchers in different countries or industries to validate the research instrument and findings. Whereas this study used a single respondent to answer all the items in the survey, future studies could use different respondents to reduce common method variance. Furthermore, this study has low sample size; so further studies should investigate this issue with a larger sample size. Finally, whereas this research solely focused on hotel industry, future studies could investigate other service industries, which could assist in generalizing the results.

Conclusion

The current research has extended the literature of market orientation and performance nexus in several ways. First, the result of this research suggested that competitor orientation and customer orientation are a positive and significant predictor of organizational performance when tested with BSC performance indicators in the context of Malaysian hotel industry. This study was consistent with several prior empirical findings (Kirca et al., 2005; Ramayah et al., 2011; Singh, 2009). Second, this study identified those hotels in Malaysia practicing competitor orientation and customer orientation as their marketing strategy to attain better performance. Furthermore, this study found that customer orientation

affects the performance slightly higher than the competitor orientation. As a final point, the study provided empirical confirmation on the practices and effects of market orientation toward organizational performance of hotels in Malaysia, which has been given very less consideration in the marketing literature so far.

Declaration of Conflicting Interests

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