

Organizational performance of hotels in malaysia marketing essay



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ABSTRACT

This study investigates the relationship between competitive strategy and market orientation on organizational performance of hotels in Malaysia. This paper provides an overview of the research in terms of background of the study, problem statement, questions and objectives of the study.

Additionally, this paper presents the theoretical framework and hypotheses development. Finally, this paper discusses about the significances, limitations and conclusion.

Keywords: Cost leadership, Differentiation, Customer orientation, Competitor orientation and Organizational performance

Background of the study

In the present business environment, Malaysian hospitality industry has achieved more attention. In line with, Malaysian government's policies to convert the Malaysian economic perspective from production based to knowledge based, has made the service sector became one of the pillars for the national economic growth. Based on Productivity Report 2010/2011, the service sector contributed almost 48.45 percent of the Gross Domestic Product (GDP) and 4.74 percent of productivity growth in the year 2010. Additionally, the statistic by Department of Statistic Malaysia shows that service sector remained as a major driver of the Malaysian economy by recording 7 percent growth in Third Quarter of 2011. One of the crucial components of the service sector is hospitality industry.

The hospitality industry consists of the accommodation, transportation, restaurant and entertainment sector which facing tremendous competition.
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In Malaysia, the hotel industry is a one of potential industry. The contribution of the hotel industry to the national economy is plentiful. The hotel industry is not only contributed to a variety of economic sectors but also a labour intensive industry with the capacity to create job opportunities. The Ministry of Tourism of Malaysia is encouraging development of hotel industry in Malaysia by planning and implementing various valuable events and policies. Based on Malaysian Tourism Industry Outlook, tourism is the second largest contributor to Malaysian economic development. Additionally, Malaysia has a strong tourism position as the 9th most visited country in the world and gain RM 1 billion receipts per week from the foreign tourist.

A total of 24.6 million tourists were arriving in Malaysia and spent RM 56.5 billion in 2010 compared to previous years, the number of tourist arrivals was 23.6 million and spent RM 53.4 billion. Furthermore, the World Tourism Ranking by United Nations World Tourism Organization shows that Malaysia is a second largest tourist arrival destination in Asia Pacific in 2010.

Additionally, the domestic tourism also gained revenue of RM 25.98 billion in 2009. By 2011, the Malaysian Tourism Ministry is forecasting 25 million tourist arrivals and earn RM 60 billion in tourism receipts. By 2020, the Malaysian government under National Key Economic Area (NKEA) expecting the tourism industry will contribute RM 103.6 billion in Gross Nation Incomes (GNI) by increasing the number of tourist arrivals from 24.6 million to 36 million.

Based on the report by Malaysian Association of Hotel (MAH), in November 2011 there are 888 one star to five star hotels around Malaysia. The MAH report shows that there were 264 three to five star hotels in Peninsular
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Malaysia, 102 three to five star hotels in Sabah and Sarawak and 77 three to five star hotels in federal territories. Thus, currently there were 443 three to five star hotels in Malaysia. This figure shows growing of hotel industry in Malaysia.

Problem statement

Notwithstanding the rapid growth, the hospitality industry is facing various challenges from external and internal factors in a business environment which affect the organizational performance. This terrific competitive business environment required the organization to adopt the finest competitive strategy and market orientation which can be best strategic fit for the organizational strategic direction and practices in order to achieve greater organizational performance and competitive advantage (Kumar, Subramanian & Stradholm, 2011; Parnell, 2011; Zhou, Brown & Dev, 2009; Abdullah, Mohamed, Othman & Uli, 2009; Allen & Helms, 2006; Prajogo, 2006; Javalgi, Whipple & Ghosh, 2005; Vazquez, Santos & Alvarez, 2001). In fact, the above two factors have the potential to establish the competitiveness level and organizational performance (Nandakumar, Ghobadian & Regan, 2011; Ainrafas, Irabkha & Isabba, 2011; Bordean, Borza, Nistor & Mitra, 2010; Fierro, Mur, Hart & Redondo, 2010; Bordean, Borza, Plescan & Mitra, 2010; Seedee, Sulaiman & Ismail, 2009; Vazquez, Santos & Alvarez, 2001; Porter, 1980, 1985).

Even so, a very limited empirical study has been conducted in examining the relationship between these combinations of variables which highlighted by this study. The framework proposed in this study considers the generic

competitive strategy as business level strategies and will be the independent
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variable and the marketing orientation considers as functional level strategy and apply as a mediating variable and their effects on organizational performance as a dependent variable. The previous literature reviews revealed that researchers have been using financial and non- financial method to measure the organizational performances. The financial measures such as Return on Assets, Return on Sales, Return on Equity, profitability, market share which using instruments of Ramanujam & Vengkataraman, Dess & Robinson and Lee & Miller (Nandakumar, Ghobadian & Regan, 2011; Seede, Sulaiman & Ismail, 2009; Allen & Helms, 2006).

On the other hand, some researchers used financial and non- financial instruments to measure the organizational performance (Bordean, Borza, Nistor & Mitra, 2010; Abdullah, Mohamed, Othman & Uli, 2009). Evans (2005) used the Balanced Scorecard (BSC) method in order to measure the performances of service industry. The Balanced Scorecard method found by Kaplan & Norton (1992) is a useful tool of performance measurement for the hotel industry. This balanced Scorecard equipped with four dimensions namely financial perspective, customer perspective, internal process perspective and learning & growth perspective. Actually, there were very limited studies have been conducted using the Balanced Scorecard to measure organizational performance of hotels in Malaysia. (Razalli, Dahlan & T. Ramayah, 2007; Jusoh & Parnell, 2008).

Thus, this study will use the BSC method to measure the organizational performance of hotels. Indeed, it has been very common practice to study the integrating issues from a wide range of perspectives. However,

conducting a research involving various strategic issues in one particular
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theoretical framework is still considered as unusual and latest (Yang & Huang, 2000). In short, the previous literatures show that the researchers have conducted various studies on these above mention variables independently. Hence, this could be the key inadequacy in prior researches where each study conducted on a particular basis. Even though, the past studies contributing valuable information to the existing knowledge but it is still insufficient studies which integrating these three constructs in one theoretical framework. Thus, in order to address this inadequacy and bridge the existing gap this study will investigate the importance of the relationship between competitive strategy and market orientation and the consequences on organizational performance of hotels in Malaysia. This study will examine the context of research more holistically from the strategic management perspective for the best decision making process in order to achieve superior organizational performance among hotels in Malaysia.

Research Questions

Based on the problem statement, the following questions will be used as a fundamental guidance to conduct this study which stated below:

RQ 1: Is there a relationship between competitive strategy and market orientation?

RQ 2: Is there any mediation effect of market orientation on competitive strategy and organizational performance?

Research Objectives

The general objectives of the study are to examine the influence of competitive strategy and market orientation on organizational performance.

The specific objectives are as follows:

RO 1: To investigate the relationship between competitive strategy and market orientation.

RO 2: To investigate the influence of market orientation as mediating variable in the relationship between competitive strategy and organizational performance.

Overview of Theoretical Framework

Based on the research gaps identified from the prior literature, this study will investigate constructs in the context of competition among the hotels in Malaysia. Figure 1. 1 illustrates the theoretical framework and hypotheses relationship in an endeavour to address the research objectives as mentioned before.

Figure 1. 1: Relationship of Competitive Strategy and Market Orientation on Organizational Performance.

Organizational performance

Market orientation

Competitive strategy

Competitor orientation

Cost leadership

Customer orientation

Differentiation

Hypothesis development of study

Based on the theoretical framework, this study formulates eight hypotheses to examine the relationship. The hypotheses are as follows:

H1: There is a relationship between cost leadership and competitor orientation.

H2: There is a relationship between differentiation and customer orientation.

H3: There is a relationship between cost leadership and organizational performance.

H4: There is a relationship between differentiation and organizational performance.

H5: There is a relationship between competitor orientation and organizational performance.

H6: There is a relationship between customer orientation and organizational performance.

H7: Hotel pursuing cost leadership mediating by competitor orientation produce better performance.

H8: Hotel pursuing differentiations mediating by customer orientation produce better performance.

Significance of study

This study emphasizes the importance of competitive strategy and market orientation and their relationships towards organizational performance.

Specifically, it is predicted that the adaptability of these combined factors will contribute major impact to the organizational performance. This significance of study can be viewed from two perspectives: practical and theoretical significance. Below a brief elaboration on how this study able to contribute to the body of knowledge from the strategic management perspectives specifically on the process of decision making.

Practical significance: This study will determine some imperative issues and the gaps in the literature related to the strategic relationship between competitive strategy and market orientation on organizational performance, especially in hotels of Malaysia. These analyses will shed some lights to the hotel industry's competitiveness. The findings of this study shall formulate better strategic management choices and strategic decision making in order to gain competitive advantage. In order for that, this study will generate a framework which shall enhance the confidence and potential of top executives and managers for making very concrete decisions.

Theoretical significance: This study will contribute to the competitiveness theory development and it is envisaged to be further input to the process of decision making. The new framework which proposed would expand the existing body of knowledge.

Limitations of study

The only focus of this study is on the strategic relationship between competitive strategy and market orientation on the organizational performance of hotels in Malaysia. For that reason, the scope of the study is on the hotel industry in Malaysia only, with a particular focus on three to five star rated hotels in Malaysia. Finally, other aspects or factors excluded from the scope of the study. It is undeniable, contribution from other factors or issues may perhaps affect or provide valuable information for the managerial decision making process, so if such situation occurs that will consider as limitations of the study as well.

Conclusion

In conclusion, it is predicted that the findings of this study will give a strong message to top management regarding the decision making of business level strategy and functional level strategy for the hotel industry. In other word, the top management should carefully derive best strategic choice for the hotel by making alignment between business level, functional level and operational level strategies. If all the hotels in Malaysia continuously strive towards giving importance to strategic decision making of the above mentioned factors, then there is no doubt the Malaysian hotel industry will generate superior organizational performance and competitive advantage which lead our hotel industry to be positioned in world class hospitality business.