

THE INFLUENCE OF MARKETING ORIENTATION ON ORGANIZATIONAL PERFORMANCE: A CASE STUDY IN TERENGGANU

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Published online: 17 October 2017

ABSTRACT

The purpose of this study is to analyze the important of relationship marketing in the hotel industry performance regarding Permai Hotel that represents a three-star hotel. The research involved 108 employees of Permai Hotel from a variety of departments. A simple random sampling was used and the data are analyzed using reliability analysis, descriptive frequency analysis, Pearson's correlation analysis, and regression analysis. The result shows that there is a moderate and positive relationship between communication, shared value, empathy and reciprocity with organizational performances. Although the association between the variables is moderately positive, it indicates that the independent variable influences the organization's performance is significant. It is also discovered that the most influential components of relationship marketing orientation that affect organizational performance is reciprocity.

Keywords: relationship marketing; marketing orientation; organizational performance; hotel industry; trust.

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doi: <http://dx.doi.org/10.4314/jfas.v9i5s.66>



1. INTRODUCTION

In this era of globalization, the hotel industry in Malaysia is becoming larger from time to time. Hence, the hotel industry has contributed to the development of the Malaysia tourism industry to cater for more foreign visitors and provide better services. The hotel industry can be further categorized into three segments which are hotels, restaurants, and contract caterers [1]. However, in this research, the focus is on hotels segmentations such as the revolution of relationship marketing from the production orientation to a product orientation, sales and market orientation, societal and environmental orientation. Presently, business philosophy is shifting towards relationship marketing in fostering a long-term relationship [2]. Thus, relationship marketing reflects an advanced stage of economic development [2] [3]. Moreover, [3] suggested that company that adopts a relationship marketing orientation (RMO) could improve its business performance. Despite the importance of RMO to business success, systematic inquiries for a deeper understanding of the construct have only recently begun.

There are some advantages of relationship marketing strategy that can be obtained to boost up the organizational performances. RMO can help the organization to understand better their customer needs and wants. Relationship marketing strategy (RMS), apart from its ability to help understand customers' needs, can also lead to customer loyalty and cost reduction [4] [5]. In fact, based on [6], the popularity of relationship marketing is fed by the fact that building relationships are beneficial for both customers and the enterprise.

1.1 Overview of Relationship Marketing Orientation

According to [2], the relationship marketing concept (RMC) is commonly defined as a philosophy of way of thinking that guides the allocation of resources and the formulation of strategies for an organization while RMO is considered to be the activities involved in the implementation of RMC. [7] indicates that relationship marketing is about healthy relationships characterised by trust, equity, and commitment. Other scholars such as [8] [9] have documented the following constructs, namely trust, commitment, conflict handling, and communication or sharing of secrets as the key relationship marketing variables. [2] used six components under RMO which are trust, bonding, communication, shared values, empathy, and reciprocity as well as this study.

1.1.2 Trust

[8] argues that trust be defined as a willingness to rely on an exchange partner in whom one has confidence. In retailing, [2] stressed that trust is the basis for loyalty. In strategic alliances, [10] has concluded that the biggest stumbling block to the success of alliances is the lack of trust. A betrayal of this trust by the supplier or service provider could lead to defection [11]. Moreover, [12] point out that trust as the dimension of a business relationship that determines the level to which each party feels can rely on the integrity of the promises offered by the other party. From our observations in the hotel industry, the guest will trust the seller if they had built long term relationship. When the guest trust that person that dealing with them, they will not mind if the seller charges premium rate as long as they keep dealing with the same seller. Because that seller already knows what their preferences, characteristic, needs and want.

1.1.3 Bonding

Bonding is defined as the dimension of a business relationship that results in two parties (buyer and seller) acting in a unified manner toward a desired goal [12]. While [13] stated that to develop bonds between buyers and sellers, it needs relationship marketing. Among the few empirical studies in this area is that of [14] who found that stronger personal bonds among buyers and sellers lead to a greater commitment to maintaining the relationship. The same situation happens in the hotel industry. The researcher had investigated and find out that when the buyer had close bonding with the seller, it easier to the seller to get the commitment from the buyers. Moreover, the buyer will feel more comfortable and love dealing with the seller.

1.1.4 Communication

Communication is defined as the formal as well as informal exchanging and sharing of meaningful and timely information between buyers and sellers. [3] defined communication as the formal as well as informal exchanging and sharing of meaningful and timely information between buyers and sellers. Communication fosters trust by assisting in solving disputes and aligning perceptions and expectations. When there is effective communication between an organization and its customers, a better relationship will result, and customers will be more loyal [15]. Such an interaction is reflected in the feelings of familiarity and friendship, personal knowledge, and the use of the client's family name and/or first name on the sales

spot [16]. In the hotel industry, communication plays the important role in influence guest to retain the relationship and remind them that the hotel provided the best service just for them. The seller needs to communicate confidently in front of the buyer (guest) to influence and persuade them. If there is miscommunication happen, it will affect the hotel industry performance.

1.1.5 Shared Values

Shared value is defined as the extent to which partners have common beliefs about what behaviours, goals, and policies are important or unimportant, appropriate or inappropriate, and right or wrong [8]. Organization culture is a system of shared values (that define what is important) and norms that define appropriate attitudes and behaviours for organizational members [17]. [2] suggested that relationship marketing as a process whereby a firm builds long-term alliances with both prospective and current customers so that both buyer and seller work toward a common set of specified goals. Shared value occurs when someone have similarities between them. Based on observation in Permai Hotel, buyers always seek seller that have similarities with them because the buyer can share the value between them. It happens because of the buyers feel comfortable and closest with the seller.

1.1.6 Empathy

Empathy is the dimension of a business relationship that enables the two parties to see the situation from the other party's perspective. [3] defined empathy as seeking to understand somebody else's desires and goals. [12] emphasize that in order to improve communication and sales force quality, sales manager must empathize with the sales force and show understanding. Empathy is thus defined as pursuing understanding of somebody else's desires and goals. Moreover [18] has also included empathy as a critical predictor in explaining franchiser-franchisee working relationships. We argue that some sales manager did not put themselves in the buyer place based on researcher observation in the hotel industry. They should think and understand of their customer feeling, though, wants, needs and desired.

1.1.7 Reciprocity

Reciprocity is the dimension of a business relationship that causes either party to provide favours or make allowances for the other in return for similar favours or allowances to be received at a later date [12]. This is further reinforced by [19] who suggested that relationship

marketing is characterized by “interactions, reciprocities, and long-term commitments”. In their discussion of the application of relationship marketing to retail situations, [20] have also acknowledged reciprocity in the form of gift giving (as cited in [2]). This is achieved by a win-win situation and fulfilment of promises. Furthermore, according to [20], “the rule of reciprocity focuses on a recipient’s behaviour by the social norm expressed as if you have received a drop of beneficence from other people, you should return to them a fountain of beneficence.” In simple words, the researchers conclude that you will have to repay back what you have received. The organizations should practice the concept of “give and take” in their management as basic of their relationship. The hotel must create some beneficial such as membership card or free coupon of accommodation to their guest. In this case, they had sponsored T-Team football players around RM60000. On the other hand, T-team player will help to boost up Permai Hotel image by keep staying and doing function there.

1.1.8 Organizational Performances

Organizational Performance can be seen as a multi-dimensional construct consisting of more than simply financial performance [21]. According to [22], Organizational performance is described as the extent to which the organization can meet the needs of its stakeholders and its needs for survival. From researcher understanding, the outcomes of the operations performed by the members of the organizations are called organizational performances. Besides that, according to [23] organization performance has been the most important issue for every organization be it profit or non-profit one. It has been very important for managers to know which factors influence an organization’s performance in order for them to take appropriate steps to initiate them. Based on researcher investigations, most of the hotels industries look like having misunderstanding of the term performance and productivity. Productivity term has difference meaning from the performance. It has been proved by [24], “there was a difference between performance and productivity”. Productivity was a ratio depicting the volume of work completed in a given amount of time. The performance was a broader indicator that could include productivity as well as quality, consistency, and other factors. According to [12], sales growth, and market share have been used as the two performance measures in their study and both of them are related to marketing performance. In a study by [25], there are four measurement items that are popular to be included which are market share, customer retention,

sales growth, and return on investment.

1.2 Problem Statement

A majority of research findings seek to capture the issue of relationship marketing orientations that affect the organization performance. The relationship is the crucial aspect, especially in the hotel industry. The organization cannot focus only on the marketing mix only because it just the basic approach. Marketing mix cannot guarantee the effectiveness of relationship marketing. Actually, relationship marketing oriented brings together service, quality, and marketing. According to [2], their main concern is that the marketing mix approach does not provide effective tools to model and manage the service provider-customer relationship. According to marketing executive of Permai Hotel, it easy to build the short-term relationship but to retain the customer become loyalty is hard. [2] also argue that a customer's satisfaction with a particular service is primarily an outcome of the interactive relationship between the service provider and the customer. In fact, the findings of several studies on services marketing have suggested that to acquire and maintain a competitive edge; service organizations should develop long-term relationships with their customers [26].

In order to develop long-term relationships with their customer, the organization need to form relationship marketing. The issue that arises here was whether the hotel in Kuala Terengganu applies relationship marketing in their business? Alternatively, only the four or five-star hotel likes Primula Beach Hotel that applies relationship marketing. How about the three-star hotel like Permai hotel? What will be the effects on their organization performance if they adopted the relationship marketing? Is it contributed to good or bad performances? In general, many researchers agreed that RMO have influence the organizational performance in term of profit, market share, sales growth, and customer retention. RMO had beneficially to both customer and organization.

2. THE CONCEPTUAL FRAMEWORK

The framework (Fig. 1) is formulated to explain the relationship of the independent variables and dependent variable.

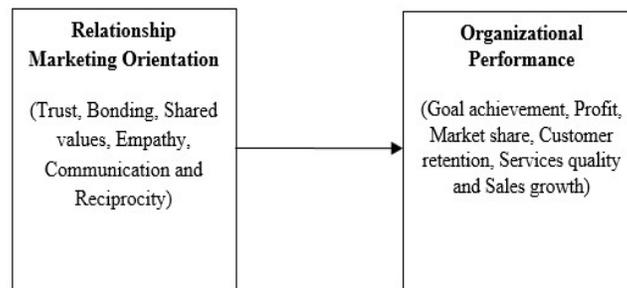


Fig.1. Conceptual framework

3. MATERIAL AND METHODS

Questionnaires were personally distributed to the staff of Permai Hotel a three star in Kuala Terengganu, Terengganu. Malaysia. According to Human Resources of Permai Hotel, the population size is estimated around 150 staffs but only 108 staffs are suitable to provide the desired information for this study. All 108 staffs were chosen as the respondents for this study. The questionnaire was divided into 3 sections; Part A (Hotel's and Respondent's Profile), Part B (Relationship Marketing Orientation components) and Part C (Organizational Performance). Except for the demographic section, all the items in section A and B were constructed with a seven-point Likert Scale ranging from "1" which represents "strongly disagree" to "7" which represents "strongly agree". The demographic (section A) are measured using the ordinal and nominal scale.

4. RESULTS AND DISCUSSION

Based on Pearson Correlation Analysis, the result shows that there is a significant effect of trust on organizational performance. This result is in harmony with a study done by [27] which trust is the best predictor of business performance outcomes. From this finding, it is clearly show that the relationship is based on trust, both either staff or customer will gain positive perception of the relationship and regard trust has a positive impact on their business performance outcomes. Therefore, bonding was found to have a significant correlation effect on organizational performances. This result is consistent with [28] who found that when firms have a stronger sense of personal closeness or bonding with customer, they tend to be more

committed in the exchange relationship. The commitment will lead to on-going relationships and repeat purchased or visited behaviour. This result also shows that when the relationship is closeness enough, both either staff or customer will understand each other well.

Shared values also show positive impact on organizational performance. This result is in line with [29] that indicate when management of a firm does not perceive the collaboration with the customer as advantageous; they become less willing to invest, such as money, time, and effort, to sustain a continual exchange relationship. For empathy components, as claimed by [20] which found that since Chinese people are not likely to talk about their preferences and beliefs in an open way, it is essential for staff to predict their needs and realize the way they feel without asking.

An addition, as claimed by [27], when one party attempts to understand situation of the other in the Chinese business context, namely to develop empathy in a dyadic relationship, the counterparty is obliged to return a favour in order to maintain a continual working relationship. Communication also has the significant effect on organizational performance. This study is contrasted with [30] studies that concluded that ineffective interaction with customers may reduce their positive perception of a successful relationship between staff and customers. This result shows that the high quality of communication will lead to higher level of trust. Thus, this study propose that it will create positive relationship on organizational performances.

Table 1. Pearson correlation analysis

Independent Variables	R Value	Relationship	Significant Value	Direction of Relationship
Trust	r = 0.221	Weak	0.011	Positive
Bonding	r = 0.255	Weak	0.004	Positive
Communication	r = 0.523	Moderate	0.000	Positive
Shared Values	r = 0.545	Moderate	0.000	Positive
Empathy	r = 0.566	Moderate	0.000	Positive
Reciprocity	r = 0.581	Moderate	0.000	Positive

4.1 Regression Analysis

A multiple regression analysis was conducted to determine whether the degree of changes in the dependent variable is due to the changes in the independent variables (predictors). The regression analysis also revealed a model summary with a r square value of 0.475. This result also means that 47.50% of the changes in the organizational performance is due to the changes in the 6 predictors, i.e Reciprocity, Bonding, Trust, Shared Values, Communications and Empathy. All results are shown in Table 2 and three

Table 2. Model summary of the predictors and organisational performance

Model	R	R Square	Adjusted R	
			Square	Std. Error of the Estimate
1	.689(a)	.475	.444	.69171

a Predictors: (Constant), Reciprocity, Bonding, Trust, Shared Values, Communications, Empathy

b Dependent Variable: Organizational Performance

Table 3. Coefficient of predictors and organisational performance

Model	Unstandardized Coefficient		Standardized Coefficient		t	Sig
	Beta	Std. Error	Beta			
(Constant)	2.344	.834			2.809	.006
Trust	-.370	.201	-.164		-1.837	.069
Bonding	-.040	.096	-.048		-.419	.676
Communication	.256	.124	.315		2.063	.042
Shared Values	.301	.140	.293		2.146	.034
Empathy	-.136	.182	-.141		-.748	.456
Reciprocity	.529	.139	.480		3.800	.000

Table 3 shows the regression coefficient of predictors and organizational performance. Based on this finding, the six independent variables, trust, bonding and empathy does not provide enough evidence to influence the dependent (Trust: Beta = 37%, $p = 0.069$), (Bonding: Beta = 4%, $p = 0.676$) and (Empathy: Beta = 13.6%, $p = 0.456$). Only three remaining independent variables (Communication: Beta = 25.6%, $p < 0.05$), (Shared Values: Beta = 30.1%, $p < 0.05$) and (Reciprocity: Beta = 52.9%, $p < 0.05$) have truly influence the organizational

performance of Permai Hotel in Kuala Terengganu when all six variables were tested simultaneously.

4. CONCLUSION

The finding of Pearson Correlation in this study clearly indicated that all the independent variables (trust, bonding, communication, shared values, empathy and reciprocity are positive significantly related towards organizational performance. However, trust, bonding and empathy did not provide enough evidence to show significant relation on organizational performance through regression analysis and indicated only communication, shared values and reciprocity have positive significant relationship with the performance of company. Hence, it revealed that reciprocity is the most dominant factor on performance of a firm with higher Beta =0.529. Obviously, there are low trusts; bonding and empathy exist between them (staff and customer). Thus, Permai Hotel had adopted relationship marketing orientation in measuring their organizational performance but they have to be more consistent as a way to maintain their performance.

5. ACKNOWLEDGEMENTS

We would like to express our gratitude to Research and Publication Department, Universiti Teknologi MARA, Terengganu, Malaysia for the support in completing this study.

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How to cite this article:

Zainuddin Z, Nurul Syuhada B, Ahmad Suffian M Z, H. Maizatul Nur Adila H, and Hayati Adlin M A M. The influence of marketing orientation on organizational performance: A case study in Terengganu. *J. Fundam. Appl. Sci.*, 2017, 9(5S), 932-944.