

Moderating Effect of Competitive Intensity on the Relationship between Customer Orientation and Performance of Hotels in Kenya

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Abstract

Customer orientation should permeate the overall activities of a firm in a competitive environment as it is considered to be an essential element for enhanced performance. The main objective of this study was to empirically test the moderating effect of competitive intensity on the relationship between customer orientation and performance of hotels in Kenya. Resource-Based View (RBV) theory grounded the study. The study employed explanatory research design and sampled 330 respondents from a target population of about 630 managers in 210 hotels, listed under Kenya Association of Hotelkeepers and Caterers (KAHC). Respondents were selected using cluster sampling combined with simple random. Primary data was collected using a structured questionnaire. Data was analyzed using Statistical Package for Social Sciences (SPSS 22.0). Stepwise regression was used to test the research hypotheses. The results revealed that customer orientation is directly associated with hotel performance and has a significant effect on the relationship. The study further revealed that competitive intensity has a moderating effect on the relationship between customer orientation and hotel performance. It therefore reasonable to conclude that customer orientation is an important determinant of performance. The study recommends that hotels must view customer relationship as an asset, consider customer retention as a priority and be committed to meeting customers' needs and expectations. Such measures will offer hotels better understanding of customers in a competitive business environment which will eventually lead to enhanced performance.

Keywords: Customer Orientation, Competitive Intensity, Performance, Hotels, Kenya

1. Introduction

Firm performance is the most important indicator of organizational success. Intense global competition a characteristic of the current business environment has generated a high level of uncertainty among companies in all industries (Gavrea *et al.*, 2011). This hyper competition requires continuous performance which is the focus of any organization. It is only through performance that organizations are able to grow and progress. Thus, knowing the determinants of organizational performance is important especially in the context of the current economic crises. The knowledge enables the identification of factors that should be treated with an increased interest in order to improve the performance. It is increasingly recognized that the performance of any organization is substantially dependent upon the knowledge of its customers, the application and integration of that information. This trend stresses the importance of customer orientation as a promoting factor on firm performance. Customer orientation has been cited as a key component for companies to survive and create an advantage in the competition (Chahal and Kumari, 2011).

Smirnova *et al.* (2011) suggested the direct role of customer orientation on business performance and tested the impact of market orientation as direct and indirect antecedents of relational capabilities and subsequently of overall firm performance. Customer orientation involves the analysis of customers' needs and receptiveness of organization to such needs, upon which they plan and design their strategies (Nakata and Zhen, 2006; Dean, 2007). Bagozzi *et al.* (2012) simply defines customer orientation as concern for customers. Over the last three decades, the concept of customer orientation has gained popularity in the field of marketing management practices and theories.

A customer orientation provides the firm with the strategic direction to encourage appropriate behaviours that focus on creating superior customer value. (Day, 2003). A customer orientation includes all the activities that are involved in acquiring information about customers in a market and in disseminating the information throughout the organization (Narver and Slater, 2004). Such behaviours are related to gathering market intelligence about the current and future needs of customers and sharing that information throughout the firm (Gatignon and Xuereb, 1997). Since this customer information must be transformed into knowledge, a customer orientation is linked to learning behaviours and to innovation capabilities (Han, *et al.*, 1998)

Competitive intensity is one of the factors contributing to environmental hostility (Dibrell, *et al.*, 2007; Kumar & Subramanian, 2000), a situation where competitiveness is aggressive owing to a number of competitors and the absence of potential opportunities for more growth (Auh and Menguc, 2005). As competitiveness intensifies, Auh and Menguc (2005) proposes that the outcomes of a firm's performance will no longer be deterministic but stochastic as the performance is greatly influenced by the actions assumed by competitors.

Consequently, predictability and certainty lessens as conditions of competitive intensity increases. When competition is minimal, firms can operate with their existing systems to fully capitalize on predictability of their own performance (Zuniga-Vicente and Vicente-Lorente, 2006). A company that is not customer-oriented may lose its customers to competitors. Therefore, when competitive intensity increases, firms will have to adjust accordingly. In retaliation to competition, firms will have to employ risk-taking and proactive activities of bold learning and assessment to break out of price or promotion wars.

The hotel industry like any business sector, has to be highly competitive to be able to do well in the business environment. Subsequently, hotels use different methods to differentiate themselves from their competitors. The lower classified hotels identify themselves as offering “value for money” to their guests. The medium classified hotels focus more on the quality of products for example guest rooms, restaurants and location of the hotel. The high classified hotels differentiate themselves by offering superior products and customized services (Lo *et al.*, 2009). Largely, the moderating effect of competitive intensity is still unclear. On one hand, it may have a positive impact as it provides companies with creativeness and opportunities (Jermias, 2006). While on the other hand, it may reduce the positive impact of the innovative practices on performance due to the associated risk of failure (Garcia-Zamora *et al.*, 2013). Several studies have examined the link between customer orientation and performance. These studies that have supported the relationship between customer orientation and profitability, most were conducted in the US, Europe, and Asia (Liu *et al.*, 2003). To gain better understanding of the customer orientation – performance relationship, this study was set to analyse the moderating effect of competitive intensity on that relationship.

2. Literature Review

The use of the RBV theory in marketing research has grown exponentially in the past decade, which suggests its importance as a framework for explaining and forecasting competitive advantage and performance outcomes (Barney *et al.*, 2011; Slotegraaf *et al.*, 2003; Vorhies and Morgan, 2005). RBV theory which shoots from the principle of the source of firms’ competitive advantage (understood as enhanced performance), lies in their internal resources as opposed to their positioning in the external environment. A study by Asikhia and Binuyo (2012) on customer orientation used RBV arguing that a firm is uniquely capable of sustaining competitive advantage through dependable encapsulation of customers’ needs and expectations and ability to scan the market environment.

Customer Orientation

Past studies have led to the conclusion that any organization that embraces customer orientation approach is more likely to achieve their desired organizational goals more efficiently than competitors and thus achieve enhanced performance (Yueh *et al.*, 2010; Dean, 2007; Lukas and Ferrell, 2000; Narver and Slater, 1990). Despite the importance of the concept of customer orientation, some authors have raised significant questions regarding the effect of customer orientation on performance (Gera, 2011; Ang and Buttle, 2006; Avnet and Higgins, 2006; Best, 2005; Anderson, 2003).

Asikhia (2010) studied the relationship between customer orientation and firm performance among the small and medium scale businesses in Nigeria. Results of this study indicated that there was a positive and significant relationship between customer orientation and firm performance in the context of Nigerian small and medium scale business. The result also revealed that marketing information system and managerial attitude moderated the relationship. The outcome of this study provides very important information from a developing country perspective on the need for small and medium scale businesses to adopt customer orientation as a survival and competitive strategy towards achieving customer advantage in a turbulent business environment

Brockman *et al.* (2012) examined the customer orientation–performance relationship among 180 small firms, and the moderating influence of risk-taking, innovativeness, and opportunity focus on that relationship. Results supported the overall positive influence of customer orientation on performance and indicate that the influence is stronger as risk-taking, innovativeness, and opportunity focus increase. However, customer orientation does not positively influence small firm performance under low levels of risk-taking, innovativeness, and opportunity focus.

Asikhia and Binuyo (2012) looked at the relationship between customer orientation and firm performance while using competitive intensity as moderator of some unsystematically selected firms in the Nigerian economy. Structured questionnaire were distributed to officers responsible for the strategic direction of the firms and the resultant data was subjected to descriptive statistical analysis, analysis of variance, correlation and regression analysis. The results obtained show that competitive intensity affect the relationship between customer orientation and firm performance.

Pongwirithon and Awirothananon (2014) investigated the relationship between customer orientation and firm performance among Thai SMEs. It also examined the moderating effect of marketing information system and managerial attitudes. Questionnaire were used to collect data on a sample size of 220 SMEs in the North-eastern region of Thailand. The results show that customer orientation positively significant relevant to firm performance

among Thai SMEs. This study also finds that marketing information system and managerial attitude are related to each other in order to adopt the strategy to achieve competitive advantages of Thai SMEs in a turbulent business environment. Following the above discussion, to evaluate the performance of hotels this study hypothesized:

H₁ *Customer orientation significantly affects hotel performance*

Competitive Intensity

Competitive intensity is one of the factors contributing to environmental hostility (Dibrell, *et al.*, 2007; Kumar & Subramanian, 2000), a situation where competitiveness is aggressive owing to a number of competitors and the absence of potential opportunities for more growth (Auh and Menguc, 2005). As competitiveness intensifies, Auh and Menguc (2005) proposes that the outcomes of a firm's performance will no longer be deterministic but stochastic as the performance is greatly influenced by the actions assumed by competitors. Consequently, predictability and certainty lessens as conditions of competitive intensity increases. When competition is minimal, firms can operate with their existing systems to fully capitalize on predictability of their own performance (Zuniga-Vicente and Vicente-Lorente, 2006). A company that is not customer-oriented may lose its customers to competitors. Therefore, when competitive intensity increases, firms will have to adjust accordingly. In retaliation to competition, firms will have to employ risk-taking and proactive activities of bold learning and assessment to break out of price or promotion wars. The hotel industry like any business sector, has to be highly competitive to be able to do well in the business environment. Therefore, it is important to focus on competitive intensity as a moderator in the relationship between customer orientation and hotel performance. Therefore, the study hypothesized.

H₂ *Competitive intensity significantly moderates the relationship between customer orientation and hotel performance*

Conceptual Framework

The study conceptualized that competitive intensity moderates the relationship between customer orientation and hotel performance. The relationship is based on RBV that suggests that performance of a firm is influenced by its internal resources and capabilities, as opposed to their positioning in the external environment. This model is based on previous studies (Brockman *et al.*, 2012; Sin *et al.*, 2005). The dependent variable is hotel performance. The constructs used to measure performance are: customer satisfaction, customer retention and sales growth. Customer orientation was measured using: commitment to meeting customers' needs and expectations, employees encouraged to focus on customer relationships, there is frequent distribution of customer information, top management give emphasis to customer relationships, customer retention is a priority and customer relationship is viewed as an asset. The study controlled for star rating, firm age, firm ownership and firm size which were expected to affect performance.

Conceptual Framework

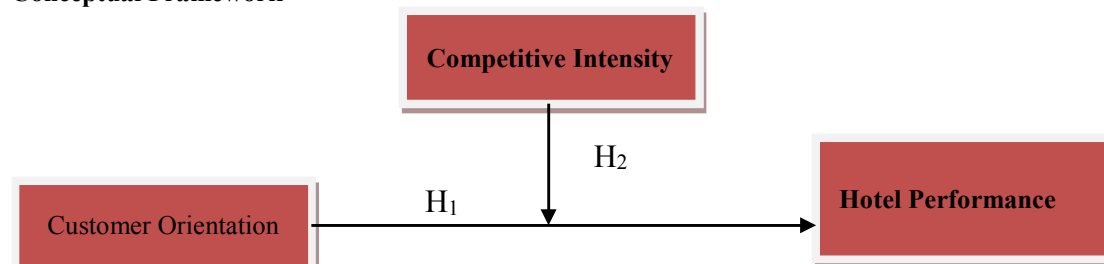


Figure 2.1: Conceptual framework

3. Research Methodology

This study is in line with positivism approach, which seeks to use existing theory to develop hypotheses that are tested and confirmed wholly, in part, or otherwise refuted leading to further development of theory to be tested with further research. This study employed explanatory survey research design as it sought to describe and establish associations among key study variables. The survey was conducted mostly among rated hotels in selected regions in Kenya. A random sample of 132 hotels was made from those listed as members of Kenya Association of Hotelkeepers and Caterers (KAHC) with the main justification being that most classified hotel enterprises are well established. Three managers were selected from each hotel, that is, General Manager, Front Office/Guest Relations manager and Marketing manager. The choice of the three was based on the fact that they are involved in customer relations especially customer orientation (Dholakia, 2006). The study used primary data collected using structured questionnaires. For the purpose of determining the reliability of this study, the Cronbach's alpha test was conducted on all the scales, using a 0.70 cut-off point. The study results indicated that the minimum

required Alpha values of 0.70 were exceeded in all the cases, signifying that the instrument used was reliable.

4. Findings of the Study

Data analysis was conducted using both descriptive and inferential statistics. Descriptive analysis was done using mean and standard deviation. The study hypotheses were tested in two stages using stepwise regression and moderated analysis (Field, 2009; Barron and Kenny, 1986) where the significant level was set at 0.05. In the first model, the independent variable was set against the dependent variable. The second model, the controls were set against the dependent variable. Independent variable and moderating variable were set against the dependent variable in the final stage. The null hypotheses were either rejected at $p < 0.05$ level, or fail to reject at $p > 0.05$ level.

A total of 408 questionnaires were issued and 330 were adequately completed and returned, representing 81% response rate. Majority of the managers involved had an undergraduate degree (38.5%), while 54% had a diploma and higher diploma. Only 6.4% had a masters or postgraduate degree. Most of the hotels involved were 4 Star (43.3%), followed by 3 Star (24.5%) and 5 Star (21.8%). Slightly over 10% indicated ratings below 3 Star or non-rating. With reference to type of ownership, a majority indicated that the hotels are locally owned (53.3%) while 20.9% are owned by foreigners. Additionally, the number of employees in a hotel was put into account. The largest percentage of respondents reported that hotels employed 1-100 employees (49.7%), followed by hotels employing 101-200. Only 2.1% had more than 400 employees. This gives an indication that generally, most of the participating hotels had between 1 and 100 employees.

Descriptive Statistics of Customer Orientation

The study used ANOVA to show the statistical difference of Means (M) of CRM dimensions among the firm size categories. This section of the analysis put into account the influence of firm size on customer orientation and competitive intensity. Customer orientation provides a firm with a better understanding of its environment and customers, which ultimately leads to improved performance. In relation to customer orientation, Table 1 highlights that hotels with employees in the range of 101-200 exhibited the highest mean (M=4.72) while hotels with 201-300 employees revealed the lowest mean (M=4.61). However, the relationship between firm size and customer orientation is not statistically significant (F=0.914, $p > 0.05$). On competitive intensity in relation to firm size categories, the study found that the highest competitive intensity was found in the largest hotels while the least was found in small hotels. The distribution of competitive intensity among the firm size categories of the hotels was statistically significant. This implies that competition will depend on the size of the hotel.

Table 1 Customer Orientation and Firm Size

		N	Mean	Std. Deviation	ANOVA (F value)	Sig.
Customer Orientation	1-100	164	4.59	0.37	0.914	0.436
	101-200	82	4.72	0.38		
	201-300	42	4.61	0.36		
	301-400	35	4.67	0.31		
	Above 400	7	.	.		
	Total	330	4.63	0.36		
Firm Size	1-100	164	3.93	0.54	3.717	0.006
	101-200	82	4.15	0.44		
	201-300	42	3.81	0.59		
	301-400	35	3.99	0.61		
	Above 400	7	4.17	0.56		
	Total	330	3.98	0.54		

The study used ANOVA to show the statistical difference of means of customer orientation among firm age categories. The influence of firm age on customer orientation and competitive intensity was put into account. As evidenced in Table 2, hotels that had existed for 11-15 years exhibited the highest mean (M=4.74) and the lowest mean (M=4.54) was of firms that had existed for a period of 1-5 years. This implies that the hotels that have been in operation for a longer period of time were able to understand their customers better hence satisfying them. However, the relationship between firm age and customer orientation is not statistically significant. For competitive intensity and firm age, the results indicate no statistical difference as evidenced by the $p > 0.05$. In this regard, the highest mean was realized by hotels that have existed for 11-15 years. Thus, competitive intensity does not depend on age of the hotel.

Table 2 Customer Orientation and Firm Age

		N	Mean	Std. Deviation	ANOVA (F value)	Sig.
Customer Orientation	1-5 years	82	4.54	0.39	1.386	0.242
	6-10 years	62	4.63	0.36		
	11-15 years	46	4.74	0.25		
	16-20 years	36	4.55	0.38		
	Over 20 years	104	4.69	0.37		
	Total	330	4.63	0.36		
Firm Age	1-5 years	82	4.01	0.51	1.371	0.244
	6-10 years	62	4.02	0.60		
	11-15 years	46	4.09	0.45		
	16-20 years	36	3.86	0.63		
	Over 20 years	104	3.93	0.53		
	Total	330	3.99	0.54		

The study used ANOVA to show the statistical difference of means of customer orientation among the hotel Star Ratings. Findings in Table 3 showed that customer orientation was high in 5 Star hotels ($M=4.55$, $SD=0.47$) and lower in 3 Star hotels ($M=4.24$, $SD=0.63$). The difference of customer orientation among the hotel classifications was statically different as shown by F value of 5.268, $p<0.05$). This implies that customer orientation deployment in a firm is likely to be influenced by the rating of a hotel.

Table 3 Customer orientation and Star Rating

		N	Mean	Std. Deviation	ANOVA (F value)	Sig.
Customer Orientation	3 star	81	4.2428	0.626	5.268	0.001
	4 star	143	4.5128	0.549		
	5 star	72	4.55	0.472		
	Other	34	4.4706	0.479		
	Total	330	4.4495	0.557		
Star Rating	3 star	81	3.9687	0.607	9.037	0.000
	4 star	143	4.2825	0.545		
	5 star	72	4.1796	0.491		
	Other	34	3.8569	0.521		
	Total	330	4.1392	0.567		

The firms' ownership was categorized as foreign, local and family. The study assessed customer orientation distribution depending on the three categories of firm ownership. Findings in Table 4 showed that customer orientation was high in foreign owned firms ($M=4.62$, $SD=0.45$) and lower in family owned firms ($M=4.36$, $SD=0.609$) the difference was significant (F value = 4.386, $p<0.05$). This implies that customer orientation deployment in a firm is likely to be influenced by firm ownership.

Table 4 Customer Orientation and Ownership

		N	Mean	Std. Deviation	ANOVA (F value)	Sig.
Customer Orientation	Foreign	69	4.62	0.45	4.386	0.013
	Local	176	4.4271	0.559		
	Family	85	4.3608	0.609		
	Total	330	4.4495	0.557		

Further, to test the normality distribution, the study examined the skewness and kurtosis values. Skewness is used to measure the symmetry of a distribution while kurtosis is used to measure the peakness or flatness of a distribution (Tabachnick and Fidell, 2007). The values of skewness and kurtosis revealed that the data was normally distributed where the skewness values were in the range of -1.202 to -0.248. The values for kurtosis, on the other hand, were in the range of -0.511 to 1.132 (Table 5).

Table 5 Grade Mean for Study Constructs

	N	Min	Max	Mean	Std. Deviation	Skewness	Kurtosis
Customer Orientation	330	2.17	5	4.4495	0.55724	-1.202	1.132
Competitive Intensity	330	2	5	3.9808	0.53874	-0.396	0.002
Performance	330	2.33	5	4.2389	0.53981	-0.452	0.050

Factor Analysis for Study Variables

Factor analysis attempts to identify underlying variables, or factors that explain the pattern of correlations within a set of observed variables. Sampling adequacy was tested using the Kaiser- Meyer- Olkin (KMO) measure of sampling adequacy for each of the two factors. From Table 6, the KMO has a measure of for all variables were above the threshold of 0.5 (Field, 2005) hence acceptable. The Bartlett's test is significant for ($p < 0.05$). The results in Table 6 show that six items for customer orientation were sorted. The results of principle component analysis indicate that Eigenvalues exceed 1.0. The Eigenvalue of a factor represents the amount of the total variance explained by that factor. For all factors, the factor has Eigenvalue of above 1. The factors identified in this study cumulatively explained above 50% of the total variance. All the items had factor loading of 0.5 or greater and loaded only on one factor. Therefore, the factors were retained and used to construct the indexes described below (Liao *et al.*, 2007; Toh Tsu Wei *et al.*, 2009).

Table 6 Factor Analysis for Study Variables

	loading	KM	Eigenvalu	Cumu
	s	O.	es	%
Customer Orientation				
The company is committed to meeting customer's needs and expectations	0.532	0.769	2.56	59.295
Employees are encouraged to focus on customer relationships	0.794			
There is frequent dissemination of customer information throughout the firm	0.74			
Senior management emphasizes customer relationships	0.729			
Customer retention is our priority	0.876			
Customer relationship is viewed as an asset	0.617			
Competitiveness Intensity				
Competition in our industry is cut-throat	0.7	0.664	2.585	59.941
There are many promotional wars in our industry	0.703			
Anything that one competitor can offer, others can match easily	0.633			
Price competition in our industry is intense	0.795			
Competition for market share in our industry is intense	0.752			
Our competitors are presumed relatively weak (r)	0.907			
Firm Performance				
		0.679	2.123	63.449
Guests comments on survey forms indicate likelihood to return	0.703			
Guests levels of complains are manageable	0.786			
Customers are satisfied with the services offered to them	0.74			
Customer retention	0.821			
Sales growth	0.863			

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Correlation Analysis

In this study, Pearson correlation analysis was conducted to examine the relationship between variables (Jahangir and Begum, 2008). Pearson correlation analysis is recommended by Toh Tsu Wei *et al.*, (2009) as a preliminary test before running regression or any other sophisticated model. A significant and positive correlation exists between customer orientation and firm performance ($\beta = 0.59, p > 0.05$).

Regression Analysis

The study used Stepwise regression models to test the moderating effect of competitive intensity on the relationship between customer orientation and firm performance. The model summary of results revealed that adjusted $R^2 = 0.346$ indicating that about 34.6% of the variance in performance can be accounted for by the customer orientation (Table 7).

Control Effects

The study used star rating, firm age, firm ownership and firm size as controls. Findings indicated only firm ownership had a significant effect on the relationship between customer orientation and hotel performance (Model 1, Table 8). The other control variables were not significant and the inclusion did not affect the results.

Step-wise Regression (Hypothesis 1)

The results of linear regression: step-wise, as presented in Table 7 revealed that customer orientation has a positive

and significant effect on hotel performance with a beta value of ($\beta=0.59, p>0.05$). The results support hypothesis H₁ and it is accepted that for each unit increase in customer orientation, there is 0.59 unit increase in hotel performance. Based on the results in chapter four, customer orientation is a priority to firms. Particularly, firms are committed to meeting customer's need and expectations. This commitment is exhibited through frequent dissemination of customer information throughout the firm and an emphasis on customer relationships by the senior management. As a result, organizations that embrace customer orientation are more likely to achieve their desired organizational goals more efficiently than competitors and thus improved performance. These findings support prior studies that confirm significant effect of customer orientation on firm performance. (Brockman *et al.*, 2012; Yueh *et al.*, 2010; Dean, 2007; Lukas and Ferrell, 2000; Narver and Slater, 1990; Nakata and Zhen, 2006). It can be inferred that, the more hotels are customer focused in their operations, the more they will have a competitive advantage which translates to increase in performance. The findings are further supported by the argument that a customer-oriented firm puts the customers at the centre of its operation and sees the customers as its reason for being in business. As a result, customer focused firms' delivers goods and services to meet their clients desired needs (Kotler and Keller, 2009). Therefore the findings of this study indicate the importance of customer orientation. Subsequently, the current results helps in answering the significant question regarding whether customer orientation actually explains enhanced performance (Gera, 2011; Ang and Buttle, 2006; Avnet and Higgins, 2006; Best, 2005; Anderson, 2003). Therefore the hypothesis H₁ is accepted.

Table 7 Coefficients of estimate

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.697	0.194		8.759	0.000
Customer Orientation	0.571	0.043	0.59	13.228	0.000
R Square	0.348				
Adjusted R Square	0.346				
F	174.978				
Sig.	.000b				

a Dependent Variable: performance

Step-wise Moderated Regression: (Hypothesis 2)

The study hypothesized that competitive intensity has a significant moderating effect on relationship between customer orientation and hotel performance. Findings in Table 8 indicated a significant moderating effect of competitive intensity on the relationship between customer orientation and hotel performance (adjusted R² = 0.375). Hence, the hypothesis H₂ was supported and argue that the strength of the relationship between customer orientation and performance increases. However, the effect of effect of competitive intensity on the relationship between customer orientation on hotel performance was weakened ($\beta=0.035$). This competitive intensity is as a result of rivalry that exists between firms that sell similar products or services to the same market segment. Intensive rivalry is due to promotional wars, frequent and daily competitive moves and prevalent price competitions. Subsequently, cut throat competition would eventually lead to firms becoming more customer focused so as to retain and win customers from other competitors. This result concur with prior researchers who studied the impact of competitive intensity on corporate performance and as moderating effects in market orientation-performance relationship (Slater and Narver, 1994; Kumar and Subramanian, 2000; 2005; Russo and Harrison, 2005; Zuniga-Vicente *et al.*, 2006). The result of this research is particularly consistent with the results obtained from UK/USA and larger parts of the world where strong, positive and significant relationship between customer orientation and firm performance were reported (Nakata and Zhen, 2006). Additional, current results are consistent with findings from Jaworski and Kohli, 1993 who indicate that the relationship between customer orientation and firm performance is influenced by competitive intensity. They posits that in fierce competition, firms must be innovative in both product and process and examine how they will differentiate themselves from competitors. Hence, in competitive environments, the best way for a hotel to retain their guests is to become customer-centric and meet individual needs.

Table 8 Moderating effect of Competitive Intensity (Stepwise Regression)

	Model 1		Model 2		Model 3	
	B	Std. Error	B	Std. Error	B	Std. Error
(Constant)	4.347*	0.147	1.927*	0.228	2.069*	0.226
Star rating	0.056	0.033	0.016	0.027	0.011	0.027
Number of years in operation	-0.006	0.02	-0.014	0.016	-0.01	0.016
Ownership of hotel	-0.131*	0.046	-0.079*	0.038	-0.084*	0.037
Number of employees	0.029	0.03	0.006	0.025	0.001	0.024
CO			0.555*	0.044	0.388*	0.061
CO*CI					0.035*	0.009
R	.218		.599		.622	
R Square	0.048		0.358		0.387	
Adjusted R Square	0.036		0.348		0.375	
F	4.058		36.196		33.918	
Sig.	.003		.000		.000	

$p < 0.05$

CO – Customer Orientation CI – Competitive Intensity

Source: Research Data (2015)

5. Conclusions and Recommendation

The study extends the understanding of customer orientation – performance relationship by introducing the moderating variable of competitive intensity to explain the effect of competitive intensity in hotels of emerging economies. The study also extended previous findings that were mostly limited to sectors such as banking, telecommunication, healthcare and contact center to a different business sector (hotel industry) in a developing economy.

Customer orientation has a positive impact on hotel performance. Through customer orientation, hotels are able to put customers' interest first. The focus is on customer relationships in order to identify consumer desires and reflect their needs in the services offered to them. In other words, there is commitment to meeting customer's needs and expectations. Consistent with the RBV theory that possession of valuable resources such as customer orientation lead to enhanced firm performance. The results revealed a significant and direct relationship between customer orientation dimension and firm performance. This study further attempted to extend the RBV theory by introducing the external environmental factor of competitive intensity. Firms need to ensure interactive communications between employees and customers. They also need to collect customer information and update in a timely fashion for developing customer profile in assessing customer retention behaviour.

It is prudent for firms to identify consumers' desires and work towards meeting their needs and expectations. Hotels should also make it their priority to focus on customer relationships so that they are aware of the changing needs of customers. Hotels can therefore modify their services based on customers' preferences. Further, in order to survive from the heightened competition in the hospitality industry, hotels need to see quality from the point of view of its customers. Hotels should put customers at the center of strategic focus to be able to have improved performance.

It is recommended to compare the findings of the current study with data that reflect the customers' perspective especially that customers are the main target of customer orientation. Similarly, given that the customer orientation measurement scale and framework was tested among hotels in Kenya, future research could validate the measure model and test the framework in other sectors and/or a different national context to establish a business and/or global generalization respectively. Additionally, this study makes use of cross-sectional data analysis, which does not allow one to make any causal inferences or to identify any possible time-lag of the research constructs. Other studies thus may consider using longitudinal data analyses as to capture the thrust of this study better.

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