

## Market orientation and performance: The mediating effect of service quality and moderating effect of star rating system

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### Keywords

Market orientation, Service quality, Star rating system and Performance

### Abstract

*This study examined the effects of market orientation, service quality and star rating system on Malaysian hotel performance. 475 questionnaires distributed to three star and above hotels and 206 completed questionnaires collected. Structural equation modelling (SEM) with AMOS 20 was utilized to test the data. Goodness of fit of the revised structural model indicates fit. This research has proven five direct causal effects: competitor orientation and performance; customer orientation and performance; competitor orientation and service quality; customer orientation and service quality and service quality and performance. Furthermore, this study also found mediating effects of: (1) competitor orientation, service quality and performance; (2) customer orientation, service quality and performance. Thus, the findings suggested service quality plays a significant role in market orientation and performance relationship. Finally, this study found the star rating system does not moderate the inter-functional coordination, service quality and performance link. The results of this research will add new insight in terms of theoretical and practical for the scholars and practitioners.*

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### Introduction

To remain competent in an existing uncertain business environment, the effectiveness of the organizational level orientation is very much crucial for every organization (Goldman & Grinstein, 2010). In Malaysia service sector considered as the imperative sector that largely contributes to the nation's GDP (Awang, Ishak, Radzi & Taha, 2011). One of the important segments under service sector is the hotel industry. Therefore, hotel industry needs to ensure their performance constantly superior.

The past literature shows that market orientation may perhaps advance the performance. Numerous researches show that the right execution of market orientation could drive to efficiency such as service quality that lead to better performance (Ramayah, Samat & Lo, 2011). However, the literature indicates that the star rating system could affect the performance. Thus, this research established several objectives:

1. To test the association of market orientation and organizational performance.
2. To investigate the service quality as mediator on market orientation and organizational performance linkage.
3. To investigate the star rating system as moderator on inter-functional coordination, service quality and organizational performance linkage.

In this article, the researchers reviewed the literature on market orientation, service quality and organizational performance. We presented the framework, research methods and results. Finally, the discussions, implications and future research suggestions were disclosed.

## Literature review

### Underpinning theory

Barney (1991) explained that resource based view (RBV) theory emphasis a company has a package of assets and abilities. In addition, abilities refer to the skill of firm to exploit its resource or capacity of a firm to mix and match various resources by managerial methods to produce anticipated outcomes (Prahalad & Hamel, 1990). RBV model has been highly utilised in the marketing literatures precisely to recognize the organizational performance and also to evaluate the associations of marketing with other functional competencies and their significance on performance (Song, Nason & Benedetto, 2008; Palmatier, Dant, & Grewal, 2007, Liebermann and Dhawan, 2005). Even though, extensive studies have been published about market orientation, but literature discloses concerns allied with internal elements contributing to the triumph of organizational performance utilizing market orientation and service quality based on RBV have yet to be wholly discovered. Therefore, this paper used RBV as an underpinning theory to integrate and investigate the effects of market orientation, service quality and star rating system on organizational performance.

### Market Orientation

Past literature show that market orientation considered as marketing concept and marketing strategy which assist to create superior organizational performance (Martin-Cosuegra & Esteban, 2007). There were various definitions of market orientation introduced by several researchers for instance, Kohli and Jaworski, 1990; Narver and Slater, 1990; Ruekert, 1992; Despande, Farley & Webster, 1993 and Day, 1994.

For this study, the researcher used market orientation defined by Narver and Slater (1990). He mentioned that market orientation is an organizational culture that creates necessary behavior to provide superior customers' value. Competitor orientation observes the competitors closely and understands their strength and weaknesses meanwhile, customer orientation explains about recognising of potential customers to constantly produce higher value. Whereas, inter-functional coordination explains about the usage of market facts by coordinating efforts across all the departments to provide higher customer value (Narver & Slater, 1990).

### Service Quality

The significant difference between consumers' anticipations and their views on service which they received is actually defined as service quality (Chia, Chin & Chin, 2002). Although, there were various concepts about service quality, but the SERQUAL model by Parasuraman, Zeithaml & Berry, (1998) and technical or functional quality model of Gronroos (1983, 1990) most widely accepted and used. He clarified that technical quality contains what is delivered and functional quality contains in what manner it is provided. For this study, the researchers used Gronroos (1983) service quality model which emphasizing on functional quality only.

### Organizational Performance

The literature described organizational performance as the extent of a firm's competency to encounter the requests of investors and its own desires for persistence (Griffin, 2003). Organizational performance also defined as the results of the operations performed. For this study, the researcher used financial performance measures for example return on investment (ROI), sales growth, market share and productivity.

### Hypotheses development

#### Association of market orientation and performance

A strong association of market orientation and performance as shown in numerous marketing literatures (Hilman & Kaliappen, 2014; Kirca, Jayachandran & Bearden, 2005). Past researches stated that adopting a market orientation could assist to attain superior organizational performance and competitiveness by delivering higher value to the consumers and outperform than competitors (Ramayah et al., 2011; Mohktar, Yusoff & Arshad, 2009; Narver & Slater, 1990).

Numerous researches established a strong association in various business fields, especially the market orientation and organizational performance link (Ramayah, et al., 2011; Martin-Consuegra & Estaban, 2007). Based on the prior studies, it suggested that market orientation improves the organizational performance.

H1: Competitor orientation has a positive influence on performance.

H2: Customer orientation has a positive influence on performance.

H3: Inter-functional coordination has a positive influence on performance.

### **Relationship of market orientation and service quality**

Previous literatures highlighted various methods to improve the service quality. The market orientation concept emphasizing about understanding over potential competitors and customers' demand as well as offers products / services to meet their demands. There were prior findings found that positive association of market orientation and service quality (Chang, Mehta, Chen, Polsa & Mazur, 1999; Boo, 2006; Ramayah, et al., 2011).

Specifically, Boo (2006) established a significant link among competitor orientation, customer orientation and inter-functional coordination with service quality. These revealed that market oriented organizations implementing various approaches to offer adequate quality to their consumers and outperform than rivals. So that good understanding over competitor, customer and team coordination work could assist to attain superior service quality.

H4: Competitor orientation has a positive effect on service quality.

H5: Customer orientation has a positive effect on service quality.

H6: Inter-functional coordination has a positive effect on service quality.

### **Association of service quality and organizational performance**

Numerous prior researches proved that service quality did improve the performance (Ramayah, et al., 2011). Specifically, studies found service quality is a vital aspect that facilitates the firms to distinguish against rivals to advance competitiveness and better performance (Gounaris, Stathakopoulos & Athanassopoulos, 2003). Therefore, it can be expected that service quality is positively associated to performance.

H7: Service quality has a positive influence on organizational performance.

### **Association of market orientation, service quality and organizational performance**

Several past findings show that performance influenced by market orientation and service quality (Ramayah, et al., 2011; Chang & Chen, 1998). Specifically, Ramayah et al. (2011) found that service quality mediates the market orientation and organizational performance association. This indicates that market orientation focuses on customer request and trying to deliver superior value and quality service in turn enhances the performance. Consequently, this research suggested mediation effects of service quality on market orientation and organizational performance link.

H8: Service quality mediates the association among competitor orientation and organizational performance.

H9: Service quality mediates the association among customer orientation and organizational performance.

H10: Service quality mediates the association among inter-functional coordination and organizational performance.

### **Moderating effect of Hotel Star Rating System**

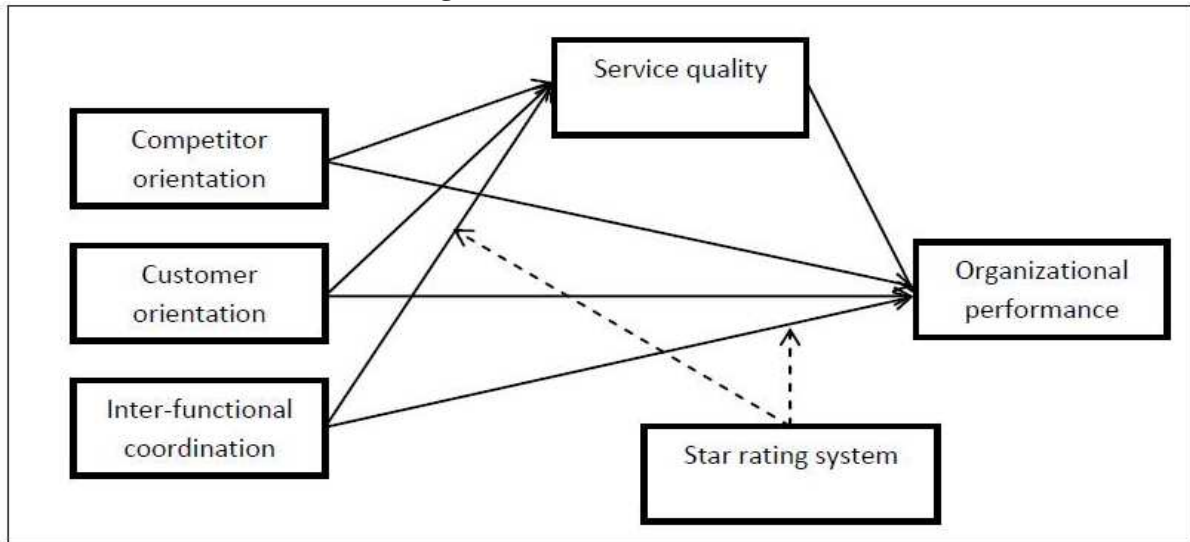
Studies exploring the association of market orientation with organizational performance and service quality with performance have created mixed findings. Although, some studies found positive and significant relationship between those variables, other studies indicate the negative or insignificant effect. Therefore, the researchers tested hotel star rating system as a moderator on

insignificant path. Star rating represents the quality of the accommodation and service at each hotel. So, the researchers believed this star rating factor could influence the execution of market orientation, service quality and performance link. There were no known researchers in the past to have examined star rating system as a moderator on market orientation, service quality and organizational performance link. Therefore, this study suggested that star rating system moderates the insignificant path of this study. Figure 1 shows the research framework.

H11: Star rating moderates the link of inter-functional coordination and service quality.

H12: Star rating moderates the link of inter-functional coordination and organizational performance.

**Figure 1: Research Framework**



### Research methodology

Self-administrated questionnaires were emailed to 475 three star and above hotels, which registered in Directory of Ministry of Tourism and Culture, Malaysia. A total of 475 surveys were disseminated and 206 were returned, which is 43.4% of response rate.

### Sampling and Instrument

This study mainly used measurements of Farrell (2000) and Narver and Slater (1990) to evaluate the market orientation. Specifically, 4 items measured the Competitor orientation, 6 items measured the Customer orientation and 5 items evaluated the inter-functional coordination. All items used scale of (1) strongly disagree to (7) strongly agree; Service quality was adapted from Lasser, Manolis & Winsor (2000) - 5 items measured by the scale of (1) very low to (7) very high; Organizational performance was adapted from Vengkatraman and Ramanujan (1986) and Avci, Madanoglu & Okumus (2011) - 4 items measured by the scale of (1) decrease significantly to (7) increase significantly. There were also 6 demographic items contained within the survey, which utilised ordinal and nominal scale.

### Data screening and analysis

This paper proceeds the examination with 206 data set. In the process of data screening for outliers, 6 datasets were identified because of Mahalanobis (D2) values above the ( $\chi^2 = 51.18$ ;  $n = 24$ ,  $p < 0.001$ ), hence finally 200 data sets were investigated. Additionally, the researcher examined univariate normality by Z score values of skewness and kurtosis. The Z score skewness value which is greater than 2 required to change (Hair, Black, Babin & Anderson, 2010).

For positive Z values, reflect functions was omitted (Tabachnik & Fidell, 2007). The transform variables were utilised in following CFA and structural models. This study carried out reliability and

validity test. Furthermore, this research conducted measurement analysis, direct indirect impact analysis (mediating effects), multi group analysis (moderating effects) and goodness of the fit using structural equation modelling (SEM).

## Findings

### Demographic profile of respondents

This survey has answered by 60% of top level managers and 40% of middle level managers. Then the majority of respondents were from three star hotels 46%, followed by four star 34% and five star rating 21%. Refer to Table 1 for additional information.

**Table 1: Cross tabulation on profile of respondents**

Profile		ratings			Total
		3 star	4 star	5 star	
Position	Top management	56	39	25	120
	Middle management	36	28	16	80
		<b>92</b>	<b>67</b>	<b>41</b>	<b>200</b>
Rooms	below 100	58	32	3	93
	101-200	28	15	2	45
	201-300	5	10	15	30
	301-400	1	4	10	15
	401 and above	0	6	11	17
		<b>92</b>	<b>67</b>	<b>41</b>	<b>200</b>
Occupancy	50% and below	24	10	5	39
	51%-60%	29	14	9	52
	61%-70%	14	20	14	48
	71%-80%	20	16	10	46
	More than 80%	5	7	3	15
		<b>92</b>	<b>67</b>	<b>41</b>	<b>200</b>
Employees	below 100	39	15	4	58
	101-200	27	21	8	56
	201-300	25	10	3	38
	301-400	0	11	7	18
	401-500	1	6	15	22
	501 and above	0	4	4	8
		<b>92</b>	<b>67</b>	<b>41</b>	<b>200</b>
Years	under 5 years	6	5	3	14
	5-9 years	30	22	15	67
	10-15 years	30	21	11	62
	more than 15 years	26	19	12	57
		<b>92</b>	<b>67</b>	<b>41</b>	<b>200</b>

### Descriptive Analysis

The theoretical model comprises of three exogenous and three endogenous variables. The Cronbach alpha values are in the range of 0.711 to 0.894, which well-matched with Nunnally and Bernstein (1994) recommendation of 0.60. Furthermore, all the outcomes of composite reliability display values greater than 0.90, which shows strong internal consistency. Refer to Table 2.

**Table 2: Descriptive Statistics**

	No of items	Mean	Std. Deviation	Cronbach alpha	Composite reliability
Competitor orientation	4	3.5000	.85066	0.840	0.956
Customer orientation	6	3.3650	.98117	0.894	0.950
Inter-functional coordination	5	4.8230	.90918	0.874	0.977
Service quality	5	3.6160	.42691	0.711	0.937
Organizational performance	4	3.2038	.88187	0.754	0.945
<b>Total items</b>	<b>24</b>				

### Composite Reliability

The standardized factor loadings of final revised structural model were used to calculate the composite reliability. The findings show all the composite reliability values were greater than 0.60 (Nunnally & Bernstein, 1994).

### Convergent Validity (Confirmatory Factor Analysis -CFA)

The factor loadings were adequately in the range of 0.352 to 0.909. Every factor loadings of latent exceeding the proposed threshold of 0.30 values (Hair et al., 1998). This outcome confirmed the convergent validity test. However, based on the modification indices recommendations, some items were removed; competitor orientation (4 to 2 items), customer orientation (6 to 2 items), inter-functional coordination (5 to 3 items), service quality (5 to 4 items) and organizational performance (4 to 2 items).

### Discriminant Validity

The findings of the average variance extracted (AVE) indicate in Table 3. To ensure the discriminant validity, the value of AVE must greater than the correlation squared (Fornell and Larcker, 1981). For instance, the AVE value of competitor orientation and customer orientation is 0.810, whereas correlation squared=0. 310 (Table 4). Every AVE value is exceeded the correlation squared. So, it shows that the competitor orientation discriminates from customer orientation. Hence, the strong discriminant validity is achieved.

**Table 3: Average Variance Extracted**

Variables	1	2	3	4	5
Competitor orientation	1.00				
Customer orientation	0.81	1.00			
Inter-functional coordination	0.87	0.84	1.00		
Service quality	0.81	0.77	0.84	1.00	
Organizational performance	0.83	0.80	0.86	0.80	1.00

**Table 4: Correlation and Correlation square matrix**

Variables	1	2	3	4	5
Competitor orientation	1.00				
Customer orientation	0.555 (0.31)	1.00			
Inter-functional coordination	-0.037 (0.0014)	0.027 (0.0007)	1.00		
Service quality	0.357 (0.127)	0.505 (0.255)	0.061 (0.004)	1.00	
Organizational performance	0.489 (0.239)	0.776 (0.602)	0.00 (0)	0.489 (0.239)	1.00

\*\* Correlation is significant at 0.01 level (2-tailed), values in brackets indicate correlation squared.

### Nomological Validity

Hair et al. (2010) mentioned that nomological validity scrutinizes the associations among constructs is relevant with the proposed theory or not. This study shows that the directions of



hypothesized model are accordance to theory except for inter-functional coordination and organizational performance. Thus, nomological validity is confirmed for all constructs excluding for inter-functional coordination and organizational performance relationship.

### Goodness of Fit of Structural Model

According to Bagozzi and Yi (1988), the measurement and structural model must have a good fit with the facts established on measures such as GFI, CFI, TLI, RMSEA. This paper found that every CFAs of constructs created a fairly good fit as showed by the goodness of fit indices; CMIN/df ratio (<2); p-value (>0.05); Goodness of Fit Index (GFI) of >0.95; and root mean square error of approximation (RMSEA) of values below 0.08 (<0.08) (Hair et al., 2006; Byrne, 2001).

**Table 5: Goodness of Fit Analysis-Confirmatory Factor Analysis (CFA) of Models (N=200)**

Final model	Competitor orientation	Customer orientation	Inter-Functional coordination	Service quality	Organizational performance	Exogenous	Endogenous (service quality & OP)	Hypothesized model	Revised model
Items remain	4	6	5	5	4	15	9	24	13
Chi-square	9.119	63.555	20.520	9.712	15.887	268.160	109.576	931.784	92.291
Df	2	9	5	5	2	87	26	242	55
Ratio	4.560	7.062	4.104	1.942	7.943	3.082	4.214	3.850	1.678
p-value	0.010	0.000	0.001	0.084	0.000	0.000	0.000	0.000	0.001
GFI	0.980	0.914	0.964	0.981	0.965	0.854	0.897	0.747	0.940
TLI	0.924	0.874	0.953	0.959	0.826	0.880	0.806	0.740	0.948
CFI	0.975	0.924	0.976	0.979	0.942	0.901	0.860	0.772	0.963
RMSEA	0.134	0.175	0.125	0.069	0.187	0.102	0.127	0.120	0.058

The goodness of fit of the hypothesized model is lower than generated or revised model. Please refer to Table 5. It obviously displays that, revised model has a stronger GFI (0.940) than hypothesized model (0.747). Similarly, the value of Root Mean Square Error Approximation (RMSEA) displays an improved outcome of 0.058 for the revised model compared to 0.120 for hypothesized model.

### Findings

From the time when, the outcomes of hypothesized model didn't attain model fit ( $p < 0.000$ ), therefore, the justification of propositions outcome will be grounded on generated or revised model. The finding exhibits that competitor orientation has a direct impact on organizational performance ( $\beta = 0.266$ ;  $CR = 2.306$ ;  $P < 0.05$ ). Customer orientation has direct significant impact on organizational performance ( $\beta = 0.643$ ;  $CR = 4.961$ ;  $P < 0.001$ ). Surprisingly, inter-functional coordination has insignificant relationship with organizational performance ( $\beta = 0.106$ ;  $CR = 1.627$ ;  $P = 0.104$ ). Furthermore, this study found positive and significant impact on competitor orientation and service quality ( $\beta = 0.449$ ;  $CR = 2.933$ ;  $P < 0.01$ ). Similarly, customer orientation has positive and direct impact on organizational performance ( $\beta = 0.399$ ;  $CR = 2.678$ ;  $P < 0.01$ ). However, the relationship between inter-functional coordination and service quality found insignificant. Finally, the relationship of service quality and organizational performance found direct and significant impact ( $\beta = 0.843$ ;  $CR = 5.546$ ;  $P < 0.001$ ). Refer to table 6.

**Table 6: Direct Impact of Revised Model: Standardized Regression Weights**

H	Endogenous		Exogenous	Std. Estimate	S.E.	C.R.	P-value	Status
H1	Organizational performance	<---	Competitor orientation	0.266	0.126	2.306	0.021*	Sig
H2	Organizational performance	<---	Customer orientation	0.643	0.116	4.961	0.000***	Sig
H3	Organizational performance	<---	Inter-functional coordination	0.106	0.062	1.627	0.104	ns
H4	Service quality	<---	Competitor orientation	0.449	0.129	2.933	0.003**	Sig
H5	Service quality	<---	Customer orientation	0.399	0.127	2.678	0.007**	Sig
H6	Service quality	<---	Inter-functional coordination	0.082	0.058	1.046	0.296	ns
H7	Organizational performance	<---	Service quality	0.843	0.166	5.546	0.000***	Sig

Significant at: \*p<0.05, \*\*p<0.01, \*\*\*p<0.001

#### Mediating Effect Analysis of Revised Model

Table 7 shows the indirect effect estimates to test the mediating effects of service quality on the three relationships as hypothesized in hypotheses H8 to H10. From the results, H8 and H9 are supported. For, H8: service quality mediates the relationship between competitor orientation and organizational performance and H9: service quality mediates the relationship between customer orientation and organizational performance. There are significant increases of indirect effects for these relationships compared to direct impacts. Alternatively, H10 was not supported because the insignificant indirect and direct effect of inter-functional coordination and service quality. This means that service quality does not mediate the relationship between inter-functional coordination and organizational performance.

**Table 7: Indirect Effect of Variables Interaction**

H	Exogenous		Mediated		Endogenous	direct Effects Estimate-No link	direct Effects Estimate-link	Mediating Hypothesis
H8	Competitor orientation	--->	Service quality	--->	Organizational performance	COM→SQ=.367(S) SQ→OP=.938(S)	.538(S) .609(S)	Mediator
H9	Customer orientation	--->	Service quality	--->	Organizational performance	CUS→SQ=.562(S) SQ→OP=.938(S)	.314(S) .609(S)	Mediator
H10	Inter-functional coordination	--->	Service quality	--->	Organizational performance	IFC→SQ=.098(NS) SQ→OP=.938(S)	.068(NS) .609(S)	Non mediator

#### Overall Comparison between structural models

The findings of overall comparison between two structural models (hypothesized and revised) indicate in Table 8. Both hypothesized and revised models produce five significant direct impacts. Although, the both models produced significant direct impacts, but the outcomes cannot be



generalized because the p-value is below 0.05. Consequently, the five significant direct impacts of competitor orientation and organizational performance (H1), customer orientation and organizational performance (H2), competitor orientation and service quality (H4), customer orientation and service quality (H5) and service quality and organizational performance (H7) are constantly significant in both structural models.

In addition, the researchers found two mediating effects; service quality mediates the association of competitor orientation and organizational performance (H8) and service quality mediates the association of customer orientation and organizational performance (H9). The revised model attained greater squared multiple correlation (SMC) or (R<sup>2</sup>), 85.3% variance in organizational performance; 60.1% variance in service quality. The hypothesized model only explains 82.2% and 36.5% variance in organizational performance and service quality.

**Table 8: Comparison between Hypothesized Model, Revised Model and Competing Model**

H	Exogenous	Mediation	Endogenous	Hypothesized Model			Revised Model		
				Std. Estimate	P	Hypothesis Status	Std. Estimate	P	Hypothesis Status
H1	Competitor orientation		Organizational performance	0.174	0.029	Sig	0.266	0.021	Sig*
H2	Customer orientation		Organizational performance	0.777	0.000	Sig	0.643	0.000	Sig***
H3	Inter-functional coordination		Organizational performance	0.031	0.552	Ns	0.106	0.104	ns
H4	Competitor orientation		Service quality	0.296	0.006	Sig	0.449	0.003	Sig**
H5	Customer orientation		Service quality	0.343	0.002	Sig	0.339	0.007	Sig**
H6	Inter-functional coordination		Service quality	0.089	0.195	Ns	0.082	0.296	ns
H7	Service quality		Organizational performance	0.656	0.000	Sig	0.843	0.000	Sig ***
							<b>Direct Effect</b>	<b>Indirect Effect</b>	<b>Mediating</b>
H8	Competitor orientation	Service quality	Organizational performance				-0.062	0.344	<b>Mediating</b>
H9	Customer orientation	Service quality	Organizational performance				0.451	0.527	<b>Mediating</b>
H10	Inter-functional coordination	Service quality	Organizational performance				0.061	0.092	Not mediating
<b>Goodness of Fit Index:</b>									
<b>Chi-Square</b>				931.784			92.291		
<b>Chi-square change</b>							839.493		
<b>Df</b>				242			55		
<b>Df change</b>							187		
<b>Ratio</b>				3.850			1.678		
<b>P Value</b>				0.000			0.001		
<b>GFI</b>				0.747			0.940		
<b>RMSEA</b>				0.120			0.058		

**Squared Multiple Correlation (SMC):**

**Organizational performance** 82.2% 85.3%

Significant at: \*p<0.05, \*\*p<0.001, \*\*\*p<0.001

### Moderating Effect Analysis of Revised Model

The researchers used multi group analysis (MGA) to test the effects of moderating variable. Hypotheses in relation to the moderating effect of star ratings system were tested by comparing the beta coefficient and significant p-value between three, four and five star ratings. First, the testing indicates a good fit (greater than 3.84) between the models which presented in table 9. However, the findings show that star rating does not significantly moderates the association of inter-functional coordination and organizational performance and inter-functional coordination and service quality relationship. Therefore, the researchers conclude that star rating does not significantly moderates the association of inter-functional coordination and service quality as well as inter-functional coordination and organizational performance. Therefore, the two hypotheses were not supported.

**Table 9: Moderating effect of star rating (Multiple Group Analysis)**

Model specification / Star rating	3 star	4 star	5 star	Constrain	Comparison (star rating)		
					3	4	5
Chi square	87.057	64.950	72.313	92.291	5.234 (sig)	27.34 (sig)	19.978 (sig)
Df	55	55	55	55			
CFI	0.934	0.973	0.918	0.963			
RMSEA	0.080	0.052	0.089	0.058			

### Hypotheses

Inter-functional coordination ---> service quality	ns	ns	ns
Inter-functional coordination ---> organizational performance	ns	ns	ns

Note: ns = not significant

### Discussion

This research attempts to scrutinize the effect of market orientation, service quality and star rating system on organizational performance of hotels in Malaysia. The resource based view (RBV) used as an underpinning theory to conduct this study (Barney, 1991). The hypothesized model doesn't achieve the model fit. Thus, it could not be generalized to other industry or sector. This is anticipated since the sample was focused in one industry only.

Importantly, the fit revised model supports five direct effects. This paper found competitor orientation has a positive and significant impact on organizational performance. This finding is supported by previous findings of Ramayah, et al., 2011; Sin, Tse, Heung & Yin, 2005; Aziz and Yassin, 2010). This finding contradicts with recent findings of Chin, Lo & Ramayah (2013) which found no positive effect of competitor orientation on performance of hotel industry in Malaysia. Furthermore, the researcher found customer orientation has a positive and significant impact on organizational performance. The outcome is supported by previous findings of Nayebzadah, (2013), Hanzaee, Nayabzadeh & Jalaly (2012), Mohktar (2009) and Narver and Slater (1990). The literatures stated that implementing competitor and customer orientation could facilitate the hoteliers to react quickly to the market and satisfy the customer's desire (Zhou Brown & Dev, 2009; Martin and Grbac, 2003). This study found an insignificant link between inter-functional coordination and organizational performance. This finding is supported by previous findings of Chin et al. (2013), Hult, Ketchen & Slater (2005), Khamwon and Speece (2005) and Langerak, Hultink & Robben (2000), (2004). This finding indicated that there are several factors which influence the relationship of above mentioned variables.

Moreover, this study found competitor orientation and customer orientation has a direct impact on service quality. Numerous past studies were supported the findings (Ramayah et al., 2011; Grinstein, 2008; Chang et al., 1999). Past literatures indicated that market orientation, assist to

increase the organization's service quality by creating superior offerings to maintain the customer's value (Brady and Cronin, 2001). Alternatively, this study found an insignificant association between inter-functional coordination and service quality.

The result contradicts with findings of Ramayah et al., 2011; Boo, 2006; Chang et al., 1999). This gives a novel input to the body of knowledge regarding the inter-functional coordination and service quality link. Finally, this study found direct positive and significant association of service quality and organizational performance. This results supported by previous findings of Ramayah et al., 2011; Gaunaris et al., 2003; Kerson and Koch, 2010; Golhar and Deshpande, 1999). This shows that service quality as a significant factor in determining the organizational performance.

This paper has established very remarkable results concerning some significant indirect paths effects or mediating paths. Two direct paths were mediated by service quality that proposed in this study. For example, the association of competitor orientation and organizational performance will be enriched if the service quality elements have been taken into customer orientation and organizational performance link. Both findings supported by previous results of Ramayah et al. (2011) and Chang and Chen (1998). However, service quality not mediates the link between inter-functional coordination and organizational performance. So, this finding requires the researcher to test the moderating effect of star rating system on above mentioned insignificant linkage.

The researcher used multi group analysis (MGA) to test the effects of moderating variable (Hair et al., 2010). In earlier, there are no known researchers have found a star rating system as a moderator in the link of inter-functional coordination and service quality as well as inter-functional coordination and organizational performance. However, findings show that star rating does not significantly moderates the association of inter-functional coordination and organizational performance and inter-functional coordination and service quality relationship.

### Limitations and Suggestion for Future Research

This research has several limitations. First, this is cross-sectional study where the evidences were collected only once. So, future studies should conduct based longitudinal study. Secondly, this study only concentrated on the hotel industry, so suggesting upcoming studies may possibly explore these issues in various sectors.

### Conclusion

This paper has found five direct causal effects: (1) competitor orientation and organizational performance; (2) customer orientation and organizational performance; (3) competitor orientation and service quality; (4) customer orientation and service quality; (5) service quality and organizational performance. Furthermore, this study also found mediating effects of: (1) competitor orientation, service quality and organizational performance; (2) customer orientation, service quality and organizational performance. Thus, the findings suggested service quality plays a significant role in market orientation and organizational performance relationship. Finally, this study found star rating system does not moderate the inter-functional coordination, service quality and performance link.

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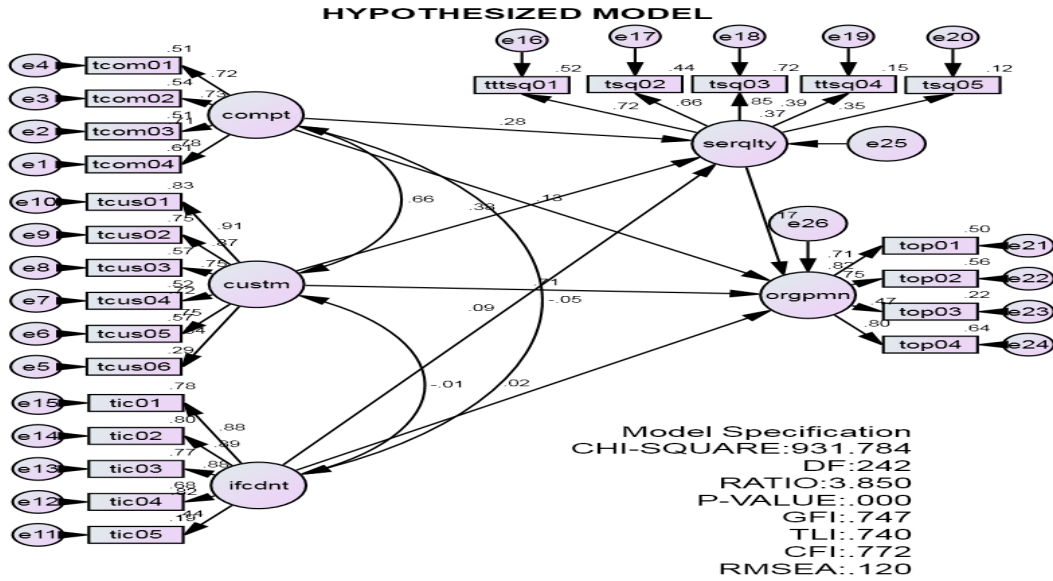


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## Appendix

### Hypothesized Model





**Revised Model**

