

Influence of Customer Relationship Management Dimensions on Performance of Classified Accommodation Facilities in Kenya

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Abstract: Although implementation of CRM has the potential to improve organizational performance, this is not well established in the hospitality industry in Kenya where the performance in the sector is requires key attention. There are a limited number of research studies on the relationship between CRM dimensions and hospitality facilities performance. The general objective of this study was to investigate the relationship among CRM dimensions, and performance of classified accommodation facilities in the Coast region of Kenya. The specific objectives of the study were as to determine the relationship between Customer Oriented (CO) and the performance of classified accommodation facilities in Coast region of Kenya, and to determine the relationship between Knowledge Management (KM) and the performance of classified accommodation facilities in Coast region of Kenya. The study was anchored on Resourced Based View and the Knowledge Based View. The target population of the study comprised of 36 classified accommodation facilities while a sample of 33 establishments was used. This study utilized a descriptive research design and quantitative analysis approach. The study employed questionnaires as a survey instrument. Descriptive statistics were used to check the central tendency and the dispersion of how respondents reacted to the items in the questionnaire while correlation analysis was conducted to establish the relationship between the independent and dependent variables. Visual presentations such as frequency tables, frequency distributions, scatter plots; correlation matrices were used to summarize the data. The findings of the study were as follows: Customer Orientation ($r=.547, p<.001; \beta=0.72, p<.001$) and Knowledge Management ($r=.554, p<.001; \beta=0.662, p<.001$). Thus both Customer Orientation and Knowledge Management have a significant and positively linear relationship with performance of the classified accommodation facilities in Coast region of Kenya. The study thus concludes that performance of the classified accommodation facilities in Coast region of Kenya is highly pre-determined by the CRM dimensions namely; CO and KM. The study recommends that management should ensure that the organizations have adopted CO and KM strategies so as improve performance.

Key words: customer relationship management, customer orientation and knowledge management

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I. Introduction

Customer Relationship Management (CRM) is an expanded domain of Relationship Marketing with an information technology component which enables a firm to manage its customers' data with an aim of improving the firm-customer relationship. Though implementation of CRM has the potential to improve organizational performance, this is not well established in the hospitality industry in Kenya where the performance in the sector requires key attention.

Hospitality industry is said to be global, highly flourishing, lucrative and also aggressively competitive (Mohammad, Rashid & Tahir 2013; Chadha, 2015). The customers of hospitality industry are described as more price sensitive and less brand loyal while demanding higher quality and greater customization (Sigala, 2005). The nature of hospitality industry and the characteristics of its customers create a challenge to the hospitality facilities on their survival and thriving in the contemporary business environment.

Despite the challenges faced by hospitality industry, most of the Government, at global, regional and at local level have recognized hospitality industry, which has a correlation with tourism, as one of the key drivers of economic growth that contributes significantly to the overall Growth Domestic Product (GDP). It is also evident that due to the multiplier effect nature of hospitality industry, improving its performance would not only improve the GDP but also reduce the unemployment level in the economy and generate foreign exchange.

As the government does its part, the firms within the hospitality industry need to come up with strategies that improve the performance. Among the strategies available for managers to choose from is

Customer Relationship Management (CRM) which has been recommended as a crucial strategy (Khan, Quereshi & Hunjira, 2014). CRM is ideally suitable for accommodation facilities since hospitality facilities access a lot relevant data from guests; these data is useful as one of the drivers of CRM (Kangu, Wanjau, Kosimbei & Asara, 2013; Kanchan & Sharma, 2015).

This study seeks to establish how customer orientation and Knowledge management influence performance of classified accommodation in Coast region of Kenya. Customer orientation and knowledge management are dimensions of customer relationship management (Sin, Tse & Yim, 2005).

II. Statement of the Problem

Tourism, which has a correlation with hospitality, is a key contributor of Kenya's economic development. Tourism creates jobs, provides services such as accommodation and transport, and contributes to the country's Gross Domestic Product (GDP) and foreign exchange. The hotel industry has continued to grow in terms of bed space available but bed occupancy rate has continued to decline (Kangu, 2017); this phenomenon translates to under-utilization of assets.

If the under-utilization of assets goes unchecked, this will lead to increased overhead costs which the hotels cannot generate and subsequently, the hotels will close down. The closure of hotels has a multiplier effect starting with employee layoffs, increased unemployment, negative effect on GDP, loss of foreign exchange, increase in crime rate and also negative impact in other sectors of the economy like agriculture.

Al-Azzam (2016) did a study to evaluate the impact of CRM dimensions on the performance of hotels in Jordan. The inter-correlation among CRM dimensions and hotel performance revealed that predictor variables have an effect on performance. Elkordy (2014) carried out a study on CRM dimensions and their link to performance of large companies in Egypt. The dimensions exhibited a strong link with performance. Mohamed and Rashid (2012) did a study with an aim of investigating the relationship between CRM dimensions and various aspects of performance for hotels in Malaysia. Eldesouki and Wen (2018) did a study on the impact of CRM dimensions on the performance of hotel in Cairo, Egypt. The main findings revealed that CRM dimensions had a positive influence on the hotel performance. Kangu (2017) carried out a study on CRM in the Kenyan Context. The aim of the study was to investigate the role of CRM dimensions on customer loyalty in the hotel industry in Kenya. The study concluded that CRM is an important determinant of customer loyalty in the hotel industry. Ng'ang'a and Waiganjo (2015) did a study on the effect of CRM strategy on customer behaviour in the hotel industry in Kenya. The study used Nairobi Safari Club as a unit of analysis. The findings revealed that CRM strategy a significant positive effect on customer behaviour.

Studies on CRM dimensions and hotel performance are limited (Chadha, 2015) and especially in the Kenyan context. Kangu (2017) used only aspect of measuring performance yet performance is a multi-dimensional construct while Ng'ang'a and Waiganjo (2015) was a case study and therefore the findings cannot be generalized. It is against this background that this study aims at investigating the influence of CRM dimensions on the performance of hospitality facilities in Kenya.

III. Literature Review

Customer Orientation

Customer Orientation is the employee's inclination towards meeting the customers' needs (Mohammed *et al.*, 2013). It involves an overwhelming customer-centric focus targeting key customers whose needs the company can satisfy (Mukerjee, 2009; Sheth, Sisodia & Sharma, 2000; Vandermerwe, 2004; Sin *et al.*, 2005) The main purpose CO behaviours is to increase customer long-lasting satisfaction and to create customer-loyalty which affects profitability of a firm (Allen, 2010; Mohammed & Rashid, 2012).

Knowledge Management

The terms data, information, and knowledge are often used interchangeably but they have different meaning within KM context. Data are simple observations of the states of the world, information is data endowed with relevance and purpose while knowledge is information that has been thought through and therefore has increased in value (Pearlson & Saunders, 2009). Pearlson and Saunders (2009) have illustrated that human contribution and value increase as one move conceptually from data through information to knowledge.

Measuring performance of hospitality facilities

Organizational performance is a measure of how efficiently and effectively a firm uses its resources (George, 2011). According to Li, Ragu-Nathan, Ragu-Nathan and Rao (2006), and Daft (2012), performance of any organization refers to how well an organization achieves its market-oriented and financial goals. It is argued that business performance is multifaceted in nature; and also CRM is inherently cross-functional in nature therefore no simple indicator can adequately capture business performance (Sin *et al.*, 2005; Sin, Tse, Yau, Lee & Chow, 2002). Marketing and financial performance are two broad categories of business performance that are

commonly used. However, customer satisfaction has also been used as a performance measure especially in some studies that involve CRM (Sin *et al.*, 2005; Keramati, Mehrabi, & Mojir, 2010).

Financial performance indicators include indicators such as return on assets (ROA), return on investment (ROI), profit margin on sales and overall profitability while marketing performance indicators include indicators such as sales growth, market share, market share growth, customer retention, Customer acquisition and customer satisfaction (Nwokah, 2009; Li *et al.*, 2006; Sin *et al.*, 2005; Gupta & Lehmann, 2005). In hotel industry, market-oriented goals can be measured by use of indicators such as the number of guests who visit the hotel, the average amount each visitor spends, the average number of bed-night stays and the guests' repeat visits. In addition to two categories of indicators, overall performance is considered to be a measure of business performance (Agnes, 2009; Sin, *et al.*, 2005)

Customer Orientation and Organizational Performance

Kwaku and Satyendra (1998) did a study on small and medium enterprises (SMEs). The aim of the study was to examine the association between customer orientation and performance and possibly how this relationship could be affected by contextual factors such as innovation orientation, market dynamism and competitive intensity. The researchers are aware of the fact that performance is multi-faceted in nature. Therefore they used varied indicators to be able to measure the performance of the SMEs under study adequately. Three indicators were used and these include new product success, sales growth and return on investment (ROI). The geographical scope was those SMEs in United Kingdom (UK) with the number of employees ranging between 50 and 200. Self-administered questionnaires were mailed to the marketing executives/ managers responsible of marketing functions within the firms under study. The questions were Likert scale; which were anchored on a seven point scale. The findings of the study indicated that customer orientation has a significant and positive effect upon all performance indicators used in the study.

Mohamed and Rashid (2013) investigated the relationship between CRM dimensions and various aspects of performance for hotels in Malaysia. The dimensions of CRM comprised customer orientation, CRM organization, knowledge management and technology based CRM. The aspects of organizational performance were based on the Balance Scorecard (BSC) approach. Data were collected from three to five star hotels by use of a structured questionnaire. The findings of the study revealed that CRM organization has a positive and significant influence on all perspectives of performance; namely: financial performance, customer performance, internal process performance and learning and growth.

Al- Azzam (2016) did a study to evaluate the association between CRM dimensions and performance of hotels in Jordanian market. The study utilized a survey research design. The primary data was collected using questionnaires which were administered to the managers of the sampled hotels. After analysis and testing of data, the results indicated that there is a positive and significant relationship between customer orientation and hotel performance.

Just like the study by Mohamed and Rashid (2013), the study by Al-Azzam (2016) considered all the CRM dimensions in their study. Thus the current study will compare appropriately the impact customer orientation has on organizational performance in a bivariate relationship and also in a multivariate relationship; that is, when customer orientation together with other three CRM dimensions are acting on organizational performance. However, Al-Azzam (2016) did a study on hotels and therefore his study will compare uniquely to the current study because both have hospitality industry as their context.

Knowledge Management and Organizational Performance

Mohamad, Othman, Jabar and Majid (2014) did a study whose aim was to explain how CRM practices impact organizational performance. In their study, Mohamad *et al.* (2014) developed a model and empirically tested it through survey data collected from small and medium enterprises (SMEs) in Malaysian food manufacturing industry. The results of the study showed that knowledge management does not significantly predict organizational performance.

The present study and the study by Mohamad *et al.* (2014) have several similarities. First, both studies have included Knowledge management in the conceptualization of CRM. Second, both studies have included a moderating variable between CRM and organizational performance link. These similarities and especially the findings of the influence of knowledge management on performance of the organization make the two studies comparable.

Al- Azzam (2016) evaluated the relationship between CRM dimensions and hotel performance in Jordan. The study employed a survey research design and the data was gathered using a questionnaire. Correlation and regression were used for analysis and testing of data obtained. The findings of the study indicated that knowledge management has a positive and significant relationship with hotel performance.

Mohamad *et al.* (2014) did a study with an aim of explaining the impact of CRM practices to organizational performance. The study conceptualized CRM practices as independent variable and organizational performance

as dependent variable with market turbulence as moderating variable. The model was empirically tested through survey data from sampled Malaysian small and medium enterprises of food manufacturing industry. The findings of the study revealed that knowledge management does not significantly predict organizational performance.

IV. Methodology

Research framework

The framework for the study is based on Resource Based View (RBV) theory and Knowledge Based View theory. The RBV theory states that an organization that has valuable resources and capabilities can effectively execute its strategies and hence achieve competitive advantage (Mohammed, *et al*, 2014). The theorists of KBV theory came up with RBV theory after realizing that knowledge was not given proper attention in RBV theory (Kaplan, 2001). In this paper, customer orientation is anchored on RBV theory while knowledge management is anchored on KBV theory

Measurement of Variables

The variable in this paper were operationalized based on the measurements developed by Sin *et at.* (2005), Agnes (2009), and Abdallah and Assabil (2011). All items were rated on a five-point Likert scales (1=“strongly disagree” and 5= “strongly agree”)

Data collection

A questionnaire was employed as the instrument for data collection. The target population comprised of 36 classified hospitality facilities in Coast region of Kenya and 33 of these facilities were sampled. Ten managers from each of the sampled facilities were used as respondents. Overall, out of a total of 330 questionnaires administered, 216 were received back and used for further analysis.

V. Data Analysis and Results

Validity and reliability were determined before the main analysis. The study used Cronbach’s alpha coefficient to test the reliability of the instrument. The alpha coefficients were 0.842, 0.803 and 0.866 for customer orientation, knowledge management and organizational performance respectively. The reliability is within satisfactory level since the scores of alpha coefficient of all the variables were greater than 0.7 (Hair, Black, Babin & Anderson, 2010)

The unstandardized coefficient beta (β) and coefficient of determination (R^2) are used in explaining the regression results to indicate whether or not the formulated hypotheses are supported, as well as whether the predictor variable is considered to significantly predict the outcome variable if p value is less than .05.

Table 1: Summary of simple regression analysis for Customer orientation influencing Performance

Customer Orientation	Performance
Correlation (r)	.547**
unstandardized Coefficient (β)	0.72**
coefficient of determination (R^2)	0.299
F- statistic	91.41**
Total	215

Note: **p<.001

Table 2: Summary of simple regression analysis for Knowledge Management influencing Performance

Knowledge Management	Performance
Correlation (r)	.554**
unstandardized Coefficient (β)	0.662**
coefficient of determination (R^2)	0.306
F- statistic	94.528**
Total	215

Note: **p<.001

The results of table 1 indicated that the variation in performance as explained by Customer Orientation was 29.9%. Additionally, the results also showed that Customer orientation positively related with performance of classified accommodation facilities with β value of 0.547. Further, the results indicated that Customer Orientation has a positive and significant relationship with performance ($r=0.547$, $p<.001$; $\beta=.72$, $p<.001$). This led to the rejection of the H_{01} in favour of H_{A1} : This states that Customer Orientation has a significant influence on performance of classified accommodation facilities in Coast region of Kenya.

Table 2 showed that the 30.6% of the total variation in performance can be explained by knowledge management. The results also indicated that Knowledge management has a positive association with performance of classified accommodation facilities with a β value of 0.662. In addition, the results indicated that

knowledge management has a positive and significant relationship with performance ($r=.554$, $p<.001$; $\beta=0.662$, $p<.001$). This led to the rejection of H_{01} : Which stated that Knowledge Management has no significant influence on performance of classified accommodation facilities in Coast region of Kenya, in favour of H_{A1} : This states that Knowledge management has a significant influence on performance of classified accommodation facilities in Coast region of Kenya.

VI. Discussions

Influence of customer Orientation on performance

Both the bivariate result and univariate regression result ($r=.547^{**}$, $p<.001$; $\beta=0.72$, $p<.001$), show that customer orientation has a positive and significant influence on the performance of classified accommodation facilities in the Coast region of Kenya. This finding is consistent with similar studies done elsewhere. Al-Azzam (2016) found that Customer orientation has a positive and significant influence on performance ($r=.38^{**}$, $\beta=0.589$; $p<.001$). The study was done among hotels in Jordan.

Influence of Knowledge Management on Performance

Based on bivariate correlation ($r=.554^{**}$, $p<.001$) and univariate regression ($\beta=0.662$, $p<.001$) results show that Knowledge management has a positive and significant influence on the performance of classified accommodation facilities in Coast region of Kenya. Al-Azzam *et al.* (2016) and Mohammad *et al.* (2013) revealed that Knowledge management has a positive and significant influence on hotel performance.

Implications of the Study

The study findings indicate that Customer Orientation and Knowledge Management are critical in ensuring that the accommodation facilities are performing well. This implies that the owners and managers of classified hospitality facilities in Coast region of Kenya should pay a keen interest in every aspect of the organization that improves Customer Orientation and Knowledge Management.

Conclusion and Future Studies

Customer Orientation and Knowledge management are two dimensions of Customer relationship management that are key to the improvement of hospitality industry. This study recommends that future studies should consider how factors internal to the organization influence the associations between CRM and performance.

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