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Moderating Role of Organizational Size on the Influence of Customer Orientation on Performance of Classified Accommodation Facilities in the Coast Region of Kenya.

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Abstract: *The main motivation of this study was the limited research studies on the relationship between CRM dimensions and accommodation facilities performance and the need to establish how the classified accommodation facilities in Coast region of Kenya have implemented CRM and how different dimensions predict their performance. In addition, the study aims at establishing whether the factors within the organization have a moderating role in the relationship between CRM dimensions and the performance.The study had two specific objectives. One was to investigate the influence of Customer Oriented(CO) on the performance of classified accommodation facilities in Coast region of Kenya and two, to establish whether the organizational size has a moderating role in the relationship between CO and the performance of classified accommodation facilities in Coast region of Kenya. The study was anchored on Resourced Based View.This study employed a descriptive research design and quantitative analysis approach.The target population of the study comprised of 36 while the sample size was 33 classified accommodation facilities. The study used a questionnaire to collect primary data. Descriptive and inferential statistics were used.On the first objective, the results ($r=.547$, $p<.001$; $\beta_1=0.72$, $p<.001$) indicated that customer Orientation has a positive and statistically significant relationship with performance of classified accommodation facilities in the Coast region of Kenya. On the second objective, the results revealed that organizational factors, the size of a firm, does not have a moderating influence on the customer orientation and performance of classified accommodation facilities.*

Key word: *customer relationship management, customer orientation, Performance, organizational zize.*

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I. Introduction

Business environment has become more competitive due factors such as globalization and Information Communication Technology. Globalization has made firms not to limit themselves to their national markets to consider the whole globe as a market to venture. Information communication technology (ICT) has empowered customers with information on variety of products available. ICT also enables the customers to compare prices.

Customer Relationship Management has been identified as a strategy available to managers so that they can be able to face the challenges in the modern business environment (Khan, Quereshi & Hunjira, 2014). Data are considered as drivers of Customer relationship management and since hospitality facilities access a lot of relevant data from the guests, then hospitality facilities can easily adopt CRM.

This study considers Customer Orientation, which is one of the CRM dimensions (Sin, Tse&Yim, 2005). The objective of the study is to determine the effect of Customer Orientation on performance of classified accommodation facilities and also establish whether the organizational size has a moderating role on the relationship between customer orientation and performance of classified accommodation facilities in Coast region of Kenya.

Statement of the Problem

Tourism sector was identified as a cornerstone of the Kenya's Vision 2030. This sector of the economy is one of the key contributors of the country's Gross Domestic Product (GDP) anda key provider of employment. In addition, the sector contributes positively to foreign exchange earnings and also fosters enterprise development. The sector acts as a catalyst for investment in other sectors and also stimulates economic diversification across sectors.

Hospitality industry has a positive correlation with tourism (Davidson, 1993), and has continued to report a mis-match between total bed available for occupancy and occupancy rate. For instance for a period of five years starting from 2013 to 2017, the total bed available for occupancy was 18,293,000 in 2013 and 22,987,000 in 2017; an increase of 25.66%. Within the same period, the bed occupancy rate moved from 36% in 2013 to 31% in 2017; a decline of 5%. It is also important to note that the occupancy rate is below 50% which reflects an under-utilization of resources.

The danger for the mis-match between how much the hospitality facilities are provide and how much is demanded, reflects on how much the expenditure and the revenue generated. This state of affair can lead to the closure of these facilities due to heavy overhead costs that can be paid. The closure will lead to employee layoffs, and the benefits of tourism will be reversed.

Studies done in different parts of the word have shown that CRM dimensions affects performance of hotel industry positively. Al-Azzam (2016) did a study in Jordan, Elkordy (2014) and Eldesouki and Wen (2018) were done in Egypt, while Mohamed and Rashid (2013) did a study in Malaysia.Several studies have also been done in Kenya. This include Kangu (2017), and Ng'ang'a and Waiganjo (2015).

Kangu (2017) measured performance on customer loyalty which is very narrow while Ng'ang'a and Waiganjo (2015) did a case study which cannot be used for generalization purpose. In addition this none of the studies considered the effect of organizational factors on the association between CRM dimensions and Performance.

Thus this study aims at investigating one, the effect of Customer orientation on Performance and two, the moderating role of size on the relationship between Customer Orientation and Performance.

II. Literature Review

Customer Orientation

Mohamed, Rashid and Tahir (2013) have defined customer orientation as an inclination of employees towards meeting the customers' needs. Customer orientation involves an overwhelming customer-centricity focuses on key customers whose needs the company can satisfy (Mukerjee, 2009). According to Allen (2010) and Mohammed and Rashid (2012), the main benefitsof customer orientation behaviours is an increased customer long-lasting satisfaction which result to customer-loyalty and subsequently affects profitability of a firm

Organizational size

According to Schilling (2010), the size of a firm is one of the factors that determine whether a firm will adopt an innovation or not. Innovations are not only risky but expensive. Larger firms are more likely to realize economies of scale than smaller firms and as a result get back the Return on Investment (ROI) faster (Xu, Yen, Lin & Chou, 2002). Baum and Olive (1991) argue that larger firms have greater market power and positional advantage compared to their smaller competitors. However Schilling (2010) acknowledged that size of a firm may also be disadvantageous because of inertia and poor governance.

Measuring performance of accommodation facilities

Organizational performance has been defined as a measure of how efficiently and effectively firm use resources (George, 2011). Sin *et al*. (2005) have acknowledged that business performance is multifaceted in naturetherefore no simple indicator can adequately capture business performance. Thus marketing and financial performance are two broad categories of business performance that are commonly used (Sin *et al.*, 2005; Keramati, Mehrabi, & Mojir, 2010).

Customer Orientation and Organizational Performance

.Al- Azzam (2016) did a study to investigate the effect on CRM dimensions on performance of hotels in Jordanian market. The study employed a survey research design. The questionnaires which were administered to the managers of the sampled hotels were used as data collection instruments. After data analysis, the results indicated that customer orientation a positive and significant relationship with hotel performance.

Pekovic and Rolland (2016) did a study on how customer orientation affects the performance of a firm. The study also included customer innovation environment as a mediating factor while market growth, competitive intensity and market uncertainty were used as moderating factors. The revealed a significant positive direct relationship between customer orientation and performance

Methodology

The study is based on Resource Based View (RBV) which underscores that an organization that has valuable resources and capabilities can effectively execute its strategies for the achievement of competitive advantage over other firms (Mohammed, Othman, Jabar & Majid, 2014). In this study, customer orientation is anchored on RBV theory.

Measurement of Variables

The operationalization of customer orientation was basedon the measurements developed by Sin *et at.* (2005) while size and performance was measured based results of empirical study. All items were rated on a five-point Likert scales (1=”strongly disagree” and 5= “strongly agree”)

Data collection

A questionnaire mostly used closed-ended type of questions data collection. The target population comprised of classified accommodation facilities in Coast region of Kenya. The population size was 36 while the sample size was 33 (Krejcie & Morgan, 1970). Ten managers from each of the sampled facilities were used as respondents.

Data Analysis and Results

The study applied Cronbach’s alpha coefficient to test the reliability of the questionnaire. The alpha coefficients were 0.842 and 0.866 for customer orientation and organizational performance respectively. The scores of alpha coefficient of all the variables are within the acceptable range; since they are greater than 0.7 (Hair, Black, Babin & Anderson, 2010)

Influence of Customer Orientation on Performance

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: $^{**}p<.01$

The results of table 1 indicated that the variation in performance as explained by Customer Orientation was 29.9%, implying that 70.1% of the variation in the performance of classified accommodation facilities can be explained by other factors other than customer orientation. Additionally, the results also showed that Customer orientation positively related with performance of classified accommodation facilities with β value of 0.547; which means that one unit change in customer orientation lead to a change of 0.547 units in performance. Further, the results indicated that Customer Orientation has a positive and significant relationship with performance (r=0.547, p< .001; β=.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.

Moderating influence of size of a firm on the relationship between Customer Orientation and Performance

Table 2 Moderating effect of size of the firm on Customer Orientation and Performance : Model Validity

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	41.097	1	41.097	82.159	$.000^b$
1	Residual	107.046	214	.500		
	Total	148.144	215			
	Regression	41.793	2	20.896	41.851	$.000^c$
2	Residual	106.351	213	.499		
	Total	148.144	215			
	Regression	41.857	3	13.952	27.829	$.000^d$
3	Residual	106.287	212	.501		
	Total	148.144	215			

a. Dependent Variable: Organizational Performance
b. Predictors: (Constant), Customer Orientation
c. Predictors: (Constant), Customer Orientation, Organizational Size
d. Predictors: (Constant), Customer Orientation, Organizational Size, Customer Orientation*Size of a firm

Results in Table 2 indicate the following:

Model 1: $F_{(1,214)}$ =82.159, p< .001; the model is valid and there is a significant influence between Customer orientation and Performance of classified accommodation facilities.
Model 2: $F_{(2,213)}$ =41.851, p<.001; the model is still valid and there is a significant influence among size of the firm, customer orientation and performance
Model 3: $F_{(3, 212)}$ =27.829, p< .001; the model remains valid and there is a significant influence among customer orientation, size of a firm, interaction term (size*customer orientation) and performance.

Table 3 Moderating effect of size and Customer Orientation: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig.
1	.527[a]	.277	.274	.70726	.001
2	.531[b]	.282	.275	.70661	.043
3	.532[c]	.283	.272	.70806	.721

a. Predictors: (Constant), Customer Orientation
b. . Predictors: (Constant), Customer Orientation, Organizational factor(Size of a firm)
c. Predictors: (Constant), Customer Orientation, Organizational Factor (Size of a firm), Customer Orientation*Size of a firm

Results in table 3 indicate the following:

The R^2 in model one show that coefficient of determination 27.7% and p<.001. This variation of 27.7% in performance can be explained by Customer Orientation. This means that customer orientation has a significant positive influence on the performance of classified hospitality facilities

In model two, size of the firm is introduced and R^2 increases by 0.5% from 27.7% to 28.2%. This change is statistically significant since p= .043< α=.05. This change in R^2 by 0.5% implies thatwhen size of the firm is introduced just like customer orientation it improves the association between customer orientation and performance of classified accommodation facilities. This improvement is statistically significant.

In model three, R^2 increase by 0.1% from 28.2% to 28.3% when the interaction term (size*customer orientation) in included. The change is statistically insignificant since p=.721>α=.05. This implies that the size of the firm interacts with customer orientation; it does not significantly influence the relationship between customer orientation and performance. This study therefore concludes that the size of a classified accommodation facility does not significantly moderate the influence of customer orientation on the performance of classified accommodation facilities.

III. Discussions

Influence of customer Orientation on performance

The result (r=.547** β=0.72, p<.001), show that customer orientation has a positive and significant influence on the performance of classified hospitality 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**, β=0.589; p< .001). The study was done among hotels in Jordan.

Moderating effect of Size on the relationship between Customer Orientation and performance

This study established that the size of the hospitality facility does not have any moderating effect of the relationship between the customer orientation and the performance of classified accommodation facilities in Coast region of Kenya since p> .001. The findings of this study agrees with Mwangi (2016) whose findings also indicated that the size of a firm does not have any moderating effect on the structural adaptations and performance of Small and Medium Enterprises.

Implications of the Study

The study findings indicate that Customer Orientation is a critical in ensuring that the accommodation facilities are performing well. This implies that the owners and managers of classified accommodation facilities in Coast region of Kenya should pay a keen interest in every aspect of the organization that improves Customer Orientation. The benefits that arise from embracing and practicing customer centrism will be realized by all accommodation facilities regardless of the size.

Conclusion and Future Studies

Customer Orientation is one of the dimensions of Customer relationship management that are key to the improvement of hospitality industry. This study recommends that future studies should consider other organizational factors,such as the type of management and star rating, and seek to establish on whether they have any moderating role in the relationship between customer orientation and performance.

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