

The Effect of the link Total Quality Management and Market orientation On Hotel performance

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Abstract—It is critical that the managers understand and design strategies to obtain a greater hotel performance. We adopt Input-processing-output (IPO) to construct concept model. The research surveyed a sample of 588 and analyzed using Structural Equation Model. The analysis results show that TQM affects positively hotel performance. Market orientation affects positively hotel performance. Market orientation has the mediating effect between TQM and hotel performance.

Keywords—Total Quality Management, Market orientation, Hotel performance, Structural Equation Model

I. INTRODUCTION

The hotel is a “service oriented” and its survival is dependent on the number of guests. But customers are more carefully differentiate between the values of competing hotel services before making decision. The firms attempt to maximize short run performance in a certain dimension (i.e. market share) must sacrifice performance in another dimension (e.g. net income)[1]. Total Quality Management (TQM) and Market orientation (Mo) are focus on customer needs and satisfaction. Market-orientated firms have been shown to be successful at maintaining strong competitive positions over time [2]. TQM-adopting firms obtain a competitive advantage over firms that do not adopt TQM [3][4]. But 1/3 TQM-adopting enterprise still has prejudice that the main factor was top managers not to understand marketing topics [5]. This causes the link between TQM and Mo, most empirical evidence appears somewhat sketchy [6], even both joined together, the empirical findings are mixed and no homogeneous results have been obtained about the existence of their relation. Furthermore, despite a significant volume of research on the relation between TQM, market orientation and business performance, finding their relation often vary substantially in terms of magnitude.

Based on these gaps, we adopt TQM’s IPO (Input-Processing-Output) concept model to construct that TQM provides some inputs to the process of market orientation, hotel performance to further probe, (1) can TQM or Market orientation success to create hotel performance? (2) Is TQM a predecessor of market orientation? (3) Is market orientation a mediator? (4) Does hotel integrate TQM with market orientation to enhance hotel performance?

II. LITERATURE REVIEW

A. Total Quality Management

Correspondingly with quality, there are various definitions of TQM in the literature. Although definitions do not coincide in full, all of those fundamentals that make up TQM theoretical frame, without management system implemented in the organization on which it is based could not be called TQM [7]. In this paper we adopt the definition stated by [8], focus on customer focus, continuous improvement, leadership, internal/external cooperation, employee fulfillment, training and process management.

TQM system accords to IPO (Input-Processing-Output) concept model to display the relations of TQM system and participators [9][10]. Scholars thought that between supplier and customer use IPO to promote comprehensive effect of all participators in the TQM system. It has internal impacts through processes, and external impacts through the market [11]. Between TQM and organization performance has positive relation [12][13], but some studies report a negative relation [14][15]. The measures of organizational performance including financial and non-financial has long been discussed in organization and strategy literature. In this paper we adopt from the works of [16] and [17], including financial performance and customer performance and proposing that the hotel adopt TQM achieve to meet satisfying customers’ need and enhance. Therefore:

Hypothesis 1: TQM positively affects hotel performance.

B. Market orientation

Market orientation reflects the firm’s propensity to adopt the marketing concept. Market orientation definitions within the research community differ [17][18][19], but their basic concept remains gathering information from customers, sharing this information internally, and responding appropriately to the changing needs of the market. As organization grasps enough market information, sensitivity of market information and developing ability will be enhanced. Both the MARKOR [20][19] scales construe market orientation as a three-dimensional construct. The former assesses information acquisition, dissemination, and responsiveness, whereas the latter measures customer orientation, competitor orientation, and inter-functional coordination. We adopt [18] and [20] concepts and define it include information generation and dissemination, shared interpretation, organization responsiveness.

The scholars’ studies find that market orientation is positively related to firm performance [21][22]. Similarly,

[23] and [24] could not find a direct relationship between market orientation and firm performance. We infer that market orientated hotel will gain customers' need to provide products and service in order to promote customer's purchase intention further to enhance hotel performance. Thus in this study hypothesize that:

Hypothesis 2: Market orientation positively affects hotel performance.

Between the concepts of TQM and market orientation has some similarities [25]. Researches suggest the link between market orientation and TQM practices, but most empirical evidence appears somewhat sketchy [26]. Reference [27] consider that TQM is used as a base in constructing electric utilities to change from internal focus to market orientation, TQM has a direct, positive effect on market orientation [28]. TQM implementation appears to play an important mediating role in increasing the strength of the association between market orientation and performance [29]. TQM is a moderator [30]. Market orientation has a statistically significant association with quality orientation [31][32]. Clearly even joining TQM and market orientation together, the empirical findings are mixed and no homogeneous results have been obtained about the existence of their relation.

TQM focuses on the internal processes continuous improvement can improve the implementation of the marketing concept [33]. Therefore, by adopting TQM philosophies offer a systematic approach in order to develop a work environment, help to adoption of market orientation, and further promotes hotel performance. The following hypothesis is proposed:

Hypothesis 3: TQM positively affects market orientation.

Hypothesis 4: Market orientation has the mediating effect between TQM and hotel performance.

III. THE METHODOLOGY

A. Measurement of constructs

In this paper we adopt TQM's IPO concept model to construct that TQM provides some inputs to the process of market orientation and hotel performance is another output from TQM and market orientation, Fig.1 depicts a path diagram for research model. Its basic causal structure comes from extensive literature review of published materials. The main method used in this study was a survey to probe research problem. All the focal constructs of the model were measured using multiple items based on validated scales derived from [8][20][33][16][17].

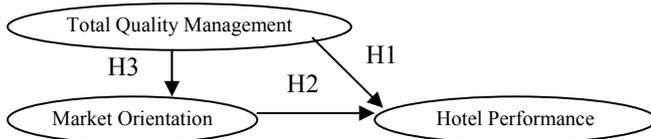


Fig.1 Research Model

The questionnaire was first developed in English, but as the survey was conducted in Chinese, we used hotel managing directors and academicians to aid in the process of translation. The wording and interpretation of items, and the extent which respondents would possess the necessary knowledge to provide appropriate responses scrutinized until a final draft of the questionnaire. After the draft questionnaire was developed. The pilot test was filled with 60 hotel's managing directors in order to correct possible defects and doubts. The pilot-test all variables' dimensions reliability is greater than [35] suggested standard value 0.7. Items that do not significantly contribute to the reliability are eliminated. Finally, the questionnaire included 45 items that are retained for the main study. Items were measured on the 7-point Likert-type scale ranged from strongly disagree to strongly agree.

B. Sampling and data collection

Tourism Bureau, M.O.T.C. Republic of China are responsible for the administration of domestic and international tourism policy making, execution and development in R.O.C. Our sampling frame derives from Tourism Bureau in 30th, Dec. 2009 statistics and displays 2,613 hotels. Owing to size considerations of the investigated hotels, as well as to the fact that managing director is widely believed to provide the best information about hotels' business. The questionnaire survey was mailed to managing director of these hotels. The effective sample size for this analysis is 588. The overall response rate is 22.4% (588/2,613). The necessary sample size for analyses, in this paper according to the guidelines recommended by [36] a sample size of 588 is adequate for models with four constructs.

The advantages of the questionnaire technique are that they allow information to be collected from a large number of people and the findings can be expressed in numerical terms[37], cost savings, convenience, anonymity, and reduced interviewer bias [38]. But all measurement items are filled with the same people easily present Common Method Variance problem [39]. It is one of the main sources of measurement error. Measurement error threatens the validity of the conclusions about the relationships between measures[40][41][42]. For eliminating Common Method Variance, in this study we use respondent anonymity, meaning anonymity of the measurement items. On the other hand also use one of the statistical remedies as Harman's single-factor to test Common Method Variance [43][44]. The result of Harman's single-factor test, all measurement items obviously load in the first factor is 0.09832. It is lower than 0.50[45]. Clearly Common Method Variance is not serious in this paper.

IV. RESULTS ANALYSES AND DISCUSS

A. Reliability and validity analyses

A two-step structural equation modeling was used to test the hypothesized model. Maximum likelihood was used for all parameter estimation with Amos 16. The first

confirmatory factor analysis (CFA) is conducted to evaluate the measurement model for modeled constructs. The assess reliability and internal validity of the measurement model is examined by calculating the composite reliability (CR) and average variance extracted (AVE). As seen in Table 1, the CR of all the constructs are acceptable, being larger than 0.6 [46][35]. The AVE of each measure is more than 50% of the variance as suggested by [46]. Therefore, the internal validity of the measurement model is adequate.

Convergent validity is a measure of the degree which two observed variables to measure the same construct correlated and is expected when each measurement's estimated pattern coefficient on its underlying construct factor is significant. Items have a factor loading over 0.45 [47]. In this paper, the convergent validity result of each latent variable is presented in Table 1. Standardized factor loading of each sub-dimension is all above 0.45 and significant. Therefore, convergent validity was achieved for all the study constructs.

Discriminant validity was assessed according to [48] suggested approach. By examining AVE for each of the latent constructs and comparing this to the squared correlations among the constructs, the shared variance between any two constructs was always less than the average variance explained by the construct, which suggests that discriminant validity has been achieved. In this paper the result of discriminant validity shows in Table 2. Based on all of the reliability and validity analysis, the scale for the constructs appears to exhibit satisfactory measurement qualities and is adequate.

B. Structural model and test of hypotheses

The simultaneous maximum-likelihood-estimation procedures are used to examine the hypothesized relationships. The results is $\chi^2 = 169.801$, $df=62$, $\chi^2 / df=2.739$; GFI=0.954, SRMR=0.034, RMSEA=0.054, AGFI=0.933, NFI=0.940, CFI=0.961, RFI=0.924, IFI=0.961, NNFI=0.950, PNFI=0.747, PGFI=0.650. They show that a good fit with the data fulfilling the respective benchmarks [46][35] and the path coefficients for the model and their significance levels. Regarding the hypothesis tests, all of the hypothesized relationships are supported in the estimated structural model. Total quality management has significantly positive effects on both hotel performance ($\gamma_{TQM-HP} = 0.446$, $t\text{-value}=8.581$) and market orientation ($\gamma_{TQM-MO} = 0.388$, $t\text{-value}=7.343$). Furthermore, market orientation also has a significantly positive effect on hotel performance ($\gamma_{TQM-MO} = 0.269$, $t\text{-value}=4.906$). Hence, H1, H2 and H3 are supported.

For the actual mediation analyses, the indirect effects are estimated both with [49] and [50]. The former provided an approximate significance test for the indirect effect of the independent variable on the dependent variable via the mediator. As $|z| > 2$, indirect effect is significant. The latter is calculated 95% confidence interval for indirect effect. If 95% interval doesn't include zero that indirect effect is not zero. The variable has the mediating effect. The results show $z=3.88 > 2$, $0 \notin (0.052, 0.157)$. They reveal that market

orientation mediates the effect of TQM on hotel performance. Hypothesis 4 is supported.

V. DISCUSSION, CONCLUSIONS AND LIMITATIONS

A. Discussion and Conclusions

Through literature review, we propose and hypothesize H1~H4 to probe research questions in this study. On the other hand, empirical test results and discussion:

- (1) Total quality management or market orientation positively affects hotel performance that is similar to [12] and [22]. One of the possible reasons is that the hotel pays attention to TQM or market orientation practices creating effectively the necessary behavior for the creation of superior value for buyers, thus continuous superior performance for the hotels. Another reason may be that TQM or market orientation may reduce business management uncertainty to promote organization performance [51].
- (2) TQM is an antecedent of market orientation. Market orientation has the mediating effect between TQM and hotel performance. The results are different from TQM play an important mediating role [29], or a moderating role [30]. The possible reason is that the hotel implements TQM offer a holistic and systematic approach to develop a work environment directed to the adoption of the market orientation behaviors. But it also presents that the hotel's value creation for customers also calls for close co-ordination between marketing and quality departments [31]. It will be helpful for promoting customer satisfaction, customer loyalty [27] and organization finance performance [52].

B. Theoretical and managerial implications

- (1) TQM or market orientation positively affects hotel performance. The hotel should consider TQM or market orientation as a facilitating management tool for improving organizational performance.
- (2) TQM affects market orientation that is identified. Market orientation has the mediating effect between TQM and hotel performance. The hotel integrates TQM with market orientation is essential for hotel performance. That's to say, the hotel shall call for close co-ordination between marketing and quality departments.

C. Research Limitations and Suggestion

- (1) This research's questionnaire have 45 items that we further suggest that all questionnaire items can be filled with marketing directors and general managers to remove measurement error.
- (2) The research uses Structural Equation Model to analyze and get the results. We suggest that more simulation results will be compared the other methods can be showed in the future.
- (3) The environment creates problems for organizations because it is uncertainty and constraints. In business situation, the environmental factor affects the firms that

it is inevitable. In the future may add the external environment factors' moderate effect to further research.

TABLE I. CONSTRUCT RELIABILITY AND CONVERGENT VALIDITY COEFFICIENTS

Construct	Number of Items	SFL ¹ (min-max)	t-value ¹ (min-max)	α ¹	CR ¹	AVE ¹
Total Quality Management (2nd order CFA)	7	0.65-0.77	13.1-13.86	0.96	0.90	0.50
Customer focus (TQM1)	3	0.92-0.93	22.01-22.37	0.95	0.95	0.85
Internal/External cooperation (TQM2)	5	0.90-0.91	22.84-23.30	0.96	0.96	0.82
Continuous improvement (TQM3)	3	0.92-0.93	24.21-24.32	0.95	0.95	0.85
Leadership (TQM4)	4	0.91-0.92	24.56-24.97	0.96	0.96	0.84
Employee fulfillment (TQM5)	3	0.90-0.93	23.68-24.71	0.94	0.94	0.84
Training (TQM6)	4	0.91-0.93	25.48-25.96	0.96	0.96	0.85
Process management (TQM7)	6	0.91-0.93	24.97-25.77	0.97	0.97	0.85
Market Orientation (2nd order CFA)	4	0.65-0.75	10.98-11.54	0.90	0.80	0.50
Information generation (MO1)	2	0.88-0.96	17.67-18.57	0.92	0.92	0.85
Information dissemination (MO2)	2	0.92-0.94	18.95-19.22	0.93	0.93	0.86
Shared interpretation (MO3)	2	0.92-0.93	21.38-21.52	0.92	0.92	0.86
Organization responsiveness (MO4)	3	0.91-0.93	21.07-21.58	0.94	0.94	0.84
Hotel performance (2nd order CFA)	2	0.82	fixed	0.95	0.80	0.67
Customer performance (HP1)	4	0.92-0.93	25.00-25.24	0.96	0.96	0.86
Finance performance (HP2)	4	0.92-0.94	24.87-25.45	0.96	0.96	0.86

Note:

SFL, standardized factor loading; α , Cronbach's α coefficient; CR is composite reliability; AVE is average variance extracted.

TABLE II. DISCRIMINANT VALIDITY COEFFICIENTS^a

	TQM1	TQM2	TQM3	TQM4	TQM5	TQM6	TQM7	MO1	MO2	MO3	MO4	HP1	HP2
TQM1	0.92												
TQM2	0.49	0.91											
TQM3	0.47	0.57	0.92										
TQM4	0.50	0.50	0.45	0.92									
TQM5	0.47	0.58	0.51	0.47	0.92								
TQM6	0.54	0.42	0.39	0.46	0.39	0.92							
TQM7	0.59	0.42	0.45	0.46	0.39	0.47	0.92						
MO1	0.30	0.20	0.20	0.25	0.21	0.19	0.21	0.92					
MO2	0.21	0.22	0.18	0.17	0.21	0.15	0.20	0.49	0.93				
MO3	0.11	0.11	0.09	0.20	0.10	0.11	0.16	0.48	0.43	0.93			
MO4	0.20	0.19	0.18	0.20	0.14	0.15	0.15	0.48	0.51	0.41	0.92		
HP1	0.33	0.31	0.29	0.30	0.32	0.27	0.33	0.31	0.30	0.19	0.26	0.93	
HP2	0.32	0.34	0.31	0.29	0.28	0.31	0.32	0.23	0.20	0.14	0.24	0.65	0.93

^a Diagonal elements (bold) are the square root of average variance extracted (AVE) between the constructs and their measures. Off-diagonal elements are correlations between constructs

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