IMPACT OF MARKET ORIENTATION ON CORPORATE SOCIAL RESPONSIBILITY WITH SPECIAL REFERENCE TO HOTEL INDUSTRY IN SRI LANKA

by

R.W.D. Nimmala Rajapaksha

M.Sc 2013

Impact of Market Orientation on Corporate Social Responsibility with special reference to Hotel Industry.

by

R.W.D.Nirmala Rajapaksha GS/M.Sc/MGT/2969/06

A project submitted to the University of Sri Jayewardenepura in partial fulfillment of the requirement for the Degree of Master of Science in Management

On 31st January 2013.

"The work described in this project was carried out by me under the supervision of Prof. B. N. F Warnakulasooriya and a report on this have not been submitted in whole or in part to any university or any other institution for another Degree/Diploma".

Dijapaksh

07-06-2013

Signature

Date

"I certify that the above statement made by the candidate is true and that this project is suitable for submission to the University for the purpose of evaluation".

Signature of the Supervisor

07-06-2013

Date

Acknowledgements

I would like to take this opportunity to acknowledge the help and encouragement of all who have supported and assisted me during the project work. Without their guidance and advice, I would have never been able to accomplish the work of this project.

Firstly, I would like to express my sincere gratitude to Prof. B. N. F. Warnakulasooriya who is Senior Lecture, Department of Management, my supervisor, whose guidance, support, advice and encouragement added considerably to enrich my work. Also, I would like to express my sincere gratitude to the MBA/MPM/M.Sc. (Management) Programme Coordinator, University of Sri Jayewardenepura, Dr. P.D. Nimal for coordinating the project successfully.

Secondly, I would like to thank all the participants who took part in the interviews conducted as part of this research project, for their valuable time and kind assistance.

Very special thanks go to my family for their great tolerance and patience and support throughout my study. I also extend my gratitude to the lecturers and the staff of the University of Sri Jayewardenepura for their kind cooperation in carrying out my studies during the last two years.

ABSTRACT

It is the role of the marketers to add value to the customers by identifying and fulfilling the needs and expectations of their customers. This process is known as market orientation. Meanwhile awareness of the social issues has increased among the society and customers in the past few decades. Therefore, society and customers expect marketers to be involved in socially responsible measures. Thus, it becomes necessary for the market oriented businesses to move towards corporate social responsibility to fulfill the social expectations of their customers and society. But so far no research has been carried out to analyze the relationship between market orientation and corporate social responsibility. Therefore, main purpose of this study is to investigate relationship between market orientation and corporate social responsibility. Hence findings of this study would be useful to the Sri Lankan hotel industry to develop policies to foster socially responsible business behavior by improving their market orientation practices. This research was limited to the Sri Lankan Hotel Industry. Ethical and social commitments, Connection with partner in Value network and Consistency behavior are considered as the measurement variables of CSR and it was derived from John Meehan et al (2006). Researcher adopted quantitative methodology and used structured questionnaires for data collection. 40 star category hotels were selected that comprised of five, four and three star category hotels. T-test, ANOVA, Correlation and Regression analysis were used for data analysis. Results confirmed that there is a positive relationship between market orientation and CSR.

From the findings it can be concluded that an organization can improve its socially responsible business behavior by adopting market orientation practices.

TABLE OF CONTENTS

Cha	pter 01 : Introduction	1
1.1.	Overview of the Study	1
1.2.	Hotel Industry in Sri Lanka	2
1.3.	Background of the Study	10
1.4.	Reseach Problem	12
1.5.	Purpose of the Study	13
1.6.	Objectives of the Study	14
1.7.	Scope of the Study	14
1.8.	Significance of the Study	18
Cha	apter 02 : Literature Reviews	21
2.1.	The Concept of Market Orientation	21
2.2.	Dimensions of Market Orientation	26
	2.2.1 Customer Orientation	28
	2.2.2Competitor Orientation	30
	2.2.3Inter-functional Coordination	31
2.3	Corporate Social Responsibility	33
	2.3.1 Ethical and social commitment	41
	2.3.2 Connections with partners in the value network	41
	2.3.3 Consistency of Behavior	42
2.4 I	Relationship between Market Orientation and CSR	42

Chapter 03: Research Methodology	50
3.1 Conceptualization and Methodology	50
3.2 Conceptualizatio	50
3.3 Hypothesis development	52
3.4 Definitions of key concepts	56
3.4.1 Market orientation	56
3.4.2 Corporate Social Responsibility	57
3.5 Operationalization	58
3.6 Methodology	62
3.6.1 Sample selection	62
3.6.2 Data collection methods and instruments	64
3.6.3 Questionnaire formation and pilot study	64
3.6.4 Data presentation and analysis	65
3.7 Reliability and validity	65
3.8 Limitations of the research	66
Chapter 04: Data Presentation and Analysis	67
1.1 Pilot Study	67
1.2. Validity of Measurement Scales	67
4.3. Unidimensionalty	67
4.3.1. Market Orientation	68
4.3.2. Corporate Social Responsibility	70
4. Content Validity	72

4.5. Convergent Validity	72
4.6. Discriminant Validity	75
4.7. Reliability	77
4.8 Sample Profile	79
4.9 Degree of Adopting Market Orientation	80
4.10 Degree of Corporate Social Responsibility	88
4.11 Marker Orientation and CSR	96
4.12 Relationship between Market Orientation and Ethical and Social Commitments	117
4.13 Relationship between Market Orientation and Connection with Partners	119
4.14. Relationship between Market Orientation and Consistency of Behavior	122
Chapter 05: Finding and Discusion	126
Chapter 06: Conclusions, Directions for Future Research and	
Managerial Implications	129
References	133
Appendix	140

LIST OF TABLES

2.1. Definitions to Market Orientation	23
3.1 Operationalization of Market Orientation	58
3.2 Operationalization of Corporate Social Responsibility	60
3.3 Class of Hotels	63
4.1 Rotated Component Matrixes – Customer Orientation	68
4.2 Rotated Component Matrixes – Competitor Orientation	69
4.3 Rotated Component Matrixes – Inter Functional Coordination	69
4.4 Rotated Component Matrixes - Ethical and Social Commitment	70
4.5 Rotated Component Matrixes - Connection with Partners	71
4.6 Rotated Component Matrixes - Consistency of behavior	71
4.7 Average Variance Extracted and Composite Reliability— Market Orientation	73
4.8 Item Reliability – Market Orientation	74
4.9 Average Variance Extracted and Composite Reliability - CSR	74
4.10 Item Reliability – CSR	75
4.11 Average Variance Extracted – Market Orientation	76
4.12 Average Variance Extracted – Corporate Social Responsibility	77
4.13 Cronbach's Alpha Coefficient for variables - Market Orientation	78
4.14 Cronbach's Alpha Coefficient for variables – CSR	79
4.15 Category of Responded hotels	79
4.16 Degree of Customer Orientation	80
4.17 Degree of Competitor Orientation	81
4.18 Degree of Inter-functional Coordination	81
4.19 Degree of Market Orientation	82

4.20 Mean and Standard Deviation for the Variable of Market Orientation	82
4.21 Customer Orientation in levels of star Category	84
4.22 ANOVA – Customer Orientation by Levels of Star Category	84
4.23 Competitor Orientation in levels of star Category	85
4.24 ANOVA - Competitor Orientation by Levels of Star Category	85
4.25 Effect of association between Competitor Orientation and	
Levels of Star Category	86
4.26 Inter-functional Coordination in levels of star Category	86
4.27 ANOVA – Inter-functional Coordination by Levels of Star Category	87
4.28 Market Orientation levels of star Category	87
4.29 ANOVA - Association between Market Orientation and Levels of Star	
Category	87
4.30 Degree of Ethical and Social Commitments	88
4.31 Degree of Connection with Partners	89
4.32 Degree of Consistency of behavior	89
4.33 Degree of CSR	89
4.34 Mean and Standard Deviation for the Variable of CSR	90
4.35 Ethical and Social Commitments in Levels of Star Category	92
4.36 ANOVA – Ethical and Social Commitments by Levels of Star Category	92
4.37 Connection with Partners in Levels of Star Category	93
4.38 ANOVA – Connection with Partners by Levels of Star Category	93
4.39 Consistency of Behavior in Levels of Star Category	94
4.40 ANOVA - Consistency of Behavior by Levels of Star Category	94
4.41 Effect of association between Consistency of behavior	
and Levels of Star Category	94
4.42 CSR in Levels of Star Category	95
4.43 ANOVA –CSR by Levels of Star Category	95
4.44 Effect of association between CSR and Levels of Star Category	96

4.45 Customer Orientation and Degree of CSR	97
4.46 Competitor Orientation and CSR	97
4.47 Inter-functional Coordination and CSR	98
4.48 Market Orientation classified by CSR level	98
4.49 CSR mean classified by Customer Orientation in 5* Hotels	99
4.50 Independent Samples t-test – Customer Orientation	100
4.51 CSR mean classified by Competitor Orientation in 5* Hotels	100
4.52 Independent Samples t-test – Competitor Orientation	101
4.53 CSR mean classified by Inter-functional Coordination at 5* Hotels	102
4.54 Independent Samples t-test - Inter-functional Coordination	102
4.55 CSR mean classified by Market Orientation in 5* Hotels	103
4.56 Correlation between Market Orientation and CSR at 5 star category hotels.	103
4.57 Model Summary - Market Orientation and CSR at 5 star category hotels.	104
4.58 ANOVA – Market Orientation by Levels of 5* Star Category.	105
4.59 Coefficients Market Orientation and 5 star category Hotels	105
4.60 CSR mean classified by Customer Orientation at 4* Hotels	106
4.61 Independent Samples t-test - Customer Orientation	106
4.62 CSR mean classified by Competitor Orientation at 4* Hotels	107
4.63 Independent Samples t-test – Competitor Orientation	107
4.64 CSR mean classified by Inter-functional Coordination at 4* Hotels	108

4.65	ANOVA –Inter-functional Coordination by Levels of 4* Star Category	108
4.66	Correlation between Market Orientation and CSR at 4 star category hotels	109
4.67	Model Summery - Market Orientation and CSR at 4 star category hotels	110
4.68	ANOVA – Market Orientation by Levels of 4 Star Category	110
4.69	Coefficients Market Orientation and 4 star category Hotels	111
4.70	CSR mean classified by Customer Orientation at 3* Hotels	111
4.71	CSR mean classified by Competitor Orientation at 3* Hotels	112
4.72	Independent Samples t-test – Competitor Orientation	112
4.73	CSR mean classified by Inter-functional Coordination at 3* Hotels	113
4.74	Independent Samples t-test – Inter-functional Coordination	114
4.75	Correlation between Market Orientation and CSR at 3 star category hotels.	115
4.76	Model Summary - Market Orientation and CSR at 3 star category hotels.	115
4.77	ANOVA - Market Orientation and Levels of 3 Star Category	116
4.78	Coefficients Market Orientation and 3 star category Hotels	116
4.79	Correlations between Market Orientation and Ethical and Social Commitments	117
4.80	Model Summary	118
4.81	ANOVA – Market Orientation and Ethical and Social Commitments	119
4 82	Standardized Coefficients	110

4.83	Connection with Partners	120
4.84	Model Summary	121
4.85	ANOVA – Market Orientation and Connection with Partners	121
4.86	Standardized Coefficients	122
4.87	Correlations between Market Orientation and	
	Consistency of Behavior	123
4.88	Model Summary	123
4.89	ANOVA – Market Orientation and Consistency of Behavior	124
4 90	Standardized Coefficients	124

LIST OF FIGURE

1.1 Hotel Classification in Sri Lanka	03
1.2 Tourist arrivals to Sri Lanka	06
1.3 Average annual occupancy rates of graded establishments	08
2.1 3C Model	40
3.1 Conceptual Model	50