

## The Mediating Influence of Marketing Capabilities on the Relationship Between Knowledge Management and Organization Performance in Hotel Industry

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**Abstract:** Knowledge management (KM) is one of the main sources of competitive advantage for organizations. However the influence of KM on organization performance in hotel industry has received less attention. In addition, previous studies found inconsistent results regarding the influence of KM on organization performance. Therefore, this empirical study examines the influence of KM on hotel performance dimensions (financial, customer, internal process and learning and growth) in Malaysia. It also investigates the mediating effect of marketing capabilities (planning and implementation) on the relationship between KM and hotel performance. Data was collected using the survey method and 152 usable questionnaires were received from hotel managers. Regression analysis was conducted to test the relationships among KM, marketing capabilities and hotel performance. The results show a positive relationship between KM and hotel performance. They also indicate that marketing capabilities play a mediating role on the relationship between KM and hotel performance. The study suggests that KM is a main source of influence on marketing capabilities and hotel performance. By understanding the relationship among the constructs in the research model, hotel managers could maximize the utilization of their internal resources to improve organizational performance.

**Key words:** Knowledge management • Hotel performance • Marketing planning capability • Marketing implementation capability

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### INTRODUCTION

The hotel industry is one of the main components of tourism and as such is one of the most promising sectors in Malaysia; therefore there is a need for good strategies to enable it to meet the economic agenda of the nation [1]. Overall, there is an increase in the number of hotels in Malaysia; as reported by Tourism Malaysia (2013) there were 2,724 hotels in 2012 compared to 2,336 in 2006. As a result of this increasing number of hotels, competition has become very stiff among hoteliers, which influences the level of the average occupancy rate. From 2006 to 2012, the average occupancy rate fluctuated but settled at approximately 63% [2].

Therefore, to be competitive, they must pay more attention to the needs and wants of the customers, as well as recognizing internal factors to improve their occupancy rate [3]. In summary, hotels must implement

suitable strategies to face the strong competition in the market and consequently improve their performance, increase occupancy rates and achieve profit [4].

Therefore, in order to improve profitability, customer information should be collected through connections or touch points across all functions or areas of the organization [5]. Thus, hotels can create competitive advantage based on KM because they can collect, manage, share and use customer information in different touch points. In this case, [6] contended that KM practices, such as programs and cultures that support knowledge sharing, storing and acquisition, can benefit such hotels not only financially but in terms of the functioning of the organization and welfare of the staff. Therefore, hotels have to develop a mechanism for disseminating their knowledge of customers to different departments in order to facilitate concerted action.

Against this background, [7] stressed the importance for hospitality companies to build up their competitive advantage through KM. Owing to its intensive utilization of technology and the nature of its service products, which depend on the relationship between the employees and customers, the hospitality industry is transforming itself into a knowledge-intensive sector. Therefore, KM activities are becoming invaluable to hotels as they can enhance employees' knowledge of the unique needs of individual customers.

Thus, Hoteliers are encouraged to involve in the practice of KM to improve customer satisfaction in their organization [6]. In this case, [8] contended that the effective of KM contribute to the operational performance and create a competitive advantage over competitors in hospitality industry.

Moreover, despite the vital role of KM, there is still limited research to explain its role in the hospitality industry [9;7; 10]. In line with this thinking, [11] contended that the published KM research in tourism and hospitality industry is very few, mostly descriptive and focusing on one-off case studies. Therefore, there is a great need for empirical studies to investigate the influence of KM on organization performance in hospitality industry [7].

Additionally, there is still an important debate regarding the influence of KM on organization performance. Studies such as [12] and [13] who found that there is apposite but not significant relationship between KM and financial performance, marketing performance and customer performance. Similarly, [14] declared that KM could not in practice be related directly to organization performance. These mixed findings might have been a result of lack of understanding of the mechanisms that link KM with organizational performance.

Based on the literature of the resource-based view (RBV) theory, strategy researchers have recognized organizational capabilities as significant factors that influence performance and competitive advantage [15; 16]. Within the literature of marketing, marketing-related capabilities are also proposed as key factors in an organization's performance [17;18]. Thus, organizations with superior marketing capabilities (planning and implementation) demonstrate characteristics that allow them to create superior performance and maintain competitive advantage [19].

[20] also revealed that marketing capabilities (planning and implementation) have a positive influence on organizational performance. Additionally, they contended that the success of an organization depends

on the development of well-imagined marketing strategies and its ability to implement them. Meanwhile, previous studies [e.g., 21; 22] demonstrated the positive impact of KM on marketing capabilities of organization. Therefore, this study assumed that marketing capabilities can play a mediating role on the relationship between KM and organization performance.

Against this background, the current study addressed the following objectives: 1) to investigate the effect of KM on various dimensions of hotel performance (i.e. financial, customer, internal business process and learning and growth perspective). (2) To investigate the mediating effects of marketing capabilities (planning and implementation) on the relationship between KM and hotel performance dimensions.

### **Literature Review and Hypothesis Development**

**Measuring Hotel Performance:** It is believed that organizations have to measure their performance in order to determine the effectiveness of organizational strategies. In this case, researches on firm performance utilized different methods to measure and conceptualize performance. It has been argued that organization performance is a multi-dimensional concept that cannot be sufficiently reflected in a single performance dimension [23].

[24] argued that financial management alone is not sufficient in assessing an organization's competitive position; hence, they proposed a comprehensive model called the "Balanced Scorecard" (BSC). BSC attempts to provide a more balanced performance measurement for organizations. BSC model includes both financial and three other non-financial measures including customers, internal process and learning and growth. [24] Mentioned that the balanced scorecard consists of four dimensions including financial perspective, customer perspective, internal process perspective and learning and growth/innovation perspective.

It has been argued that BSC can provide a deeper understanding of business performance because it does not only includes traditional financial approach to assess tangible assets, but also uses non-financial approaches to assess intangible assets or intellectual property [25]. Therefore, this study used the four dimensions of BSC approach (financial, customer, internal process and learning and growth) to measure hotel performance.

**Knowledge Management (KM) and Organization Performance:** In recent years, knowledge has become to be considered as an important organizational resource and the techniques for the transmission of knowledge

regarding customers are core resources that allow the company to strengthen its links with customers and achieve sustainable competitive advantage [26; 27].

KM capabilities are defined as the organization's use of information consistently to capture, manage and transmit information regarding customer products and services so that fast decisions and improved customer response are achieved [28]. That is, KM refers to an organizational process that is connected to the creation, storage, retrieval and application of knowledge about the customer for competitive advantage [29].

It has been empirically determined that the success of customer relationship management relies heavily on gathering and analyzing customer information to develop highly personalized offerings [30]. Thus, in order for organizations to maintain their competitiveness, they need to acquire new knowledge about their customers, exploring and making use of their existing knowledge and sharing this knowledge within the organization. Hence, KM helps an organization to succeed by building a better customer relationship and it has a positive impact on organizational performance [13; 31; 32].

Moreover, the positive association between KM and overall performance of organization can be traced back to the RBV theory, as introduced by [33], who argued that the resources and capabilities of the firm can be utilized to create competitive advantage and thus improved performance. In this vein, hotels need to acquire new knowledge about existing and potential customers and share this knowledge throughout their organization, to improve service quality [34] In this case, numerous studies recognize a positive relationship between KM and, market effectiveness and financial performance [31]; customer retention [32]; and customer satisfaction [13]; financial performance, marketing and building relationship with customers [35] improved competitive advantage [36].

**Based on Previous Discussion, the Study Proposed the Following Hypotheses:**

- H1a:** KM positively related to financial performance.
- H1b:** KM positively related to customer performance.
- H1c:** KM positively related to internal process performance.
- H1d:** KM positively related to learning and growth performance.

**Knowledge Management and Marketing Capabilities:** From a resource-based viewpoint, customer knowledge is a valuable asset to the organization, enabling it to react in a timely manner to customer needs and to acclimatize to

changing markets [27]. An organization that can convert its customer knowledge into marketing implementation capabilities is likely to outperform their competitor [37], which implies that the impact of customer knowledge upon the organization depends on the effective way it uses its marketing plans, compared to its competitors.

In addition, [22] empirically demonstrated that customer knowledge significantly affects marketing programmes leading to enhanced organizational performance. Additionally, marketing implementation capability was demonstrated to have a significant mediating effect on the relationship between marketing strategic development and organizational performance [38].

Hence, a hotel's knowledge of customers enables the hotel to understand and recognize the basic characteristics of target markets for the development of suitable strategies. It is correct to state that the knowledge of customers' perception and utility of products can be used to develop and implement an appropriate and effective marketing programme [39].

Similarly, [22] found that better and more competitive execution of an organization's marketing programme depends on the organization's skill in adapting to various customer preferences. Thus, organizations with a high level of knowledge about their customers' preferences have more chance of increasing their skills so as to take advantage of the available opportunities and achieve marketing objectives effectively [37].

[21] also indicated that knowledge will lead to the development of marketing capabilities. In this respect, hotels that have a lot of customer knowledge and the ability to disseminate it among their various departments are expected to implement successful marketing activities to satisfy their customer needs [39; 37]. Similarly, [22] empirically found that customer knowledge has a positive influence on marketing implementation capability. Furthermore, marketing capabilities are soundly based on information concerning the customer [40] and, hence, customer KM is related to marketing capabilities. In addition, KM enables organizations to develop and make strategic management decisions including marketing planning for improving performance[9]. Based on previous arguments, the study proposed the following hypotheses

- H2:** KM positively related to marketing planning capability.
- H3:** KM positively related to marketing implementation capability.

### **Marketing Capabilities and Organization Performance:**

According to the RBV theory, marketing capabilities affect organizational performance and create competitive advantage [33]. The dissemination of marketing intelligence enables managers to make better-informed strategic decisions and provides guidance to other departments in matching the changing needs and wants of customers more competitively than other players in the market. All this leads to the development of new or improved services.

Several studies have also found that marketing capabilities have a positive impact on organizational performance [41; 42; 43; 20]. This is true of both marketing planning capability [19; 42; 18; 20] and marketing implementation capability [44; 20]. [45] Asserted that marketing implementation capability positively affects marketing effectiveness in the hotel sector, which ultimately leads to improved hotel performance. In line with this argument, [46] found that marketing capabilities have a significant and positive impact on financial success in hospitality organizations.

### **Based on Previous Discussion, the Study Proposed the Following Hypotheses:**

- H4a:** Marketing planning capability positively related to financial performance.
- H4b:** Marketing planning capability positively related to customer performance.
- H4c:** Marketing planning capability positively related to internal process performance.
- H4d:** Marketing planning capability positively related to learning and growth performance.
- H5a:** Marketing implementation capability positively related to financial performance.
- H5b:** Marketing implementation capability positively related to customer performance.
- H5c:** Marketing implementation capability positively related to internal process performance.
- H5d:** Marketing implementation capability positively related to learning and growth performance.

### **The Mediating Role of Marketing Capabilities:**

As mentioned before several studies revealed the positive and significant effect of KM on organization performance [e.g., 9; 36], in line with this thinking [47] and [21] declared that knowledge is the main source of marketing capabilities. That means knowledge can lead to develop marketing capabilities in the organization. In the meantime, previous studies revealed the positive and

significant impact of marketing capabilities on organization performance [19; 48]. Thus, it can be assumed that KM will lead to the development of marketing capabilities and, hence organization performance.

### **Based on Previous Arguments, Therefore the Following Hypotheses Are Proposed:**

- H6a:** Marketing planning capability mediates the relationship between KM and financial performance.
- H6b:** Marketing planning capability mediates the relationship between KM and customer performance.
- H6c:** Marketing planning capability mediates the relationship between KM and internal process performance.
- H6d:** Marketing planning capability mediates the relationship between KM and learning and growth performance.
- H7a:** Marketing implementation capability mediates the relationship between KM and financial performance.
- H7b:** Marketing implementation capability mediates the relationship between KM and customer performance.
- H7c:** Marketing implementation capability mediates the relationship between KM and internal process performance.
- H7d:** Marketing implementation capability mediates the relationship between KM and learning and growth performance.

## **MATERIALS AND METHODS**

**Research Framework:** Figure 1 exhibits the framework this study. The study examines the relationship between KM and hotel performance and the mediating effects of marketing capabilities (i.e., planning and implementation

**Measurement of Variables:** As far as this study is concerned KM was operationalized utilizing the measurement developed by [31] and [32] and used by [12]. Marketing capabilities (planning and implementation) were operationalized using the measurement developed by items from [49] and used by [19] regarding to hotel performance, the current study employed the instrument that used by [25]. All items were rated on a five -point Likert scales (1 = “Strongly disagree” and 5 = “Strongly agree”)

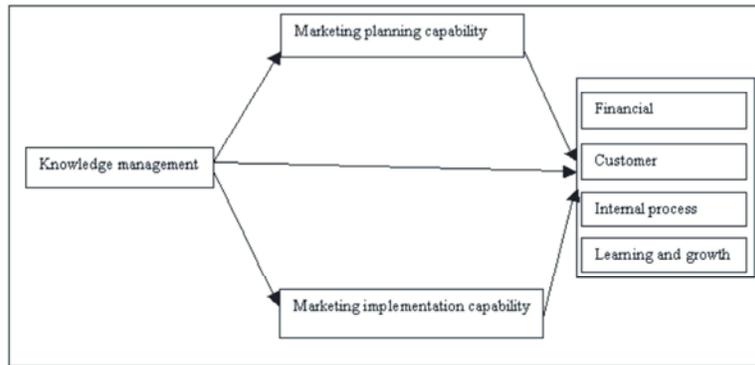


Fig 1: Research Framework

**Data Collection:** To test hypotheses for this study, we used standardized questionnaire as the main instrument of data collection. The population of the study is drawn from the members in Malaysian Association Hotel (MAH). There were 447 members of 3 to 5 star hotels in the association. Questionnaires were mailed to general manager or senior manager for administration. Overall, a total of 164 questionnaires were collected and only 152 responses were accepted and used for further analysis.

**Data Analysis and Results:** Before the main analysis, both reliability and validity were determined. The study used Cronbach's alpha coefficient to test the reliability of instrument and the results revealed that the research instrument in term of reliability is within satisfactory level, since the scores of alpha coefficient of all variables were higher than 0.7 [50; 51].

In terms of validity, exploratory factor analysis (EFA) used to test construct validity [52]. Table 1 reveals the results of factor analysis and reliability test of all constructs.

Although the model in this study reveals as a path model, which may be estimated using Structural Equation Modelling (SEM) to test the hypothesis, regarding the sample size issue, multiple regression analysis is used in this study. Since there were 31 attributes in the survey questionnaire, a minimum sample size should be at least 310 for the requirement of SEM. A total of 152 responses were received at the end of the survey, which do not meet the recommended criteria of the statistical power of SEM by [53] and [54]. In this case, [50] mentioned that a minimum sample size of regression with six or fewer predictors will be fine with a sample of 100. In the case of this study, simple regression analysis to examine the direct hypotheses was conducted. This technique used to test the relationship between single dependent variable and single independent variable [50; 51].

Additionally hierarchical regression used to investigate the mediating impact of marketing capabilities on the relationship between KM and various dimensions of organization performance. The standardized coefficient beta ( $\beta$ ) and  $R^2$  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 the p value is less than 0.05. Table 3 has shown regression results of the relationship between KM, marketing capabilities (planning and implementation) and hotel performance dimensions.

Table 4 below also reveals the results of simple regression analysis of the relationship between marketing capabilities (planning and implementation) and various dimensions of hotel performance.

Additionally, using the [55] mediation technique, this study investigated the mediating impact of marketing capabilities (planning and implementation) on the relationship between KM and various dimensions of performance. Tables 5 revealed results of hierarchical regression that demonstrated how marketing capabilities (marketing planning capability and marketing implementation capability) mediated the relationship between KM and dimensions of performance (financial, customer, internal process and learning and growth).

The finding in table 3 indicated that the variation in financial, customer, internal process and learning and growth performance as explained by KM were 0.14, 0.17, 0.16 and 0.16 respectively. Additionally, the results also showed that KM positively related with hotel dimensions with  $\beta$  values were 0.38, 0.41, 0.40 and 0.39 respectively. Thus, the findings provided support for hypotheses H1a, H1b, H1c and H1d.

Furthermore, results indicated that KM has a positive and significant relationship with marketing capabilities (planning and implementation) with  $\beta$  values of 0.48 and

Table 1: Factor loading and reliability test

Factors and items	Factor loading	Eigen-values	Cronbach's $\alpha$
Knowledge management		2.70	0.84
My organization's employees are willing to help customers in a responsive manner.	0.71		
My organization fully understands the needs of our key customers via knowledge learning.	0.70		
My organization provides channels to enable ongoing, two-way communication with our key customers and us.	0.71		
Customers can expect prompt service from employees of my organization.	0.57		
Marketing planning capability		3.04	0.84
My organization has superior marketing planning skills.	0.78		
My organization sets clear marketing goals.	0.79		
My organization develops creative marketing strategies.	0.77		
My organization segments and targets market effectively.	0.73		
My organization makes a thorough marketing planning process.	0.82		
Marketing implementation capability		2.70	0.79
My organization allocates marketing resources to implement marketing strategies effectively.	0.69		
My organization delivers marketing programs effectively.	0.79		
My organization translates marketing strategies in to action effectively.	0.77		
My organization executes marketing strategies quickly.	0.70		
My organization monitors the performance of marketing strategies.	0.72		
Hotel performance: learning and growth perspective		6.24	0.71
Employees' ability to solve problems has improved.	0.54		
The quality of employees' service has improved.	0.74		
The intention of employees to learn has improved.	0.82		
The corporate culture has promoted effectively.	0.85		
Internal Business perspective		1.29	0.76
The market share of hotel has increased.	0.42		
The operating efficiency of hotel has increased.	0.94		
Customer complaints have been decreased.	0.55		
The ability to retain old customers has improved.	0.72		
The ability to confirm target customers has improved.	0.44		
Customer perspective		1.04	0.72
The rate of sales growth has increased.	0.86		
The needs of various types of customers have satisfied.	0.61		
Customer's repeat to purchase has increased	0.43		
Customer satisfaction has increased.	0.45		
Financial perspective		1.00	0.74
The total cost of hotel has decreased.	0.75		
The unexpected losses in hotel have reduced.	0.62		
The return on assets of hotel has increased.	0.72		
The net profit margin of hotel has increased.	0.50		

Table 3: Summary of simple regression analysis for KM influencing marketing planning capability, marketing implementation capability, financial, customer, internal process and learning and growth

Predictor	Criterion variables					
	FP	CP	IP	LGP	MPC	MIC
KM						
Coefficients ( $\beta$ )	0.38**	0.41**	0.40***	0.39**	0.48**	0.52**
R <sup>2</sup>	0.14	0.17	0.16	0.16	0.23	0.27
F	24.76	30.94	27.87	27.52	43.98	55.76
N	152					

Note. \*\*P < 0.01, KM is knowledge management, MPC is marketing planning capability, MIC is marketing implementation capability, FP is financial performance, CP is customer performance, IP is internal business process and LGP is learning and growth performance.

Table 4: Summary of simple Regression Analysis for Marketing Planning Capability and Marketing Implementation Capability influencing Financial, Customer, Internal Process and Learning and Growth

Predictors	Criterion variables			
	Financial	Customer	Internal process	Learning and growth
	Coefficient ( $\beta$ )			
MPC	0.59**	0.63**	0.55**	0.56**
R <sup>2</sup>	0.35	0.40	0.30	0.31
F	79.10	66.06	63.37	66.90
MIC	0.55**	0.70**	0.66**	0.58**
R <sup>2</sup>	0.30	0.49	0.44	0.33
F	63.70	144.20	117.24	75.06
N	152			

Note. \*\*P < 0.01, MPC = Marketing planning capability, MIC = Marketing implementation capability.

Table 5: Summary of Beta values on the relationship of mediation between KM and, financial, customer, internal process and learning and growth dimensions of hotel performance

Predictor	Criterion variables											
	Financial			Customer			Internal process			Learning and Growth		
	without	With	Result	without	with	Result	without	With	result	without	with	Result
KM	0.38**			0.41**			0.40**			0.39**		
MPC		0.15	F		0.18*	P		0.23**	P		0.20*	P
MIC		0.18*	P		0.10	F		0.14	F		0.17*	P

Note. \*P < 0.05, \*\*P < 0.01, KM is knowledge management, MPC = Marketing planning capability, MIC = Marketing implementation capability, F = Full mediator, P = Partial mediator.

0.52 respectively as well as, the results revealed that KM explained 0.23 and 0.27 of variations of marketing planning capability and marketing implementation capability respectively. Thus, the results provided support to hypotheses H2 and H3.

Additionally, the results in Table 4 show that marketing planning capability has a positive effect on various dimensions of hotel performance (financial, customer, internal process and learning and growth) with  $\beta$  values 0.35, 0.40, 0.30 and 0.31 respectively. Marketing planning capability also explained 0.59, 0.63, 0.55 and 0.56 respectively of variations in hotel performance dimensions. Consequently, the findings supported hypotheses H4a, H4b, H4c and H4d. The findings in table 4 also revealed that marketing implementation capability has a positive influence on various dimensions of hotel performance (financial, customer, internal process and learning and growth) with  $\beta$  values 0.55, 0.70, 0.66, 0.58 respectively and marketing implementation capability explained 0.30, 0.49, 0.44 and 0.33 of variation of various dimensions of hotel performance perceptively. Therefore, the study supported hypotheses H5a, H5b, H5c and H5d.

Regarding to the mediating role of marketing planning capability on the relationship between KM and

various dimensions of performance, results as indicated in table 5 revealed that KM influenced hotel performance dimensions in step 1 and step 2 upon the introduction of marketing planning capability (mediating variable). The beta coefficients for the direct path (step 1) between KM and hotel performance dimensions (i.e. financial, customer, internal process and learning and growth) were 0.38, 0.41, 0.40 and 0.39 respectively. When marketing planning capability was included as a mediator (step 2), the beta coefficient for KM dropped to 0.15, 0.18, 0.23 and 0.20 respectively, showing that mediation does exist in the relationship, but the relationship became non significant between KM and financial performance. On the other hand, the relationship between KM and three dimensions of hotel performance (i.e. customer, internal process and learning and growth) still significant when marketing planning capability was included.

Specifically, the results demonstrated that marketing planning capability fully mediates the relationship between KM and financial dimension of performance, but partially mediates the relationship between KM and hotel performance dimensions (i.e. customer, internal process and learning and growth). This implied that KM indirectly influences hotel performance through marketing planning

capability, thus, providing empirical support to hypotheses H6a, H6b, H6c and H6d.

A similar mediation procedure was carried out to investigate the influence of marketing implementation capability on the relationship between KM and various dimensions of hotel performance. Table 5 also showed that KM influenced hotel performance dimensions in step 1 and step 2 upon the introduction of marketing implementation capability (i.e. the mediating variable). The beta coefficient for the direct path (step 1) between KM and hotel performance dimensions (i.e. financial, customer, internal process and learning and growth) was 0.38, 0.41, 0.40 and 0.39 respectively. When marketing implementation capability was included as a mediator (step2), the Beta coefficient for KM dropped to 0.18, 0.10, 0.14 and 0.17 respectively, revealing that mediation does exist in the relationship, but the relationship became non significant between KM and two dimensions of hotel performance (i.e., customer and internal process). On the other hand, the relationship between KM and other dimensions of hotel performance (i.e., financial and learning and growth) still significant when marketing implementation capability was included.

Specifically, the results demonstrated that marketing implementation capability fully mediates the relationship between KM and customer and internal process dimensions of performance, but partially mediates the relationship between KM and hotel performance dimensions (i.e. financial and learning and growth). Specifically, the results indicated that KM indirectly influences hotel performance through marketing implementation capability, providing support for hypotheses H7a, H7b, H7c and H7d.

## **DISCUSSION**

From the results presented in previous sections, it is clear that the current findings are consistent with the resource-based perspective theory, which emphasizes the special role of internal and organizational aspects as determinants of the firm's success. Thus according to this theoretical approach, the efficiency and success of firms are a function of their abilities, competences and skills in developing and managing resources that assist the creation of sustainable competitive advantage [33; 56].

The finding in present study revealed that KM has a significant and positive relationship with the four dimensions of performance. Thus, this finding validates the results of previous studies which found that KM has a positive and significant relationship on organizational performance [57; 35; 36; 32]. These results are also

consistent with the findings of [6], which show that KM can benefit hotels not only financially but in terms of the functioning of the organization and welfare of the staff.

In hotels, product and service quality depend strongly on the ability of management executives to acquire, develop, accumulate and share knowledge assets. This is the reason why KM seems to play an important role in hotel management. In line with this argument, [7] stressed that KM is considered relevant for building the competitive advantage for hospitality companies. Intensive use of technology and the nature of the service product that depends on the interaction between hospitality employees and customers are largely considered to be the consequence of the sector becoming knowledge-intensive.

Additionally, the finding indicates there is a positive and significant relationship between KM and marketing planning capability ( $\beta = 0.48$ ;  $p < 0.01$ ) and marketing implementation capability ( $\beta = 0.52$ ;  $p < 0.01$ ). These results are in line with the argument of [27], who stated that customer knowledge management directly supports an organization's innovation and human resource functions and, hence, results in enhancing capability among marketing staff. In addition, the results support previous findings that indicate that customer knowledge management is associated with marketing capabilities and that KM enables an organization to develop and make strategic management decisions including marketing planning for improving performance [9]. The results are also in line with previous studies [e.g., 39; 22; 37] which asserted that the efficiency of hotels to implement their marketing strategies successfully and satisfy their customers' needs and wants is dependent on their ability to collect, manage and share customer knowledge among different departments.

The findings also contended that marketing planning capability and marketing implementation capability have a positive and significant relationship with various dimensions of hotel performance. These findings are in line with previous studies [19; 41; 20] that mentioned that firms with better marketing capabilities generally have higher business performance. This positive and significant relationship between marketing capabilities (planning and implementation) because an effective marketing planning and implementation including superior marketing skills, clear marketing goals, allocation of resources to implement marketing strategies, implementing marketing effectively and efficiency and monitor of marketing strategies performance is expected to produce high service quality, increase customer satisfaction and retention and consequently higher sales and profits.

The partial mediating effect of marketing capabilities (planning and implementation) on the relationship between KM and some dimensions of hotel performance mean that to a certain extent, the effect of knowledge management is due to the marketing capabilities that is adopted by the managers of hotels. On the other hand, the fully mediating role marketing capabilities on the relationship between KM and some dimensions of hotel performance shows the important nature of marketing planning capability in the hotel sector. This reveals that the managers of hotels must have more effective marketing capabilities than competitors to improve their performance.

**Implications of the Study:** This study has several implications, which were discussed in line theoretical and practical contributions. The study enriches the literature by providing empirical evidence of the importance of KM in improving hotel performance. It also contributes by identifying possible significant mediating effects of marketing capabilities (planning and implementation) on the relationship between KM and hotel performance. Specifically, this study demonstrated that hotels' use of knowledge management is related to improved marketing capabilities (planning and implementation), which in turn enhance various dimensions of hotels' performances (i.e. financial, customer, internal process and learning and growth).

From aspect of practical contribution, this study has provided an insight on the hotel's performance in Malaysia from the perspective of KM and marketing capabilities. The study demonstrated that it is important for the hotel managers to effectively manage their customers' knowledge. Hotels must be aware of its customers' needs and wants and they should disseminate this knowledge to all employees in various departments in hotel to take appropriate actions toward them. Furthermore, hotels need to give much attention to their marketing capabilities (planning and implementation) because of their significant positive effects on performance. Hotel managers must focus on improving the skills of their employees, motivating them to be creative and allocating all needed resources that can help them to achieve their marketing goals, which it also can enhance the impact of KM and consequently improving their performance.

## CONCLUSION

Conclusively, this study investigated the influence of KM on different dimensions of hotel performance. It also examined the mediating influence of marketing

capabilities on the relationship between KM and hotel performance. The findings demonstrated that KM and marketing capabilities are important determinants of hotel performance dimensions. It also revealed the mediating effect of marketing capabilities on the relationship between KM and various dimensions of hotel performance. Thus, hotel managers can pay more attention to KM to improve their performance and they should focus on development of marketing capabilities (planning and implementation) in hotels to get benefits from KM and consequently create competitive advantage to improve their performance. Despite the significant contributions made by this study, this study has some limitations. Future studies should strive to overcome to the limitations. First, because this study focused specifically on the Malaysian hotel sector, the results obtained may not be used for generalization to other sectors of the economy or other countries. Therefore, future studies should try to replicate this model in other segments of Malaysian service sector. As well, this research only examined a few variables for enhancing performance of a hotel industry, future research should investigate the possibility of mediating or moderating effects of some factors such as top management support and hotel attributes on the relationship between KM and hotel performance. In addition, future research may use objective data (i.e. financial data) to evaluate the influence of KM on organization performance, thus providing a different perspective to address the research problem.

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