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INFLUENCE OF TANGIBLE AND INTANGIBLE RESOURCES ON OFFICE BUILDING PERFORMANCE IN THE GOLDEN TRIANGLE OF KUALA LUMPUR, MALAYSIA

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INFLUENCE OF TANGIBLE AND INTANGIBLE RESOURCES ON OFFICE BUILDING PERFORMANCE IN THE GOLDEN TRIANGLE OF KUALA LUMPUR, MALAYSIA

By

CHEAH JUN HWA

Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia, in Fulfillment of the Requirements for the Degree of Doctor of Philosophy

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By

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June 2016

Chairman : Serene Ng Siew Imm, PhD
Faculty : Economics and Management

This study attempts to address problems faced by office building managers, that is the oversupply of office space in the Golden Triangle Kuala Lumpur (GTKL), which resulted in intense competition to sustain their building occupancy rate. Hence, this study addresses the issue by looking at how office building owners can enhance their office building performance (i.e., tenant satisfaction, tenant loyalty, willingness to pay and occupancy rate) by using tangible (i.e., office building offerings) and intangible resources (i.e., customer orientations and positioning strategies). By drawing on the Resource Based View Theory, this study proposes a conceptual framework that focuses on the relationship of i) responsiveness customer orientation (RCO) and proactive customer orientation (PCO) on tenant satisfaction, ii) mediating role of office building offerings on customer orientations (RCO & PCO) and tenant satisfaction, iii) moderating role of office building grading (i.e., Grade A vs Non-Grade A) on perceived benefits positioning strategies and willingness to pay, and lastly, iv) mediating role of tenant loyalty on the process performance (i.e., tenant satisfaction) and end-performance (i.e., willingness to pay and building occupancy rate). The questionnaire was distributed to tenants in 110 office buildings in the GTKL through multi-stage sampling technique (stratified sampling and judgemental sampling). A total of 380 tenants completed the questionnaire. In this study, the Variance Based-Structural Equation Modeling (VB-SEM) was used to analyse the data (Using SmartPLS 3.0). The outcome of this study suggested that two direct relationships (i.e., PCO on Tenant Satisfaction and Tenant Satisfaction on Willingness to Pay High Price) had positive associations in the study. Moreover, the findings revealed that office building offerings such as Building Features, Services and Management (BFSM) and location factors did mediate the relationship between customer orientations (RCO and PCO) and tenant satisfaction. In terms of office building grading (i.e., Grade A and Non-Grade A), this study found that grading did moderate the relationship between perceived-benefits positioning strategies (i.e., value for money, service, reliability and attractiveness) and willingness to pay. Drawing from the findings, it extends the RBV theory by defining resources basing...
on attention-based view theory, congruity theory, and social exchange theory. Practically, building managers are suggested to emphasize on PCO to seek future needs of tenants and incorporate these feedbacks into office building offering, which will then result in satisfaction. Furthermore, building managers of Grade A buildings are proposed to highlight perceived benefits like excellent services, reliability and attractiveness. In contrast, Non-Grade A buildings might want to focus on benefits like value for money.
Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk Ijazah Doktor Falsafah

PENGARUH SUMBER KETARA DAN TIDAK KETARA PADA OFFICE PRESTASI BANGUNAN DI GOLDEN TRIANGLE KUALA LUMPUR, MALAYSIA

Oleh

CHEAH JUN HWA

Jun 2016

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Kajian ini bertujuan untuk menangani masalah yang dihadapi oleh pengurus bangunan pejabat, iaitu lebihan bekalan ruang pejabat di Golden Triangle Kuala Lumpur (GTKL), yang mengakibatkan persaingan sengit untuk mengekalkan kadar penghunian bangunan mereka. Oleh itu, kajian ini menangani isu ini dengan melihat bagaimana pemilik bangunan pejabat boleh meningkatkan prestasi bangunan pejabat mereka (iaitu, kepuasan penyewa, kesetiaan penyewa, kesanggupan untuk membayar dan kadar penghunian) dengan menggunakan yang nyata (iaitu, penawaran bangunan pejabat) dan sumber-sumber tidak ketara (iaitu, orientasi pelanggan dan strategi kedudukan). Teori Lihat Resource Based digunakan sebagai satu kerangka konsep dalam kajian yang memberi tumpuan kepada hubungan i) responsif orientasi pelanggan (RCO) dan orientasi pelanggan proaktif (PCO) terhadap kepuasan penyewa, ii) peranan pengantara untuk penawaran pejabat bangunan pada orientasi pelanggan (RCO & PCO) dan kepuasan penyewa, iii) peranan pembolehubah moderator gred bangunan pejabat (iaitu Gred A vs Bukan Gred A) kepada persepsi-manfaat strategi kedudukan dan kesanggupan untuk membayar, dan akhir sekali, iv) peranan pengantara untuk kesetiaan penyewa prestasi proses (iaitu, kepuasan penyewa) dan akhir prestasi (iaitu, kesediaan untuk membayar dan kadar penghunian bangunan). Soal selidik telah diedarkan kepada penyewa di 110 bangunan pejabat di GTKL melalui teknik persampelan pelbagai peringkat (persampelan berstrata dan persampelan pertimbangan). Seramai 380 penyewa melengkapkan soal selidik. Dalam kajian ini, Variance Based-Structural Equation Modeling (VB-SEM) telah digunakan untuk menganalisis data (Menggunakan SmartPLS 3.0). Hasil kajian ini mencadangkan bahawa dua hubungan langsung (iaitu, PCO pada Kepuasan Penyewa dan Kepuasan Penyewa pada Kesediaan untuk Bayar Harga Tinggi) mempunyai pautan positif dalam kajian ini. Selain itu, hasil kajian mendedahkan bahawa penawaran bangunan pejabat seperti Ciri-ciri Bangunan, Perkhidmatan dan Pengurusan (BFSM) dan faktor lokasi tidak menjadi pengantara hubungan antara orientasi pelanggan (RCO dan PCO) dan kepuasan penyewa. Dari segi bangunan pejabat penggredan (iaitu Gred A dan Bukan Gred A), kajian ini mendapati gred
memang pembolehubah moderator antara hubungan persepsi-manfaat strategi kedudukan (iaitu, nilai untuk wang, perkhidmatan, kebolehpercayaan dan daya tarikan) dan penyewa kesediaan untuk membayar. Daripada hasil kajian, ia melanjutkan teori RBV dengan menentukan sumber asas mengenai teori berdasarkan perhatian-view, teori kesepadanan, dan teori pertukaran sosial. Secara praktikalnya, pengurus bangunan dicadangkan untuk memberi penekanan kepada PCO untuk mendapatkan keperluan masa depan penyewa dan menggabungkan maklum balas ini ke dalam bangunan pejabat persembahan, yang kemudiannya akan mengakibatkan kepuasan. Tambahan pula, pengurus bangunan bangunan Gred A dicadangkan untuk menyerlahkan manfaat Sebaliknya, pengurus bangunan bukan Gred A mungkin mahu memberi tumpuan kepada faedah seperti nilai untuk wang dilihat seperti perkhidmatan yang cemerlang, kebolehpercayaan dan daya tarikan.
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I certify that a Thesis Examination Committee has met on 03 June 2016 to conduct the final examination of Cheah Jun Hwa on his thesis entitled "Influence of Tangible and Intangible Resources on Office Building Performance in The Golden Triangle of Kuala Lumpur, Malaysia" in accordance with the Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U.(A) 106] 15 March 1998. The Committee recommends that the student be awarded the Doctor of Philosophy.

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<tr>
<td>ABV</td>
<td>Attention-Based View</td>
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<td>AVE</td>
<td>Average Variance Extracted</td>
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<td>BFSM</td>
<td>Building Features, Services and Management</td>
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<td>CBD</td>
<td>Central Business District</td>
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<td>CB-SEM</td>
<td>Covariance Based – Structural Equation Model</td>
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<td>CMV</td>
<td>Common Method Variance</td>
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<td>CR</td>
<td>Composite Reliability</td>
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<td>CVR</td>
<td>Cross-Validated Redundancy</td>
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<td>$f^2$</td>
<td>Effect Size</td>
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<td>FPs</td>
<td>Fundamental Premises</td>
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<td>G-D Logic</td>
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<td>GTKL</td>
<td>Golden Triangle Kuala Lumpur</td>
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<td>ML</td>
<td>Maximum Likelihood</td>
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<tr>
<td>PCO</td>
<td>Proactive Customer Orientation</td>
</tr>
<tr>
<td>PLS-SEM</td>
<td>Partial Lease Square – Structural Equation Model</td>
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<td>Q$^2$</td>
<td>Predictive Relevance</td>
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<td>R$^2$</td>
<td>Co-efficient of Determination</td>
</tr>
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<td>RBV</td>
<td>Resource-Based View</td>
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<tr>
<td>RCO</td>
<td>Responsiveness Customer Orientation</td>
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<tr>
<td>S-D Logic</td>
<td>Service-Dominant Logic</td>
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<td>SET</td>
<td>Social Exchange Theory</td>
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<td>SEM</td>
<td>Structural Equation Model</td>
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<td>Abbreviation</td>
<td>Description</td>
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<tr>
<td>SRMR</td>
<td>Standardized Root Means Square Error</td>
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<tr>
<td>VAF</td>
<td>Variance Accounted For</td>
</tr>
<tr>
<td>VIF</td>
<td>Variance Inflation Factor</td>
</tr>
<tr>
<td>WTP</td>
<td>Willigness to Pay</td>
</tr>
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</table>
CHAPTER ONE

INTRODUCTION OF THE STUDY

1.0 Introduction

This study addresses problems faced by office building managers who are currently facing poor office building performance because of oversupply office spaces in the Golden Triangle Kuala Lumpur (GTKL). This concern can be addressed by applying an in-depth understanding of how Attention-Based View Theory and Location Theory can be used to retain existing tenants and to encourage new ones. At the same time, identifying a suitable positioning strategy via office building grading (i.e., Grade A vs. Non-Grade A) can be used to increase demand from new office tenants (i.e., foreign companies or companies not currently occupying space in GTKL). Hence, the discipline of this study belongs to marketing strategy in the real-estate context. The background of this study will be explained, followed by the research problems, research objectives, significance of the study, organization of the thesis and conclude.

1.1 Background of the Study

Since 2012, Malaysia's economy has continued to grow steadily between 5 to 6% annually, a range that it has comfortably settled into since the 1997 Asian financial crisis (Elvin, 2012). According to a study conducted by the Valuation and Property Services Department of Malaysia, the property market is correlated with economic growth — for example, the first half of 2014 saw the Malaysian property market developing in tandem with the positive economic growth in Malaysia (Malaysia Property Inc., 2014). This is the result of the Malaysian government’s launch of the Economic Transformation Programme (ETP) in 2010, an initiative to propel Malaysia into a high income economy by 2020. The ETP saw substantial numbers of new buildings built developed as part of the plan to attract multinational corporations (MNCs) to set up regional office in Malaysia; however, this has caused an oversupply in commercial property (Malaysia Property Inc., 2014).

Commercial property essentially refers to property that is intended to produce a financial return for its owner by being utilised or occupied by businesses (Pirounakis, 2013). That return can take the form of rent paid to the owner by a tenant or from a change in the capital value of the property, realised when the property is bought or sold (Capital Appreciation). Commercial property comes in three distinct categories — retail, office and industrial (Hamson, 2014). Retail commercial property includes malls, medical centres, hotels, retail stores and shopping malls. These properties are the most well-known and lucrative for commercial property because they attract numerous customers and are seen as a valuable asset to any town or city (Hamson, 2014). On the other hand, office commercial property includes all types of office blocks and buildings that are house offices that provide employment to people. Finally, industrial commercial property refers to light industrial buildings like warehouses, distribution centres and garages. These differ from industrial property like factories
and manufacturing plants that are often found on the outskirts of towns and cities (Hamson, 2014). This study focuses on office commercial property, the category that is currently facing a surplus, especially within the GTKL (Elvin, 2013).

For the purpose of this study, the definition of GTKL will be drawn from Foo (2014) and will be further explained in Chapter 2 (See Section 2.3, pp. 25 to 27) when discussing the overall office market condition. In fact, GTKL city centre may have expanded very much to accommodate the developments that have been rippling from the heart of the city over the last few years. Foo (2014), a consultant from CH Williams Talhar & Wong, believes that the commercial, retail and entertainment hubs should be redefined to encompass a larger area to reflect the growth of the city. For example, GTKL’s border that originally ended at Bukit Bintang in the South of Kuala Lumpur, now includes the Tun Razak Exchange; while the North of Kuala Lumpur has expanded from Kuala Lumpur Convention Centre to The Intermark (An iconic building in the Kuala Lumpur City Centre). Needless to say, GTKL’s strategic location means that it has, and will continue to enjoy, sustainable occupancy rates for the foreseeable future (Rahim & Co., 2013).

Since 2014, the centre of GTKL has gradually turned into a congested commercial centre, overconcentrated, but also expected to face an oversupply of office space. According to Gambero (2014), between 2014 to 2017, an additional 8 million sq. ft. of office space will enter the GTKL market. Of this, only 4 to 5 million sq. ft. are expected to have tenant occupancy, thus indicating a massive oversupply of office space. At this point, the intense competition within the GTKL commercial office market (due to supply being greater than demand) has resulted in three major concerns among office building owners (Sarkunan, 2013).

Firstly, existing commercial office buildings in the market face a bigger challenge in attracting potential tenants and also to sustain their office building occupancy rate. This is because tenants now have a wider range of alternatives office buildings with more favourable attributes in terms of location, rent, features, image and design (Foo, 2013). Secondly, compared to newly developed office buildings, the older buildings may be perceived poorly due to their obsolete features offered by existing office buildings, such as less impressive architecture, older office building technology and poorer air ventilation in the office building (Sarkunan, 2013). Thirdly, the mismatch between an accelerated supply and slow on-going demand in the office market has resulted in tenants having a higher bargaining power in negotiating leasing terms (Foo, 2014). Consequently, office building managers of old and new buildings need to find suitable strategies on how best to improve their office building performance by keeping existing tenants, while also attracting new ones (i.e., foreign companies or companies currently not occupying spaces in GTKL). Giving these concerns, GTKL deserves research attention to find new ways to stimulate demand in the office market.
1.2 Problem Statement

The oversupply of office space in GTKL can be absorbed by stimulating demand for office space from new tenants (e.g., foreign MNCs or firms located outside GTKL). In order to attract new tenants, office buildings need to show excellent performance of their service offerings. Office building performance can arguably be improved by the application of the Resource-Based View (RBV) theory that takes an “inside-out” or firm-specific perspective in explaining why organisations succeed or fail (Dickelsen, 1996). RBV theory explains how firms utilize resources and capabilities to enhance performance and achieve competitive advantages (Rapp, Trainor, & Agnihotri, 2010). Resources that are valuable, rare, inimitable and non-substitutable can provide firms with competitive advantages (Barney, 1991; Collis & Montgomery, 1995; Grant, 1991; Wernerfelt, 1984). These resources, both tangible (e.g., machinery and location) or intangible (e.g., brand name and capability to differentiate) in characteristics, are often used to manage marketplace uncertainty and dynamicity (Barney & Arikan, 2001). However, the RBV theory does not define the resources that can influence performance in different context of study (Conner, 2002; Miller, 2003). On top of that, Samaha et. al. (2011) also highlighted that many previous studies did not integrate multiple resources (i.e. both tangible and intangible) within one theoretical framework to uncover differential influence on performance. Consistent with RBV’s categories of tangible and intangible resources to gain competitive advantage, this study extends RBV in two ways; i) defining valuable resources within office building context (i.e., customer orientations, office building offerings and perceived benefits positioning strategies) and ii) incorporating both tangible and intangible resources to understand how they can enhance office building performance.

Firstly, as suggested by RBV Theory, newer customer orientation tools such as Responsiveness Customer Orientation (RCO) and Proactive Customer Orientation (PCO) can be potential intangible resources for buildings to achieve competitive advantage. This is consistent with the Attention-Based View (a subset of RBV theory)(Ocasio, 1997), which suggests that if Customer Orientation is used as strategy to pay attention to customer expectations, will bring about a positive impact on organisation performance (Atuahene-Gima, Slater, & Olson, 2005). Customer orientation tools proposed in the literature have so far concentrated on the responsiveness component (Kohli & Jaworski, 1990), leading to criticisms on their lack of incorporating customers’ future and changing needs. In other words, the responsiveness component alone does not holistically reflect the definition of customer orientation, which should incorporate both present and future oriented needs (Blocker, Flint, Myers, & Slater, 2011; Flint, Woodruff, & Gardial, 2002; Flint & Woodruff, 2001). Addressing these criticisms, Blocker et al. (2011) proposed a twin customer orientation approach, namely, Responsiveness Customer Orientation (RCO) and Proactive Customer Orientation (PCO). Taken together, these two concepts address the weaknesses of the — single — Responsiveness Customer Orientation approach. Hence, they are more relevant for use in dynamic business environments like the office building market; however, the applicability of this “twin” approach in the office building market has yet to be tested. Presently, only one empirical study conducted by Hair, Gabriel, and Patel (2014) in professional consultancy has found that RCO and PCO can significantly predict performance. It is clear that there exists a
gap in the field that justifies research on the applicability of RCO and PCO in the office building context.

Secondly, while RBV theory suggests that resource (tangible and intangible) differences can result in performance differences, RBV theory does not explain “how” these resources can lead to above-average performances (Miles, 2012). Hence, Barney and Clarks (2007) have called for research that investigates the processes on how these resources are deployed, eventually translating to improved organisation performance. Additionally, Priem and Butler, (2001) also calls for research that looks into the way organization uses its capability (implying intangible resources) to acquire resources (implying tangible resources) that bring about performance. Responding to notions from Barney and Clarks (2007) as well as Priem and Butler (2001), this study suggested intangible resources could be potential antecedent to influence on tangible resources, thus result in business performance. Specifically, this study examines the processes by which office building managers can utilize both RCO and PCO as mediums to accumulate feedback relating to tenants’ current and future needs, to enhance their office building tangible resources (i.e., office building offerings), and ultimately translating to improved building performance. In other words, office building offerings can potentially mediate the relationship between customer orientation and tenant satisfaction. The integration of ABV Theory and the attribute-satisfaction link supports the process approach where customer orientation strongly influences office building offerings, which will then lead to tenant satisfaction. Through RCO and PCO customer orientation, the building management can accommodate the voice of more tenants in improving building offerings, thus resulting in better building performance. As such, this study extends RBV by explicating the process of how intangible resources translate to performance through office building offerings (forms of tangible resources).

Thirdly, differentiation capability as an intangible resource can also be used to improve office building performance. According to Porter (1985), differentiation, or strategic positioning, is one of the competition-reducing strategies. Empirical evidence have highlighted that Porter’s (1985) positioning strategies (cost-leadership, differentiation and focus) can be applied real-estate professional practices such as property development, agency services and property management (Brett & Schmitz, 2009; Cardoso & Moutinho, 2003). Nevertheless, Porter’s (1985) positioning strategy is an organisation-wide initiated strategy and could arguably be too broad to capture benefits perceived as relevant at the individual level (i.e., office tenants) (Fuchs & Diamantopoulos, 2010). Hence, Blankson and Kalafatis (2004) proposed the Customer-Evaluated-Perceived-Benefits Positioning Strategy, which has been claimed to be more reflective of customer desired; however, its applicability to office buildings has not been tested. Consequently, this presents an opportunity for investigation into the applicability of Blankson and Kalafatis’ (2004) positioning dimensions in the office building context.

Drawing from the above, while RBV suggests that intangible resources (i.e., Customer-Evaluated-Perceived-Benefits Positioning Strategy) can lead to improved performance, this relationship may not hold true in all conditions. Contingency theory
(Lawrence & Lorsch, 1967) highlights that every situation is unique and thus, conditions in which the positioning dimensions are applicable or not applicable should be individually identified (Zeithaml, Varadarajan, & Zeithaml, 1988). In the context of office buildings, a prevalent condition is the labelling of buildings to either Grade A or Non-Grade A. According to industry definition reported in a few property website (e.g., www.corporateoffice.my; www.gokloffices.com; www.kloffices.net), Grade A office buildings are associated with superior quality infrastructure, prestige, unique architecture, excellent location, good accessibility and professional management, while the Non-Grade A office buildings are those with average performance on service quality, location, architecture and infrastructure. Notably, individual building’s grading is reported in property website (e.g., www.corporateoffice.my; www.gokloffices.com; www.kloffices.net) and office tenants are aware of the building grading that they lease.

The grade of a building (Grade A and Non-Grade A) shapes the perceived benefits of tenants (Ting, 2002). As such, it is clear that the positioning dimensions for Grade A and Non-Grade A buildings should be different. Specifically, positioning dimensions that reflect more advance benefits like “top of the range”, “greater reliability”, “premium services”, “enhanced attractiveness”, “well-known brand name” and “clientele selectivity” may be more applicable to Grade A building tenants. On the other hand, positioning dimensions that reflect basic benefits like “value-for-money” may be more appealing to Non-Grade A building tenants. This is consistent with the Congruity Theory (Sirgy, 1979), which suggests that tenants prefer buildings that provide perceived benefits congruent or consistent with the tenants’ own corporate image. For instance, Multinational Cooperation (MNC) tenants would maintain their corporate image by leasing buildings that provide benefits that are “top of the range” (i.e., Grade A) while locally-owned Small Medium Enterprises (SMEs) who may receive government subsidies would want to maintain their image of frugality by leasing buildings that provide “value for money”. Thus, it is likely that there are situation conditions, which certain perceived benefits positioning dimensions of Blankson and Kalafatis (2004) are more appropriate for Grade A office tenants as well as for Non-Grade A office tenants. In other words, perceived benefits positioning strategies could be effective in drawing tenants’ behavioural choice (i.e. willingness to pay) subject to the building’s grading.

Fourth, studies have highlighted that property managers focus mainly on performance variables that are conveniently available, for instance, investment-based office performance indicators like “Return on investment (ROI)” and occupancy rate (Baharum, Nawawi, & Saat, 2009; Zarita, Abdul Hadi, & Zainal, 2004). In other words, property managers are often pressured into measuring end result performances as opposed to incremental processes (i.e., tenant satisfaction) that combine to make-up the end result. End result measurement (i.e., occupancy rate and willingness to pay) tends to explain the “what”, but provides insufficient insight into the “why”. For this reason, there exists a gap in measuring performance for both the “what” (i.e., office building occupancy rate and consumer’s willingness to pay) and the “why” (i.e., tenant satisfaction). Schwenker’s (1999) also call to investigate the “why” or “mechanism” that leads to the end result (i.e., occupancy rate and willingness to pay) through incremental processes (i.e., tenant satisfaction) suggests a mediator effect of tenant
loyalty, which also requires further investigations. According to Ajzen and Fishbein (1980), the process of how affective variables mediate the relationship between conative and behavioural constructs can be seen in consumer purchasing or consumption process and this related to the Theory of Reasoned Action. With that in mind, understanding the mechanism of how loyalty could mediate the relationship between satisfaction and behavioural intentions reflected by end-performance (i.e., willingness to pay and occupancy rate), would be crucial because it will help property managers can, at best, predict the actual cause of performance that link between process-performance and end-performance (Schwenker, 1999).

In conclusion, there are four theoretical gaps identified from the literature when applying RBV theory to improve building performance, (a) there is a need to validate if intangible resources in terms of RCO and PCO can bring about positive outcomes for office building; (b) there is a gap in explaining the process of how intangible resources (RCO and PCO) eventually translate into performance — integrating ABV and the attribute-satisfaction link seems to suggest office building offerings mediate the relationship between intangible resources (RCO and PCO) and building performance; (c) there is a gap in identifying the different situation conditions of Blankson and Kalafatis’ (2004) positioning dimensions strategy, where building grading (Grade A vs Non-Grade A) might serve as the boundary condition; and (d) there are limited studies that assess both process-performance and end-performance indicators within a single study, consequently highlighting a need to investigate how process-performance indicators (e.g., tenant satisfaction and tenant loyalty) explain end-performances (e.g., willingness to pay and occupancy rate). In short, by incorporating multiple supporting theories in identifying resources relevant in office building context, this study proposes a framework that addresses office performance issue in the GTKL.

1.3 Research Questions

To address the gaps highlighted above, several research questions were constructed. The overarching research question is whether the strategic resources (tangible or intangible) of an office building that influences the office building performance. In order to address this, four specific research questions were developed:

i. Do customer orientations (i.e., RCO or PCO) explain tenant satisfaction?
ii. Do tangible resources (i.e., office building offerings) mediate the relationship between customer orientations (i.e., RCO & PCO) and tenant satisfaction?
iii. What types of intangible resources (i.e., perceived benefits positioning dimensions) explain consumers’ willingness to pay for Grade A and Non-Grade A office buildings?
iv. Does tenant loyalty mediate the relationship between process-performance (i.e., tenant satisfaction) and end-performance (i.e., consumers’ willingness to pay and office occupancy rate)?
1.4 Objectives of the Study

To address the research questions above, several objectives were determined. These objectives were translated into hypotheses in Chapter Four.

i. To examine the relationship between Responsiveness Customer Orientation (RCO) and tenant satisfaction.
ii. To examine the relationship between Proactive Customer Orientation (PCO) and tenant satisfaction.
iii. To assess if office building offerings mediate the relationship between RCO and tenant satisfaction.
iv. To assess if office building offerings mediate the relationship between PCO and tenant satisfaction.
v. To test the moderating effect of office building grading on the relationship between perceived benefits positioning dimensions and consumers’ willingness to pay.
vi. To assess the relationship between tenant satisfaction and consumers’ willingness to pay.
vii. To assess the relationship between tenant satisfaction and occupancy rate.
viii. To test the mediating role of tenant loyalty between tenant satisfaction and willingness to pay.
ix. To test the mediating role of tenant loyalty between tenant satisfaction and occupancy rate.

1.5 Significance of the Study

The study of office building performance brings contributions in both theoretical and practical aspects. In the following sections 1.5.1 and 1.5.2, four theoretical contributions and four practical contributions are presented.

1.5.1 Theoretical Contributions

This study tests theories from various fields to better understand factors that directly or indirectly influence office building performance: **Resource-Based View Theory** and **Attention Based-View Theory** from the field of Strategic Management; **Location Theory** (*i.e.*, neoclassical, behavioural, institutional and evolutionary) from the field of Geography Economics; **Congruity Theory** and **Social Exchange Theory** from the field of Behavioural Psychology.

Firstly, this study extends the use of Resource-Based View (RBV) as an overarching theory in office building contexts (Penrose, 1959; Wernerfelt, 1984), using both tangible (*i.e.*, office building offerings) and intangible (*i.e.*, customer orientations and positioning strategies) resources to explain how competitive advantage achieved through RBV can translate to improvement of office building performance. Specifically, this study uses comprehensive types of office building offerings (*i.e.*, tangible resources) that were uncovered by research conducted in Malaysia (Adnan, Daud, & Razali, 2012). These office attributes were supported by various location...
theories (e.g., neo-classical approach, behavioural approach and evolutionary approach) to explain tenant behaviour (Adnan & Daud, 2010; Hayter, 1997; Mariotti & Pen, 2001; Pallenbarg et al., 2002).

Secondly, this study tested the applicability of Attention-Based View Theory (ABV), which suggests using customer orientations (i.e., RCO & PCO) as intangible resources to improve office building performance (Blocker et al., 2011). This study extended beyond existing ABV studies by identifying mediators in the relationship between customer orientation and tenant satisfaction (i.e., building performance). These mediator relationships are the result of integrating ABV and attribute-satisfaction theories.

Thirdly, this study extends positioning dimensions (i.e., intangible resources) of Blankson and Kalafatis’ (2004) strategy to the office building context. According to Blankson and Crawford (2012), many marketing researchers and academicians constantly face the dilemma of (re)positioning their brands due to the changing perception, needs and desires of customers. Thus, the use of tenants’ perceived benefits (Blankson & Kalafatis, 2004) positioning may contribute towards the identification of positioning dimensions that can enhance tenants’ willingness to pay for Grade A and Non-Grade A office buildings. At the same time, the applicability of Congruity Theory (Sirgy & Johar, 1999) was tested by evaluating whether the perceived benefits expected by office tenants of Grade A and Non-Grade A buildings were consistent with the maintenance of their respective corporate images.

Finally, this study extends the Social Exchange Theory (Lawler, 2001) to evaluate if process-performance (i.e., tenant satisfaction and tenant loyalty) eventually translated to end-performance (i.e., willingness to pay and higher occupancy rate). The Social Exchange Theory suggested that satisfied tenants are more likely to return the favour by staying loyal; and loyal customers are less influenced by price movements. As such, loyalty was identified as the bridge to linking process-performance and end-performance.

1.5.2 Practical Contributions

In terms of practical contributions, this study provides practitioners with several ways to improve their office building performance. Firstly, it identified to building managers those office building offerings (e.g., location factor, lease factor, monetary factor, and building features, services and management factor) that determine tenant satisfactions. In other words, the study provided comprehensive information on the dimensions of office building offerings that building managers could improve on, in order to gain competitive advantage and keep existing tenants.

Next, this study also provides suggestions to office building managers on how their office performance could be enhanced by using suitable customer orientations (RCO & PCO). It highlights the need for property managers to adapt to the current and future
needs of office tenants — thus preventing the office building from becoming obsolete — and eventually resulting in sustainable performance.

Subsequently, this study provides ideas on the types of positioning strategies that are appropriate for Grade A and Non-Grade A buildings so that office building owners can brand their office buildings accordingly.

Finally, this study highlights the need for building managers to measure process performance (i.e., tenant satisfaction and loyalty) beyond simply measuring end-performance (e.g., consumers’ willingness to pay and building occupancy rate). This falls back to the argument by Schwenker (1999) that process-performance will most likely translate to improved end-performances. As such, both measurements are integral for sustainable performance so that office building managers can have better decision making tools which are far better than mere guestimates.

Overall, this study is significant because it offers practitioners strategies to improve office building performance. By managing both tangible resources (i.e., office building offerings) and intangible resources (i.e., customer orientations and positioning strategies) effectively, office managers should be able to develop office building offerings that meet the expectations of tenants. Consequently, creating demand by attracting new tenants beyond existing GTKL tenants to rent offices in GTKL. This is expected to address the oversupply issue of office buildings in GTKL. For instance, the improved services with the suitable positioning strategies will attract tenants outside of GTKL (either potential foreign Multinational Corporations or locals companies) to rent offices in the GTKL. As a result, this stimulates more demand to take-up excess supply in the market. The direct impacts of improved office building performance to the Malaysia economy are the generation of more business opportunities and employment from the new companies that start their business operations in the GTKL as well as the increase tax income. For example, the Good and Services Tax (GST) and income tax paid by building owners, as well as the contribution of taxes levied upon foreign tenants who buy, sell, rent or let commercial property.

1.6 Organization of the Thesis

The chapters in this thesis are arranged to facilitate ease of reading. Chapter Two covers the details of the office market in GTKL and relevant previous research work. Chapter Three delineates the parent concepts (e.g., Resource-Based View, Attention-Based View theory, Location Theory, Positioning Theory, Congruity Theory and the concept of Performance via Social Exchange Theory) on which the study is based, while Chapter Four outlines the theoretical framework and develops relevant hypotheses for testing. Chapter Five describes the research methodology and the analytical tools that have been adopted to analyse the collected data, while Chapter Six displays the results from the analysis using SPSS v.22 and PLS-SEM v.3.0. Finally, Chapter Seven concludes with the overall findings and discussion of this study.
1.7 Definition of the variables

There are nine main operational definitions used throughout this research. They are defined according to popular definitions used by earlier researchers. The detailed definitions are summarized in Table 1.1.
<table>
<thead>
<tr>
<th>No.</th>
<th>Construct</th>
<th>Author (Year)</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Responsive Customer Orientation (RCO)</td>
<td>Blocker, Flint, Myers, and Slater (2011)</td>
<td>“A provider’s capability to respond effectively to satisfy customers’ expressed needs.”</td>
</tr>
<tr>
<td>2</td>
<td>Proactive Customer Orientation (PCO)</td>
<td>Blocker, Flint, Myers, and Slater (2011)</td>
<td>“A provider’s capability to continuously probe customers’ latent needs and uncover future needs, possibly offering ideas even before customers realize they had such a need; from the customer’s perspectives, it reflects customers’ perceptions that providers have proactive processes and skills to successfully anticipate their latent and future needs.”</td>
</tr>
<tr>
<td>3</td>
<td>Office Building Offerings</td>
<td>Adnan &amp; Daud (2010)</td>
<td>“It is a “product” characteristic of office building specification or attributes that influence tenants’ choice of renting or maintaining in an office buildings.”</td>
</tr>
<tr>
<td>4</td>
<td>Positioning</td>
<td>Kotler (1988, 1999)</td>
<td>“The act of designing the company’s offerings and image, so that they occupy a meaningful and distinct competitive position in the target customer’s minds.”</td>
</tr>
<tr>
<td>6</td>
<td>Customer Satisfaction</td>
<td>Song and Yan (2006)</td>
<td>“A comprehensive evaluation based on experiences relating to a certain product or services that will influence the level of buyers’ enjoyment in their purchasing.”</td>
</tr>
<tr>
<td>7</td>
<td>Customer Loyalty</td>
<td>Song and Yan (2006)</td>
<td>“A process of intention to stay in the same building that resulted from tenants’ internal positive feeling (good experience) on the usage of office spaces - Attitudinal Loyalty</td>
</tr>
<tr>
<td>8</td>
<td>Willingness to Pay</td>
<td>Aaker (1996)</td>
<td>“The amount a customer is willing to pay for his or her preferred brand over comparable or lesser brands.”</td>
</tr>
<tr>
<td>9</td>
<td>Building Occupancy Rate</td>
<td>Parli &amp; Miller (2007)</td>
<td>“Friction that drives the vacant space required for normal turnover and occupant moves to other office building.”</td>
</tr>
</tbody>
</table>

*Note: Compiled by Author*
1.8 Conclusion

This chapter provides an overview of the overall research blueprint for the subsequent chapters. It began by explaining the background of this study (1.1) and emphasising the problem statement (1.2), before drawing the reader’s attention to the research questions (1.3) and research objectives (1.4), highlighting the significance of the study (1.5) and depicting the research proposal. Readers have been also provided with the definition of the variables to better understand the terminologies used (1.7). The next chapter — Chapter 2 — focuses on the background relating to the office building market.
REFERENCES


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