Hybrid competitive strategy, strategic capability and performance

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Abstract
This research examines how strategic capabilities impact hybrid competitive strategies and the effect on organizational performance. The target population of this study was 475 3 to 5-star hotels in Malaysia. Questionnaires were sent by mail and email to all the targeted 3 to 5-star hotels’ managers. Multiple regressions were used to analyse the relationship of hybrid competitive strategy, strategic capability and organizational performance. The outcomes indicate that hybrid competitive strategy has a significant impact on performance and strategic capability. Similarly, strategic capability has a significant impact on performance. Specifically, it establishes that strategic capability partially mediates the association of hybrid competitive strategy and performance. This study found hoteliers that executing hybrid competitive strategy should simultaneously use strategic capability to attain better performance. It fills in some of the gap and showing the importance of hybrid competitive strategy and strategic capability in the Malaysia hotel industry which has received little empirical attention.

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Introduction
Strategic management literatures emphasize how firms can attain the competitive advantage and superior performance in present turbulence business setting (Okumus, Alitnay & Chathoth 2010; Okumus 2003). In order to, attain that superior level various theories, concepts, typologies, taxonomies and methodologies were developed by several well-known scholars, strategists and practitioners (Nandakumar, Ghobadian & O'Regan 2011). So, one of the famous strategy typologies is Porter’s competitive strategies that assist the firms to focus on particular strategic direction (Kaliappen & Hilman, 2017).

There are a lot of literatures, empirical researches and case studies were conducted over Porter’s competitive strategy in different fields, which guided the management to make best strategy executions. However, hotels in the hunt for developing their performance cannot solely depend on the competitive strategy but need to create strategic capabilities that could propel for better performance attainment. Prior studies recommended that strategies would convert resources into strategic capabilities that support as a foundation for business strategies along with leads to strategy accomplishment (Campbell-Hunt 2000; Pandza & Thorpe 2009; Parnell 2011). Indeed, equally competitive strategy and strategic capability are
linked to the outcome of organizations (Parnell 2011; Desarbo, Di Benedetto, Song & Sinha 2005). However, empirical studies that emphasize on the influence of hybrid competitive strategy and strategic capability are still fewer within the context of Malaysia hotel industry, which provides an immense potential for future research.

To enrich the existing literatures of hybrid competitive strategy and strategic capability use in the Malaysia hotel industry, this study makes an attempt to achieve following objectives; (1) to examine the relationship of hybrid competitive strategy and organizational performance; and (2) to examine the influence of strategic capability in mediating the association between hybrid competitive strategy and organizational performance. To achieve above mentioned objectives, we used a research framework which containing 27 items of questionnaires that administrated to hotels’ top and middle management from 3 to 5 rated hotels in Malaysia. The remainder of this paper discusses about the overview of Malaysia hotel industry, related literatures on hybrid competitive strategy, strategic capability, organizational performance, research methodologies, research findings, discussions, implications, future research directions and conclusions.

2. Literature Review
2.1 Hybrid Competitive Strategy Practices in Hotels

Porter (1980) emphasizes cost leadership and differentiation as main two strategies; meanwhile, focus is a subset of those two strategies (Hilman 2009; Seede, Sulaiman & Ismail 2009). Cost leadership is pursuing to organize the value-added activities in achieving low cost advantage within the industry (Bordean, Borza, Nistor & Mitra 2010; Allen & Helms 2006). The literatures suggested that hoteliers can achieve cost advantage by involving in mass production, economies of scales, advanced technology usage, distribution / value chain activities, effective service design, lowering input cost, high capacity utilization, outsourcing, experience curve and improving access to raw materials (Bordean et al. 2010; Akan, Allen, Helms & Spralls III 2006). Hotels lowering their price than rivals to gain larger market share and pushed some rivals out of the competitive marketplace (Hilman, Mohamed, Othman & Uli 2009; Porter 1980). Hoteliers can attain cost advantage when they really owned distinctive competencies in managerial process, efficient cost saving hotel design and effective operational cost reduction (Lewis & Chambers 2000).

Hotels are pursuing a differentiation strategy to offer unique services to the customers (Bordean et al. 2010; Porter 1980). By creating unique, customized and personalized offerings, hotels are able to build strong customer loyalty (Allen & Helms 2006; Hyatt 2001). Hoteliers can attain differentiation advantage by involving in service innovation, superior service offerings, creative advertising, good supplier relationship, market segmentation and branding (Bordean et al. 2010). Effective differentiation provides greater service flexibility and compatibility (Davidson 2001; Porter 1980).

Currently, there are few new designer and boutique hotels in Malaysia such as Le Apple boutique hotel, Waterfront boutique hotel and Zara’s boutique hotel which gives a unique image for the hotel industry. This uniqueness and high quality will make the price more expensive, but at the same time, customers are willing to pay more in order to experience the indulgence. Hotels nowadays provide high quality quest experience, Wi-Fi facilities, in-room facilities and delicious food and beverage to prove them as a differentiator (Victorina, Verma, Plaschka & Dev 2005).

2.2 Role of Strategic Capability Practices in Hotels

Strategic capabilities are defined as complex bundles of skill, knowledge, resources, asset which enable the organization to create better performance and sustain competitive advantage (Parnell 2011; Desarbo et al. 2005, Day 1994). There are various types of strategic capabilities; management capabilities, technological capabilities, marketing capabilities, market linking capabilities and information technology capabilities. However, this study only examines the role of management capabilities and technological capabilities (strategic capability) on strategy and performance association. Desarbo et al. (2005) stated that management capabilities allow the organization to pursue cost control, integrate logistics system, financial management, human resource management, accurate profitability and revenue forecasting and marketing planning process. By utilizing management capabilities hoteliers are able to generate revenue by lowering their overall cost and increase their internal efficiency. Meanwhile, technological capabilities allow the organization to make new product development, manufacturing/ service process, technology
development, production facilities, quality control and predicting the technological changes (Desarbo et al. 2005). By employing technological capabilities hoteliers are capable to create unique and quality service that could fulfil the guests’ desire. Hence, both management and technological capabilities allow the hotels to keep lower cost and differentiate their offerings. Therefore, this study suggested that there is a possible linkage is existent between hybrid competitive strategy and strategic capability due to same characteristics and objectives.

2.3 Organizational Performance

Many researchers have suggested performance evaluation need include both financial and non-financial measurements (Kaplan & Norton 1996, 2001; MacDougall & Pike 2003). So, Balanced Scorecard (BSC) retained the financial measures and added three non-financial perceptions; customer, internal process and learning and growth (Kaplan & Norton 1992, 1996). BSC widely recognized and applied evaluation instrument (Jusoh & Parnell 2008; Paranjape, Rossiter & Pantano 2006; Evans 2005; Olson & Slater 2002). Literature identified that financial procedure as lagging indicators, to facilitate the BSC added with non-financial as prominent indicators of performance (Paranjape et al. 2006; Niven 2002; Kaplan & Norton 1992, 1996). This study utilized the subjective approach to evaluate the performance of hotels in BSC setting.

The association of hybrid competitive strategy (cost leadership and differentiation) and strategic capability (management capabilities and technological capabilities) built with consideration of both factors possesses similar characteristics that emphasize cost control, production efficiency, technological expertise and new product development (Parnell 2011). The main research question of this research is to investigate the degree of strategic capability mediates the hybrid competitive strategy in its association with organizational performance. Based on the gap in the literature on this perspective, this research aims to examine four propositions;

H1: Hybrid competitive strategy has a positive effect on strategic capability.
H2: Strategic capability is positively related to organizational performance.
H3: The greater hybrid competitive strategy in hotels, the greater will be the performance.
H4: Strategic capability is a mediator in the hybrid competitive strategy – organizational performance relationship.

Based on the literature and hypotheses developed, the research model is presented in Figure 1.

3. Research Methodology
3.1 Variables and measurements

This study used hybrid competitive strategy as independent variable, strategic capability as mediating variable and organizational performance as dependent variable. The questionnaire used seven-point Likert scale ranged 1-strongly disagree to 7-strongly agree for the hybrid competitive strategy and strategic capability, whereas for organizational performance, seven-point Likert scale ranged 1-decrease significantly to 7-increase significantly. Eleven questions were given to the respondents to answer in which the researchers attempt to evaluate the extent of competitive strategy practiced in the hotel. The items were adapted from Auzair (2011). Ten items were given to capture the respondents’ perception on strategic capability in their hotel. Basically, all the ten questions were adapted from Desarbo et al. (2005). Finally, the researchers aim to evaluate the performance of the hotel. Respondents were requested to specify their hotel’s performance over past five years based on their perception. Thus, this study used subjective measures. Six items used to measure the performance were adapted from Kaplan & Norton (1996).

3.2 Samples and data collection method

Due to the small population and ensuring a high response rate to the survey was administrated by census method. Thus, questionnaires send to all 475 hotels. The unit of analysis of this study is
organization. Therefore, only one respondent will belong to one hotel. All the details of respondents collected through directory of Ministry of Tourism and Culture, Malaysia. This research used mail and email questionnaire. The respondents were among the hotel’s top and middle managers who possess sufficient knowledge about their hotels’ business strategies and performance. A total of 475 sets of questionnaires were distributed to the respondents and only 24% of it, which is 114, was returned. The majority or 53.5% of respondents were from top management and 46.5% were from middle management. For the hotel features, 43.9% of hotels were 3 star, 36% of 4 star and 20.2% of 5-star rating. The results show that 14% hotels with under 100 rooms, 30.7% of hotels has 101-200 rooms, 31.6% hotels have 201-300 rooms, 14.9% of hotels has 401 and above rooms and only 8.8% of hotels has 301-400 rooms. Lastly, 25.4% of hotels were operated 5-9 years, 30.7% hotels operated for 10-15 years, 26.3% of hotels operated more than 15 years, while only 17.5% of hotels were operated under 5 years.

4. Findings
4.1 Goodness of measures
Reliability test was conducted to ensure all the scales used in the questionnaire are reliable. So, Cronbach alpha values were calculated for competitive strategy, strategic capability and performance. Table 1 shows the alpha values of hybrid competitive strategy, strategic capability and performance that passed the threshold of 0.70 (Nunnally, 1967). To determine the underlying dimensions of hybrid competitive strategy, strategic capability and performance, a principal component analysis with varimax rotation was used. The Kaiser Mayer Olkin (KMO) of sampling sufficiency found 0.808, 0.891 and 0.727 respectively, which indicates that the sample is suitable for analysis. All the factor loadings exceeding 0.5 and validity of the scale are established (Hair, Black, Babin & Anderson 2010). Table 1 shows the outcomes of validity and reliability.

<table>
<thead>
<tr>
<th>Variables</th>
<th>No of items</th>
<th>Factor loadings</th>
<th>Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hybrid competitive strategy</td>
<td>11</td>
<td>0.804-0.828</td>
<td>0.94</td>
</tr>
<tr>
<td>Strategic capability</td>
<td>10</td>
<td>0.722-0.835</td>
<td>0.96</td>
</tr>
<tr>
<td>Organizational performance</td>
<td>6</td>
<td>0.665-0.825</td>
<td>0.88</td>
</tr>
</tbody>
</table>

Table 1: Results of validity and reliability

The researchers used Variance Inflated Factor (VIF) and tolerance value to identify the presence of multicollinearity (Pallant, 2005). The results show that all the values of VIF did not exceed 10 and all the tolerance value were greater than 0.10. The t-test analysis was carried out to access the non-response bias by comparing early and late respondents. This study has 67 early and 47 late responses, which received after sent the reminder letter. The result indicates no significant differences at the 0.05 level between these two groups (Skarmeas, Katsikeas & Schlegelmilch, 2002). In addition, this study utilized Harman’s single factor test to determine the Common Method Variance (CMV) because all the statements in the questionnaire was answered by a single respondent (Podsakoff & Organ, 1986). The findings show that the value of first factor recorded lower than 0.50. Overall, this study has no non-response bias and CMV problem.

4.2 Regression analysis
The correlation and regression were used to accomplish the two objectives of this study. Table 2 indicates the mean, standard deviation and inter-correlation.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>SD</th>
<th>Competitive strategy</th>
<th>Strategic capability</th>
<th>Organizational performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive strategy</td>
<td>3.7</td>
<td>0.76</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic capability</td>
<td>3.4</td>
<td>0.71</td>
<td>0.715*</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Organizational performance</td>
<td>3.3</td>
<td>0.62</td>
<td>0.648*</td>
<td>0.707*</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Note: Significant at: *p < 0.01

Table 2: Descriptive statistics and inter-correlations
Table 2 displays that hybrid competitive strategy has significant impact on organizational performance ($\beta = 0.648$, $p < 0.01$), hybrid competitive strategy also has a significant impact on strategic capability ($\beta = 0.715$, $p < 0.01$), therefore H1 and H3 were supported. The outcome also indicates that strategic capability has a significant effect on organizational performance ($\beta = 0.707$, $p < 0.01$). Thus, H2 also supported.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Dependent variable = performance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Without mediator</td>
</tr>
<tr>
<td>Hybrid competitive</td>
<td>$0.648^*$</td>
</tr>
<tr>
<td>Strategic capability</td>
<td></td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.420</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.415</td>
</tr>
</tbody>
</table>

Note: Significant at: $^*p < 0.01$

Table 3: Findings of mediation

Table 3 indicates simple explanation of mediation steps by Ramayah, Samat & Lo (2011) based on Baron and Kenny (1986) four steps method. Hybrid competitive strategy significantly associated to performance (Table 3), hybrid competitive strategy also significantly linked to strategic capability (Table 2) and in last step of regression (Table 3) shown that both hybrid competitive strategy ($\beta = 0.284$, $p < 0.01$) and strategic capability ($\beta = 0.509$, $p < 0.01$) have significant influence on performance. The relation of hybrid competitive strategy and organizational performance is still significant after the direct influence of strategic capability on performance was controlled. Hybrid competitive strategy has significant influence on organizational performance, even though it decreased from $\beta = 0.648$ to 0.284. This shows a partial mediation. Therefore, H4 also supported.

5. Discussions and Implications

5.1 Implication

The results give emphasis to the prominence of hybrid competitive strategy and strategic capability on performance of hotels in Malaysia. This research provided empirical support for the four hypotheses proposed in the conceptual framework. The overall implication for the hoteliers was that both hybrid competitive strategy and strategic capability have provided a strong foundation for improving their performance. Based on the findings, hybrid competitive strategy has significant impact on organizational performance which is provided adequate support for the hypothesis that greater the competitive strategy pursuing by hotels, the superior would be the performance (Hilman & Kaliappen 2014). This is consistent with earlier studies that confirm competitive strategies as an important determinant of organizational performance (Kaliappen & Hilman 2014; Parnell 2011; Seede et al. 2009; Gyampah & Acquaah 2008). This study was contrasted with prior findings that established Porter’s competitive strategies not applicable to hotels and none of hotels pursuing cost leadership as their business strategy (Bordean et al. 2010; Harrison & Enz 2005).

One possible explanation for this finding might be that the respondents of this study were from top and middle level managers who really know about their hotel’s strategic direction and involves in strategic decision making. In addition, this study was conducted from strategic management perspectives which really emphasize on the effective business strategy implementation that brings advanced performance.

Further, this research also found that the hybrid competitive strategy has a positive influence on strategic capability. Prior researches suggested that strategies should transform resources into strategic capabilities that aid as a basis for business strategies as well as eventually lead to strategy achievement (Parnell 2011).

Further, several strategic capabilities are likely to be more imperative to several business strategies (Ambrosini, Bowman & Collier 2009). Following this logic, strategic capabilities serve a necessary part in the execution of competitive strategy (Parnell 2011). Furthermore, this research discovered that strategic capability has a significant impact on organizational performance that supports the hypothesis the better
the strategic capability used by the hotels, the better will be the performance. Previous studies that support the development of various strategic capabilities have positive influence on business performance (Desarbo et al. 2005; Parnell 2011).

The result of mediation effect has shown in what manner the model is connected. It has shown that strategic capability plays a partial mediator role in the association between hybrid competitive strategy and organizational performance. It is accurate ever since hybrid competitive strategy is an organizational business level strategy that leads to attain competitive advantage (Porter 1980; 1985). Therefore, with strategic capability, competitive strategy will give better organizational performance to the hoteliers. Hence, this finding supports the necessary of linking right strategy with effective strategic capability could produce better performance (Parnell 2011).

Hybrid competitive strategy is crucial for hoteliers set a strategic direction. In order to survive in current hyper-competitive business environment, hoteliers must pursue hybrid competitive strategy as their business strategy, in which hybrid competitive strategy has previously been linked positive with organizational performance. Hotels that implement hybrid competitive strategy are able to enhance their competitiveness and attain superior performance. This study also provides evidence that utilizing effective strategic capability will have the greatest impact on organizational performance. It is believed that the hotel managers could benefit from the findings by understand the link between hybrid competitive strategy and strategic capability. Knowledge from this study could provide managers with an enhanced ability to use their capabilities much more efficiently and make decision regarding their strategy execution. This finding has suggested that strategic capability should be incorporated as a tool to evaluate hybrid competitive strategy effort in the hotel industry. This in turn could be used to determine the effectiveness of the hotel’s competitive strategy in achieving better performance.

5.2 Limitations and future research

The current research has some limitations. It only concentrated on hotels with three stars rated and above. So, future research should examine this issue on hotels with one to five-star rating. This study only examined strategic capability as a mediator between hybrid competitive strategy and performance nexus. Future research could focus on the impact of organizational learning as a potential mediator on above said relationship. Undeniably, other elements may affect the performance, if such condition happens, it is considered as limitations too. Nevertheless, it is assumed that present research has added some vital values to hybrid competitive strategy, strategic capability and performance literatures.

5.3 Conclusion

This research examines the link of hybrid competitive strategy and strategic capability on performance of hotels in Malaysia. This research found strong linkage between hybrid competitive strategy and strategic capability. As a result, hotels in Malaysia still relatively emphasis on hybrid competitive strategy execution as their core business strategies although it was generated three decades ago. Besides, this study found that strategic capability partially mediates the association of hybrid competitive strategy and organizational performance. It can be said that hybrid competitive strategy would increase the performance, if the hoteliers use effective strategic capability. In short, strategic capability really affects the influence of hybrid competitive strategy on performance of hotels in Malaysia.

References


